

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

PATH Villas Eucalyptus, located at 502-508 South Eucalyptus Avenue in Inglewood, requested and is being recommended for a reservation of \$908,500 in annual federal tax credits to finance the new construction of 39 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and PATH Ventures and will be located in Senate District 35 and Assembly District 62.

Project Number CA-16-157

Project Name PATH Villas Eucalyptus
Site Address: 502-508 South Eucalyptus Avenue
Inglewood, CA 90301 County: Los Angeles
Census Tract: 6012.120

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$908,500	\$0
Recommended:	\$908,500	\$0

Applicant Information

Applicant: PATH Inglewood Pacific Associates, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
Eagle, ID 83616
Phone: 208.461.0022 **Fax:** 208.461.3267
Email: calebr@tpchousing.com

General Partner(s) / Principal Owner(s): TPC Holdings V, LLC
PV Eucalyptus Villas MGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): TPC Holdings V, LLC
PATH Ventures
Developer: Pacific West Communities, Inc. & PATH Ventures
Investor/Consultant: Boston Capital
Management Agent(s): Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 4 10 %
 40% AMI: 8 20 %
 50% AMI: 16 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

36 1-Bedroom Units
 4 2-Bedroom Units

 40 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	24%	\$389
7 1 Bedroom	40%	40%	\$648
15 1 Bedroom	50%	40%	\$648
11 1 Bedroom	60%	40%	\$648
1 2 Bedrooms	30%	22%	\$437
1 2 Bedrooms	40%	37%	\$729
1 2 Bedrooms	50%	37%	\$729
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,311,250
Construction Costs	\$8,103,935
Rehabilitation Costs	\$0
Construction Contingency	\$825,000
Relocation	\$0
Architectural/Engineering	\$652,340
Const. Interest, Perm. Financing	\$394,800
Legal Fees, Appraisals	\$90,000
Reserves	\$270,000
Other Costs	\$931,944
Developer Fee	\$1,614,744
Commercial Costs	\$0
Total	\$14,194,013

Project Financing

Estimated Total Project Cost:	\$14,194,013
Estimated Residential Project Cost:	\$14,194,013
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$191
Per Unit Cost:	\$354,850
True Cash Per Unit Cost*:	\$350,976

Construction Financing

Source	Amount
Boston Capital Finance	\$5,753,865
City of Inglewood - HOME	\$1,311,250
City of Inglewood - LMIHF Loan	\$4,188,750
City of Inglewood - Fee Waiver	\$154,967
Deferred Costs	\$270,000
Deferred Developer Fee	\$807,372
Tax Credit Equity	\$1,707,809

Permanent Financing

Source	Amount
City of Inglewood - HOME	\$1,311,250
City of Inglewood - LMIHF Loan	\$4,188,750
City of Inglewood - Fee Waiver	\$154,967
Tax Credit Equity	\$8,539,046
TOTAL	\$14,194,013

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$7,764,961
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$10,094,449
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$908,500
Approved Developer Fee in Project Cost:	\$1,614,744
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.93991

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:	\$7,764,961
Actual Eligible Basis:	\$12,164,961
Unadjusted Threshold Basis Limit:	\$7,878,876
Total Adjusted Threshold Basis Limit:	\$9,372,204

Adjustments to Basis Limit

- 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

First:	Seniors
Final:	44.606%

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 9.0% 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 Inglewood, 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
\$908,500	\$0

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 fifteen 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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.