

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

7th & Witmer Apartments, located at 1301 W. 7th Street in Los Angeles, requested and is being recommended for a reservation of \$1,964,119 in annual federal tax credits to finance the new construction of 75 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Deep Green Housing and Community Development & Brook Financial Corporation, and will be located in Senate District 24 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and the County of Los Angeles Dept. of Health Services Flexible Housing Subsidy Pool (FHSP) program. The project financing includes state funding from the AHSC program of HCD.

Project Number CA-17-023

Project Name 7th & Witmer Apartments
Site Address: 1301 W. 7th Street
Los Angeles, CA 90017 County: Los Angeles
Census Tract: 2091.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,964,119	\$0
Recommended:	\$1,964,119	\$0

Applicant Information

Applicant: 7th & Witmer, LP
Contact: Zoe Ellas
Address: 400 W. 9th Street, Suite 100
Los Angeles, CA 90015
Phone: 213-251-2111 **Fax:** 213-688-5031
Email: zellas@deepgreenhousing.org

General Partner(s) / Principal Owner(s): Deep Green Housing and Community Development
Brook Financial Corporation

General Partner Type: Joint Venture

Parent Company(ies): Deep Green Housing and Community Development
Brook Financial Corporation

Developer(s): Deep Green Housing and Community Development &
Brook Financial Corporation

Investor/Consultant: Alliant Capital

Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 76
 No. & % of Tax Credit Units: 75 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (50 units / 67%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 34.53%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 50 65 %
 40% AMI: 16 20 %
 50% AMI: 9 10 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 75 units 100%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

28 SRO/Studio Units
 48 1-Bedroom Units

 76 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20 SRO/Studio	30%	30%	\$456
6 SRO/Studio	40%	40%	\$608
2 SRO/Studio	50%	50%	\$760
30 1 Bedroom	30%	30%	\$488
10 1 Bedroom	40%	40%	\$651
7 1 Bedroom	50%	50%	\$814
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$73,508,160

Project Cost Summary at Application

Land and Acquisition	\$4,817,641
Construction Costs	\$15,152,857
Rehabilitation Costs	\$0
Construction Contingency	\$1,794,968
Relocation	\$181,561
Architectural/Engineering	\$686,562
Const. Interest, Perm. Financing	\$1,576,308
Legal Fees, Appraisals	\$203,563
Reserves	\$870,299
Other Costs	\$1,403,691
Developer Fee	\$1,600,000
Commercial Costs	\$2,058,579
Total	\$30,346,029

Project Financing

Estimated Total Project Cost:	\$30,346,029
Estimated Residential Project Cost:	\$28,087,450
Estimated Commercial Project Cost:	\$2,258,579

Residential

Construction Cost Per Square Foot:	\$258
Per Unit Cost:	\$369,572
True Cash Per Unit Cost*:	\$362,945

Construction Financing

Source	Amount
First General Bank	\$16,500,000
HCIDLA - HOME	\$1,500,000
HCD - AHSC Grant	\$2,092,000
Costs Deferred During Construction	\$1,712,000
Tax Credit Equity	\$8,542,029

Permanent Financing

Source	Amount
First General Bank - Tranches A & B	\$2,318,930
HCIDLA - HOME	\$1,500,000
HCD - AHSC Loan	\$6,256,000
HCD - AHSC Grant	\$2,092,000
Deferred Developer Fees	\$503,616
Tax Credit Equity	\$17,675,483
TOTAL	\$30,346,029

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,787,513
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,823,767
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,964,119
Approved Developer Fee in Project Cost:	\$1,600,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	\$0.89992

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:	\$16,787,513
Actual Eligible Basis:	\$22,533,575
Unadjusted Threshold Basis Limit:	\$15,148,772
Total Adjusted Threshold Basis Limit:	\$21,455,036

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

100% of Units for Special Needs Population

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Use no irrigation at all, or irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Special Needs
Final:	55.768%

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

This project will receive rental subsidies from the HUD Section 8 project-based voucher program for 50 units and the County of Los Angeles Dept. of Health Services Flexible Housing Subsidy Pool (FHSP) for 25 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 Housing and Community Investment Department, has completed a 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
\$1,964,119	\$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 ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
In-unit high speed internet service free of charge for at least 15 years	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
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of LEED	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.