

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 Second Round**

**September 23, 2015**

Norwood Learning Village, located at 2003-2020 Oak Street in Los Angeles, CA, requested and is being recommended for a reservation of \$954,414 in annual federal tax credits to finance the new construction of 28 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Thomas Safran & Associates and will be located in Senate District 30 and Assembly District 59.

The project financing includes state funding from the IIG program of HCD.

**Project Number** CA-15-159

**Project Name** Norwood Learning Village

Site Address: 2003-2033 Oak Street  
Los Angeles, CA 90007

County: Los Angeles

Census Tract: 2244.100

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$954,414	\$0
Recommended:	\$954,414	\$0

**Applicant Information**

Applicant: Norwood Learning Village LP  
Contact: Andrew Gross  
Address: 11812 San Vicente Blvd., Suite 600  
Los Angeles, CA 90049  
Phone: (310) 820-4888 Fax: (310) 207-6986  
Email: Andrew@tsahousing.com

General Partner(s) / Principal Owner(s): Norwood Housing, LLC  
Housing Corporation of America  
General Partner Type: Joint Venture  
Parent Company(ies): Thomas Safran & Associates Development Inc.  
Housing Corporation of America  
Developer: Thomas Safran & Associates Development Inc.  
Investor/Consultant: Union Bank NA  
Management Agent(s): Thomas Safran & Associates Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 6  
 Total # of Units: 29  
 No. & % of Tax Credit Units: 28 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME  
 Affordability Breakdown by Units and % (Lowest Income Points):  
     30% AMI: 3 10 %  
     40% AMI: 3 10 %  
     45% AMI: 13 45 %

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

13 1-Bedroom Units  
 7 2-Bedroom Units  
 9 3-Bedroom Units  


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 29 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$466
1 2 Bedrooms	30%	30%	\$560
1 3 Bedrooms	30%	30%	\$647
1 1 Bedroom	40%	40%	\$622
1 2 Bedrooms	40%	40%	\$747
1 3 Bedrooms	40%	40%	\$863
6 1 Bedroom	45%	45%	\$700
3 2 Bedrooms	45%	45%	\$840
4 3 Bedrooms	45%	45%	\$971
5 1 Bedroom	60%	60%	\$933
1 2 Bedrooms	60%	60%	\$1,120
3 3 Bedrooms	60%	60%	\$1,295
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,005,500
Construction Costs	\$7,502,902
Rehabilitation Costs	\$0
Construction Contingency	\$663,945
Relocation	\$0
Architectural/Engineering	\$918,346
Construction Interest, Perm Financing	\$885,491
Legal Fees, Appraisals	\$112,500
Reserves	\$64,747
Other Costs	\$886,386
Developer Fee	\$1,368,536
Commercial Costs	\$1,142,064
<b>Total</b>	<b>\$16,550,417</b>

**Project Financing**

Estimated Total Project Cost:	\$16,550,417
Estimated Residential Project Cost:	\$15,408,353
Estimated Commercial Project Cost	\$1,142,064

**Residential**

Construction Cost Per Square Foot:	\$238
Per Unit Cost:	\$531,323

**Construction Financing**

Source	Amount
Union Bank	\$9,500,000
HCIDLA - HOME	\$1,179,360
HCD - IIG	\$1,179,360
LAUSD - Land Lease Donation	\$2,730,000
Deferred Developer Fee	\$1,160,069
Tax Credit Equity	\$801,628

**Permanent Financing**

Source	Amount
Permanent Loan	\$773,000
HCIDLA - HOME	\$1,179,360
HCD - IIG	\$1,179,360
LAUSD - Land Lease Donation	\$2,730,000
Deferred Developer Fee	\$668,352
Tax Credit Equity	\$10,020,345
<b>TOTAL</b>	<b>\$16,550,417</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$9,547,014
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,411,118
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$954,414
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,368,536
Investor/Consultant:	Union Bank NA
Federal Tax Credit Factor:	\$1.04990

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:	\$9,547,014
Actual Eligible Basis:	\$12,104,073
Unadjusted Threshold Basis Limit:	\$6,960,962
Total Adjusted Threshold Basis Limit:	\$9,661,397

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels  
Local Development Impact Fees  
95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

Initial:	<b>Letter of Support</b>
First:	<b>Large Family</b>
Second:	<b>39.485%</b>

**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 7.69% 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:** None.

**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, the City of Los Angeles Housing and Community Development 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$954,414</b>	<b>\$0</b>

### **Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 allocation 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
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 1/4 mile of a public elementary school project children may attend	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Develop project to requirements of: Silver	3	3	5
Energy efficiency beyond CA Building Code Title 24 requirements: 32.5%	2	2	2
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**