

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 16, 2017**

649 Lofts, located at 649 S. Wall Street in Los Angeles, requested and is being recommended for a reservation of \$959,570 in annual federal tax credits to finance the new construction of 54 units of housing serving special needs tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by The Skid Row Housing Trust and will be located in Senate District 30 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD Veterans Affairs Supportive Housing (VASH) Project-based Vouchers and the Los Angeles County Department of Health Services Flexible Housing Subsidy Pool (FHSP). The project financing includes state funding from the MHP and AHSC programs of HCD.

Project Number CA-17-773

Project Name 649 Lofts
Site Address: 649 S. Wall Street
Los Angeles, CA 90014 County: Los Angeles
Census Tract: 2063.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$959,570	\$0
Recommended:	\$959,570	\$0

Applicant Information

Applicant: 649 Lofts LP
Contact: Ben Rosen
Address: 1317 E. 7th Street
Los Angeles, CA 90021
Phone: 213-683-0522 **Fax:** 213-683-0781
Email: ben.rosen@skidrow.org

General Partner(s) or Principal Owner(s): 649 Lofts GP LLC
General Partner Type: Nonprofit
Parent Company(ies): The Skid Row Housing Trust
Developer: The Skid Row Housing Trust
Investor/Consultant: California Housing Partnership Corporation
Management Agent: SRHT Property Management Co

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 55
 No. & % of Tax Credit Units: 54 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD VASH Project-based Vouchers (18 units / 33%)
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 54

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: October 15, 2017
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

54 SRO/Studio Units
 1 2-Bedroom Units

 55 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
18 SRO/Studio	50%	30%	\$473
16 SRO/Studio	50%	30%	\$473
20 SRO/Studio	50%	50%	\$788
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$4,419,360

Project Cost Summary at Application

Land and Acquisition	\$2,676,750
Construction Costs	\$14,018,702
Rehabilitation Costs	\$0
Construction Contingency	\$1,159,390
Relocation	\$692,817
Architectural/Engineering	\$1,379,335
Const. Interest, Perm. Financing	\$2,189,179
Legal Fees, Appraisals	\$82,500
Reserves	\$463,195
Other Costs	\$1,487,958
Developer Fee	\$2,962,399
Commercial Costs	\$0
Total	\$27,112,225

Project Financing

Estimated Total Project Cost:	\$27,112,225
Estimated Residential Project Cost:	\$27,112,225
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$510
Per Unit Cost:	\$492,950
True Cash Per Unit Cost*:	\$479,155

Construction Financing

Source	Amount
Union Bank	\$17,546,237
HCIDLA	\$5,500,000
HCIDLA Accrued/Deferred Interest	\$229,424
LACDC	\$1,500,000
LACDC Accrued/Deferred Interest	\$62,570
Costs Deferred During Construction	\$771,300
Deferred Developer Fee	\$758,683
Tax Credit Equity	\$744,011

Permanent Financing

Source	Amount
Union Bank	\$1,476,000
HCD - MHP	\$3,898,032
HCD - AHSC	\$3,200,000
HCIDLA	\$5,500,000
HCIDLA Accrued/Deferred Interest	\$229,424
LACDC	\$1,500,000
LACDC Accrued/Deferred Interest	\$62,570
AHP	\$1,340,000
General Partner Equity	\$200,000
Deferred Developer Fee	\$758,683
Tax Credit Equity	\$8,947,516
TOTAL	\$27,112,225

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,711,724
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$29,525,241
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$959,570
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,962,399
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.93245

Per Regulation Section 10327(c)(6), the “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$22,711,724
Actual Eligible Basis:	\$22,711,724
Unadjusted Threshold Basis Limit:	\$11,246,884
Total Adjusted Threshold Basis Limit:	\$25,867,833

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information

The project will located within a 7-story, multi-use building. The project will occupy the top 4 floors of the building under an air space condominium subdivision. The bottom 3 floors will be owned separately by the Los Angeles Christian Health Centers (LACHC) which will operate the Joshua House Health Center, a federally qualified health center (FQHC) from this space. The project and the LACHC space will be financed and owned wholly independently from each other.

The project will have HUD Veterans Affairs Supportive Housing (VASH) project-based vouchers for 18 of the units for veterans and Los Angeles County Department of Health Services Flexible Housing Subsidy Pool (FHSP) rental subsidies for 36 units for homeless and/or special needs DHS patients. In addition, DHS will provide funding for Intensive Case Management Services (ICMS) for these tenants.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles Housing and Community Investment Department, has completed a site review of this project and strongly supports this project.

Recommendation

Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$959,570	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: None.