

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2008 Second Round Cycle
October 8, 2008

Project Number [CA-2008-102](#)

Project Name Parkview on the Park
Site Address: 622-628 Alvarado Boulevard
 Los Angeles, CA 90057 County: Los Angeles
Census Tracts: 2089.03

Applicant Information

Applicant: Los Angeles Housing Partnership
Contact: Mary Silverstein
Address: 1200 Wilshire Boulevard, Suite 307
 Los Angeles, CA 90017
Phone: (213) 629-9172 Fax: [\(213\) 629-9179](#)
Email: msilverstein@lahousingpartnership.org
General Partner Type: Nonprofit

Information

Set-Aside: Special Needs/SRO
Housing Type: Seniors
Geographic Area: N/A

Eligible Basis

Requested: \$13,383,912
Actual: \$19,020,252
Maximum Permitted: \$13,848,356

Adjustments to Threshold Basis Limit: Required to Pay Prevailing Wages
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
Seismic Upgrading Environmental Mitigation
95% of Upper Floor Units are Elevator-Serviced

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,326,845	\$0
Recommended:	\$1,326,845	\$0

Project Information

Construction Type: Rehabilitation
Federal Subsidy: HOME / Project-based Section 8 Vouchers
Total # of Units: 80
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Set-Aside Elected: [40%/60%](#)
% & No. of Tax Credit Units: [100% - 79 units](#)
Breakdown by %: 15% @ 30%, 15% @ 35%, 25% @ 40%, 20% @ 45%, 10% @ 50%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
<i>Owner / Management Characteristics</i> Maximum of 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Negative Points			
<i>Housing Needs</i> Maximum of 10 points	10	10	10
<i>Site Amenities</i> Maximum of 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of public library	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Senior project within ½ mile of daily operated senior center or facility for seniors	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum of 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<input checked="" type="checkbox"/> Direct client services where a contract is in place at the time of application	5	5	5
<i>Neighborhood Revitalization</i> Maximum of 9 points	9	9	9
<i>Sustainable Building Methods</i> Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Construction Indoor Air Quality Management plan	2	2	2
<input checked="" type="checkbox"/> Project design incorporates Universal Design	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<i>Lowest Income</i> Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum of 20 points	20	20	20
<i>State credit substitution</i> Maximum of 2 points	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Senior**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **63.333%**

<u>Unit Type & Number</u>	<u>2008 Rents for 2nd Round 2008</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
14 SRO / Studio	30%	\$398
14 SRO / Studio	35%	\$464
23 SRO / Studio	40%	\$531
18 SRO / Studio	45%	\$597
10 SRO / Studio	50%	\$663
1 Two-bedroom unit	Managers' Units	\$0

The general partner or principal owner is Los Angeles Housing Partnership.

The project developer is Los Angeles Housing Partnership.

The management agent is Brackenhoff Management Group.

The market analyst is M. E. Shay & Company.

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.

Project Financing

Estimated Total Project Cost: \$25,909,690 Per Unit Cost: \$323,871 Construction Cost Per Sq. Foot: \$272

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank	\$11,401,950	CCRC	\$2,454,717
City of L.A. – HOME, DWP, RHPF	\$6,000,000	City of L.A. – HOME, DWP, RHPF	\$6,000,000
LAHD – Existing Earthquake Loan	\$3,800,000	LAHD – Existing Earthquake Loan	\$3,800,000
FHLB – AHP	\$560,000	FHLB – AHP Awarded 2007B	\$560,000
Deferred Developer Fee	\$1,164,000	FHLB – AHP Application	\$320,000
Investor Equity	\$2,983,740	Deferred Developer Fee	\$840,000
		Investor Equity	\$11,934,973
		TOTAL	\$25,909,690

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,383,912
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$347,982
Qualified Basis (Rehabilitation):	\$17,051,104
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit (Rehab):	\$1,326,845
Total State Credit:	\$0
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor: RBC Capital-Apollo Equity	\$0.8995

Applicant requests and staff recommends annual federal credits of \$1,326,845, based on a qualified rehabilitation basis of \$17,051,104 and a funding shortfall of \$11,934,973.

Cost Analysis and Line Item Review

The requested eligible basis \$13,383,912 is below TCAC's threshold basis limit \$13,848,356. The basis limit was increased by the following extraordinary features: projects that are required to pay state or federal prevailing wages, projects requiring seismic upgrading of existing structures, and/or requiring toxic or other environmental mitigation as certified by the project architect, projects where 95% of upper floor units are elevator-serviced, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items for exceeding Title 24 by at least 15%, using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system, and using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air. 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 **8.00%** 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: This project involves the conversion of an existing 198-unit SRO tax-credit project, CA-1992-178, into an 80-unit project for homeless and low-income seniors. The applicant, Los Angeles Housing Partnership, was not the original developer of this 1992 project. LAHP replaced the for-profit developer in December 1995 at the request of LAHD in order to avoid foreclosure by the lender and the loss of the city's subordinated debt. The original 1992 rehabilitation and the SRO design of the project were insufficient for the project's long-term sustainability.

The project is approximately 62% vacant with only 75 occupied units. The conversion will require the permanent relocation of many of these 75 existing tenants, most of which are non-senior households. The applicant has submitted a relocation plan to the city of Los Angeles. The applicant has budgeted over \$1,300,000 in permanent relocation payments for the residential tenants and \$320,000 in permanent relocation payments for the 5 commercial tenants on the 1st floor of the project.

The project has project-based vouchers from LAHD for 10 years on all 79 tax-credit units.

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.

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/Annual
\$1,326,845

State/Total
\$0

Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the “10%” test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

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)(8) 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)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Jack Waegell