

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 Second Round**

**September 23, 2015**

Panama Hotel Apartments, located at 403 E. 5th Street in Los Angeles, CA, requested and is being recommended for a reservation of \$993,299 in annual federal tax credits to finance the rehabilitation of 71 units of housing serving homeless households with rents affordable to households earning 30-40% of area median income (AMI). The project will be developed by SRO Housing Corporation and will be located in Senate District 30 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-15-101

**Project Name** Panama Hotel Apartments  
Site Address: 403 E. 5th Street  
Los Angeles, CA 90013 County: Los Angeles  
Census Tract: 2062.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$993,299	\$0
Recommended:	\$993,299	\$0

**Applicant Information**

Applicant: Panama Apartments, L.P.  
Contact: Joseph Corcoran  
Address: 1055 W. 7th Street, Suite 3250  
Los Angeles, CA 90017  
Phone: 213-229-9640 Fax: 213-633-5468  
Email: JosephC@SROHousing.org

General Partner(s) / Principal Owner(s): Single Room Occupancy (SRO) Housing Corporation  
General Partner Type: Nonprofit  
Parent Company(ies): SRO Housing Corporation  
Developer: SRO Housing Corporation  
Investor/Consultant: Union Bank  
Management Agent(s): SRO Housing Corporation

**Project Information**

Construction Type: Rehabilitation-Only  
 Total # Residential Buildings: 1  
 Total # of Units: 72  
 No. & % of Tax Credit Units: 71 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (71 units - 100%)  
 Average Targeted Affordability of Special Needs/SRO Project Units: 34.93%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 36 50 %  
 40% AMI: 35 45 %

**Information**

Set-Aside: Nonprofit (Homeless Assistance)  
 Housing Type: Single Room Occupancy  
 Type of Special Needs: Homeless / formerly homeless and persons with physical, mental, and developmental disabilities  
 % of Special Need Units: 71 units 100%  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

72 SRO/Studio Units  
 72 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
36 SRO/Studio	30%	30%	\$435
35 SRO/Studio	40%	38%	\$551
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,501,508
Construction Costs	\$0
Rehabilitation Costs	\$11,870,546
Construction Contingency	\$1,203,226
Relocation	\$0
Architectural/Engineering	\$747,800
Construction Interest, Perm Financing	\$905,444
Legal Fees, Appraisals	\$124,500
Reserves	\$349,575
Other Costs	\$957,936
Developer Fee	\$2,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$24,660,535</b>

**Project Financing**

Estimated Total Project Cost:	\$24,660,535
Estimated Residential Project Cost:	\$24,660,535

**Residential**

Construction Cost Per Square Foot:	\$355
Per Unit Cost:	\$342,507

**Construction Financing**

Source	Amount
Union Bank	\$11,527,000
HCIDLA	\$3,771,656
HCIDLA - HOME	\$4,479,380
HCIDLA - McKinney Vento	\$10,000
AHP	\$1,000,000
Deferred Costs and Fees	\$3,689,736
Tax Credit Equity	\$182,763

**Permanent Financing**

Source	Amount
Union Bank - Tranche B	\$2,390,000
HCIDLA	\$3,771,656
HCIDLA - HOME	\$4,479,380
HCIDLA - McKinney Vento	\$10,000
AHP	\$1,000,000
Deferred Costs and Fees	\$2,877,852
Tax Credit Equity	\$10,131,647
<b>TOTAL</b>	<b>\$24,660,535</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$9,935,970
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$12,916,761
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$993,299
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:	\$1.02000

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:	\$9,935,970
Actual Eligible Basis:	\$16,765,562
Unadjusted Threshold Basis Limit:	\$12,300,048
Total Adjusted Threshold Basis Limit:	\$15,990,063

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First: **Single Room Occupancy**  
Second: **78.960%**

**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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 is a complete renovation of the existing Panama Hotel which is comprised of 219 boarding room type units. This will be converted to 72 SRO units which will include individual bathrooms, small kitchenettes and a closet.

The proposed rent does not include any utility allowance. The owner will pay for all utilities.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$993,299</b>	<b>\$0</b>

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>REHABILITATION</b>			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**