

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

REVISED

PATH Metro Villas - Phase 2 located at 320 N. Madison Avenue and 333 N. Westmoreland Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,741,779 in annual federal tax credits and \$5,359,319 in total state tax credits to finance the new construction of 120 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by PATH Ventures and will be located in Senate District 24 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD VASH Vouchers, HUD Section 8 Project-based Vouchers, and Los Angeles County Department of Health Services Flexible Housing Subsidy Pool. The project financing includes state funding from the VHHP and AHSC programs of HCD and SNHP through CalHFA.

Project Number CA-17-729

Project Name PATH Metro Villas - Phase 2
Site Address: 320 N. Madison Avenue and 333 N. Westmoreland Avenue
Los Angeles, CA 90004 County: Los Angeles
Census Tract: 1927.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,741,779	\$5,359,319
Recommended:	\$1,741,779	\$5,359,319

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: PV Metro Villas Phase 2 GP, LLC
Contact: Amy Anderson
Address: 340 N. Madison Avenue
Los Angeles, CA 90004
Phone: 323-644-2270
Email: amya@pathventures.org

General Partner(s) / Principal Owner(s): PV Metro Villas Phase 2 GP, LLC
General Partner Type: Nonprofit
Parent Company(ies): PATH Ventures
Developer: PATH Ventures
Investor/Consultant: National Equity Fund
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 122
No. & % of Tax Credit Units: 120 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME / HUD VASH Vouchers: 19 Units (16%)
HUD Section 8 Project-based Vouchers: 56 Units (46%)
HCD MHP Funding: No
Average Targeted Affordability of Special Needs/SRO Project Units: 34.83%
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 61 50 %
45% AMI: 30 25 %
Affordability Breakdown by % (Basis Limit Increase):
Number of Units @ or below 35% of area median income: 61
Number of Units @ or below 50% of area median income: 30
Number of Units @ or below 60% of area median income: 29

Bond Information

Issuer: City of Los Angeles (HCIDLA)
Expected Date of Issuance: 11/01/17
Credit Enhancement: N/A

Information

Housing Type: Special Needs
Type of Special Needs: Homeless / formerly homeless;
Person with physical, mental, developmental disabilities
% of Special Need Units: 90 units 75%
Geographic Area: City of Los Angeles
TCAC Project Analyst: Zhuo Chen

Unit Mix

60 SRO/Studio Units
60 1-Bedroom Units
2 2-Bedroom Units
<hr/>
122 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>
7 SRO/Studio	30%	30%	\$456
10 SRO/Studio	30%	30%	\$456
3 SRO/Studio	30%	30%	\$456
10 SRO/Studio	30%	30%	\$456
15 SRO/Studio	45%	45%	\$684
15 SRO/Studio	60%	50%	\$760
8 1 Bedroom	30%	30%	\$488
11 1 Bedroom	30%	30%	\$488
3 1 Bedroom	30%	30%	\$488
9 1 Bedroom	30%	30%	\$488
14 1 Bedroom	45%	45%	\$732
1 1 Bedroom	45%	45%	\$732
14 1 Bedroom	60%	50%	\$814
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$66,603,240

Project Cost Summary at Application

Land and Acquisition	\$6,748,145
Construction Costs	\$30,049,163
Rehabilitation Costs	\$0
Construction Contingency	\$2,564,690
Relocation	\$0
Architectural/Engineering	\$1,470,000
Const. Interest, Perm. Financing	\$3,509,990
Legal Fees, Appraisals	\$165,000
Reserves	\$1,288,608
Other Costs	\$3,038,634
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$51,334,230

Project Financing

Estimated Total Project Cost:	\$51,334,230
Estimated Residential Project Cost:	\$51,334,230
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$350
Per Unit Cost:	\$420,772
True Cash Per Unit Cost*:	\$409,095

Construction Financing

Source	Amount
Bank of America	\$36,405,000
HCIDLA ¹ - HOME	\$5,580,000
CalHFA - SNHP ²	\$1,500,000
HCD - AHSC Sustainable Transportation	\$1,192,345
Foundation Grants ³	\$55,000
Deferred Costs	\$2,604,007
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$2,897,278

Permanent Financing

Source	Amount
CCRC	\$1,200,000
HCD - ASHC Affordable Housing	\$12,413,648
HCD - AHSC Transportation	\$1,192,345
HCD - VHHP	\$6,173,180
HCIDLA ¹ - HOME	\$6,200,000
CalHFA - SNHP ²	\$1,500,000
City of LA Fee Waiver	\$524,600
Foundation Grants ³	\$55,000
GP Equity	\$200,000
Deferred Developer Fee	\$900,000
Tax Credit Equity	\$20,975,457
TOTAL	\$51,334,230

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

¹HCIDLA: Housing and Community Investment Department of the City of Los Angeles

²SNHP: Special Needs Housing Program

³Foundation Grants: Local Initiative Support Corporation and Citibank

Determination of Credit Amount(s)

Requested Eligible Basis:	\$41,225,535
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$53,593,196
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,741,779
Total State Credit:	\$5,359,319
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.95810
State Tax Credit Factor:	\$0.80000

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:	\$41,225,535
Actual Eligible Basis:	\$41,225,535
Unadjusted Threshold Basis Limit:	\$26,794,160
Total Adjusted Threshold Basis Limit:	\$70,200,699

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

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 25%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 100%

Tie-Breaker Information

Final: 95.452%

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 3.25% 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

15 out of the 90 Special Needs units in this project will be reserved for homeless households and be will be receiving rental subsidy and intensive management services via the Los Angeles County Department of Health Services (DHS).

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 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
\$1,741,779	\$5,359,319

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 reservation 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
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 public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
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	5	5	5
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
Total Points	116	116	116

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