

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 First Round

June 10, 2015

Project Number CA-15-821

Project Name Skid Row Southeast 1
Site Address: 1201 E. 7th Street & 1205 E. 6th Street
Los Angeles, CA 90021 **County:** Los Angeles
Census Tract: 2063.00 & 2060.31

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$593,290	\$1,161,896
Recommended:	\$593,290	\$1,161,896

Applicant Information

Applicant: Skid Row Southeast 1 LP
Contact: Dana Trujillo
Address: 1317 E. 7th Street
Los Angeles, CA 90021
Phone: 213-683-0522 **Fax:** 213-683-0781
Email: dana@skidrow.org

General Partner(s)/Principal Owner(s): Skid Row Southeast 1 GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Skid Row Housing Trust
Developer: Skid Row Housing Trust
Investor/Consultant: California Housing Partnership Corporation
Management Agent: SRHT Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 106
No. & % of Tax Credit Units: 104 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Shelter Plus Care contract (43 units - 41%)
HCD MHP Funding: No
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 37 35 %
40% AMI: 30 25 %
50% AMI: 37 35 %
Affordability Breakdown by % (Basis Limit Increase):
Number of Units @ or below 35% of area median income: 37
Number of Units @ or below 50% of area median income: 67

Bond Information

Issuer: City of Los Angeles Housing and Community Investment Department
 Expected Date of Issuance: August 15, 2015
 Credit Enhancement: N/A

Information

Housing Type: Special Needs / SRO
 Type of Special Needs: Homeless
 % of Special Need Units: 52 units 50%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

105 SRO/Studio Units
 1 1-Bedroom Units

 106 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
31 SRO/Studio	30%	27%	\$388
6 SRO/Studio	30%	30%	\$428
29 SRO/Studio	40%	40%	\$571
1 SRO/Studio	40%	40%	\$571
37 SRO/Studio	50%	47%	\$672
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$9,686,855
Construction Costs	\$0
Rehabilitation Costs	\$4,161,787
Construction Contingency	\$624,268
Relocation	\$69,512
Architectural/Engineering	\$875,977
Construction Interest, Perm Financing	\$1,109,034
Legal Fees, Appraisals	\$110,400
Reserves	\$171,865
Other Costs	\$1,308,272
Developer Fee	\$1,995,283
Commercial Costs	\$0
Total	\$20,113,253

Project Financing

Estimated Total Project Cost:	\$20,113,253
Estimated Residential Project Cost:	\$20,113,253

Residential

Construction Cost Per Square Foot:	\$137
Per Unit Cost:	\$189,748

Construction Financing

Source	Amount
Wells Fargo Bank	\$10,200,000
HCD - RHCP/CHRP-R Recast Loans	\$4,317,466
County of Los Angeles CDC	\$500,000
General Partner Loan - Reserves	\$345,303
Deferred Costs and Accrued Interest	\$1,213,097
Deferred Developer Fee	\$995,283
Tax Credit Equity	\$2,542,105

Permanent Financing

Source	Amount
HCD - RHCP/CHRP-R Recast Loans	\$4,317,466
HCIDLA - Recast Loan	\$245,950
HCIDLA - RDA Recast Loan	\$5,085,356
County of Los Angeles CDC	\$500,000
AHP	\$1,500,000
General Partner Loan - Reserves	\$345,303
Deferred/Accrued Interest	\$197,732
Deferred Developer Fee	\$995,283
Tax Credit Equity	\$6,926,163
TOTAL	\$20,113,253

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,937,670
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,359,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,618,971
Qualified Basis (Acquisition):	\$6,359,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$383,426
Maximum Annual Federal Credit, Acquisition:	\$209,864
Total Maximum Annual Federal Credit:	\$593,290
Total State Credit:	\$1,161,896
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,995,283
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.03034
State Tax Credit Factor:	\$0.69993

Per Regulation Section 10322(i)(4)(A), 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:	\$15,297,170
Actual Eligible Basis:	\$15,297,170
Unadjusted Threshold Basis Limit:	\$21,431,758
Total Adjusted Threshold Basis Limit:	\$50,150,314

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 64%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 70%

Tie-Breaker Information

Final: **25.810%**

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 3.30% 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 has an existing HUD Shelter Plus Care rental subsidy contract for 43 of the affordable units (41%) and a rental subsidy commitment for 30 units from the County of Los Angeles Department of Health Services (DHS) from the Flexible Housing Subsidy Pool (FHSP).

This project consists of the resyndication of 2 existing low-income housing tax credit (LIHTC) projects, Las Americas Hotel (CA-90-036), and The Olympia Hotel (CA-90-050), which are located within approximately 1/4 mile of each other. Both of these projects are currently under extended-use TCAC regulatory agreements.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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

Federal Tax Credits/Annual
\$593,290

State Tax Credits/Total
\$1,161,896

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Additional rehab measures: PV generation that offsets either 50% of com	3	3	3
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Total Points	126	126	126

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.