

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2014 Second Round

September 24, 2014

REVISED

Project Number CA-14-155

Project Name Crest Apartments
Site Address: 13604 Sherman Way
Los Angeles (Van Nuys), CA 91405 County: Los Angeles
Census Tract: 1235.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,198,306	\$3,591,326
Recommended:	\$1,198,306	\$3,591,326

Applicant Information

Applicant: Crest Apartments 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): SRHT Crest GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Skid Row Housing Trust
Developer: Skid Row Housing Trust
Investor/Consultant: Union Bank
Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 64
No. & % of Tax Credit Units: 63 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (100% / 63 Units)
Average Targeted Affordability of Special Needs/SRO Project Units: 39.68%
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 27 40 %
45% AMI: 22 30 %
50% AMI: 14 20 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 63 units 100%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

63 SRO/Studio Units
 1 2-Bedroom Units

 64 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>
27 SRO/Studio	30%	30%	\$428
22 SRO/Studio	45%	45%	\$642
14 SRO/Studio	50%	50%	\$713
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$22,463,983
 Estimated Residential Project Cost: \$22,463,983

Residential

Construction Cost Per Square Foot: \$319
 Per Unit Cost: \$351,000

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank Construction Loan	\$12,675,482
HCIDLA - HOME & AHTF	\$4,200,000
LACDC - Loan	\$1,700,000
LADHS - Grant	\$80,000
Costs Deferred Until Conversion	\$1,314,954
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$1,893,547

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank - Tranche B Loan	\$2,280,000
HCIDLA - HOME & AHTF	\$4,200,000
LACDC - Loan	\$1,700,000
LADHS - Grant	\$80,000
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$13,603,983
TOTAL	\$22,463,983

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,971,086
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,562,412
Applicable Rate:	7.70%
Total Maximum Annual Federal Credit:	\$1,198,306
Total State Credit:	\$3,591,327
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.95545
State Tax Credit Factor:	\$0.60000

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:	\$11,971,086
Actual Eligible Basis:	\$18,528,593
Unadjusted Threshold Basis Limit:	\$10,592,741
Total Adjusted Threshold Basis Limit:	\$15,176,678

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 100% of Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	61.532%

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 7.70% 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 a HUD Section 8 project-based voucher subsidy for all 63 affordable 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.

Local Reviewing Agency:

The Local Reviewing Agency, the City of Los Angeles, 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
\$1,198,306	\$3,591,326

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
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 ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	2	2	2
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
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
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
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
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.