

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 Second Round**

**September 23, 2015**

South West View Apartments, located at 3015-3031 South West View Street in Los Angeles, CA, requested and is being recommended for a reservation of \$1,642,130 in annual federal tax credits and \$4,927,851 in total state tax credits to finance the new construction of 63 units of housing serving homeless veterans and seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by D.L. Horn & Associates LLC, and will be located in Senate District 30 and Assembly District 62.

The project will be receiving rental assistance in the form of HUD Veterans Affairs Supportive Housing (VASH) vouchers. The project financing includes state funding from the IIG and VHHP programs of HCD.

**Project Number** CA-15-158

**Project Name** South West View Apartments  
Site Address: 3015-3031 South West View Street  
Los Angeles, CA 90016 County: Los Angeles  
Census Tract: 2197.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,642,130	\$4,927,851
Recommended:	\$1,642,130	\$4,927,851

**Applicant Information**

Applicant: Los Angeles South West View Partners LP  
Contact: Karen Merritt  
Address: 15635 Alton Parkway, Ste. 375  
Irvine, CA 92618  
Phone: (949) 528-3776 Fax: (949) 878-9399  
Email: kmerritt@palmcommunities.com

General Partner(s) / Principal Owner(s): New Directions Housing LLC  
PC Los Angeles South West View LLC  
General Partner Type: Joint Venture  
Parent Company(ies): New Directions, Inc.  
Palm Communities  
Developer: D.L. Horn & Associates, LLC  
Investor/Consultant: Hudson Housing Capital  
Management Agent(s): ConAm Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 64  
 No. & % of Tax Credit Units: 63 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / HUD Veterans Affairs Supportive Housing (VASH) Vouchers  
 (32 Units - 51%)  
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 17 25 %  
 40% AMI: 10 15 %  
 50% AMI: 19 30 %

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 % of Special Need Units: 36 units 57%  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

51 1-Bedroom Units  
 13 2-Bedroom Units  


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 64 Total Units

<b>Unit Type &amp; Number</b>	<b>2015 Rents Targeted % of Area Median Income</b>	<b>2015 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
6 1 Bedroom	30%	17%	\$260
2 1 Bedroom	50%	17%	\$260
1 1 Bedroom	40%	17%	\$260
2 1 Bedroom	40%	30%	\$466
11 1 Bedroom	50%	30%	\$466
8 1 Bedroom	30%	30%	\$466
6 1 Bedroom	40%	40%	\$622
2 1 Bedroom	50%	50%	\$778
13 1 Bedroom	60%	56%	\$868
3 2 Bedrooms	30%	30%	\$560
3 2 Bedrooms	50%	30%	\$560
1 2 Bedrooms	40%	40%	\$746
1 2 Bedrooms	50%	50%	\$933
4 2 Bedrooms	60%	60%	\$1,120
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$5,236,575
Construction Costs	\$14,379,983
Rehabilitation Costs	\$0
Construction Contingency	\$705,622
Relocation	\$340,996
Architectural/Engineering	\$1,550,000
Construction Interest, Perm Financing	\$1,913,861
Legal Fees, Appraisals	\$237,092
Reserves	\$934,043
Other Costs	\$2,898,204
Developer Fee	\$1,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$29,396,376</b>

**Project Financing**

Estimated Total Project Cost:	\$29,396,376
Estimated Residential Project Cost:	\$29,396,376

**Residential**

Construction Cost Per Square Foot:	\$243
Per Unit Cost:	\$459,318

**Construction Financing**

Source	Amount
JPMorgan Chase Bank, N.A.	\$24,753,633
HCIDLA - HOME	\$2,600,000
AHP	\$630,000
Deferred Developer Fee	\$366,761
Tax Credit Equity	\$1,045,982

**Permanent Financing**

Source	Amount
JPMorgan Chase Bank, N.A.	\$1,232,347
HCIDLA - HOME	\$2,600,000
HCD - IIG	\$1,600,000
HCD - VHHP	\$2,340,000
AHP	\$630,000
Deferred Developer Fee	\$74,392
Tax Credit Equity	\$20,919,637
<b>TOTAL</b>	<b>\$29,396,376</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$16,426,226
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$21,354,094
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$1,642,130
Total State Credit:	\$4,927,851
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$1.06989
State Tax Credit Factor:	\$0.67993

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:	\$16,426,226
Actual Eligible Basis:	\$21,421,172
Unadjusted Threshold Basis Limit:	\$13,134,270
Total Adjusted Threshold Basis Limit:	\$19,147,393

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

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

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

- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

Initial:	<b>Letter of Support</b>
First:	<b>Special Needs</b>
Second:	<b>46.920%</b>

**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. 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 is serving 36 special needs tenants (homeless veterans) under HCD's Veterans Housing and Homelessness Prevention (VHHP) program. Of these 36 units, 32 units will have HUD Veterans Affairs Supportive Housing (VASH) vouchers and 4 units will be supported by an HCD-VHHP operating reserve. The remaining 27 low-income units will serve seniors and will be located in a separate building from the homeless veterans building/units. The project will have a community center building available to all units. In addition, each building will have its own dedicated community space.

**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 & 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>\$1,642,130</b>	<b>\$4,927,851</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 ¼ mile of public library	3	3	3
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	2	2	2
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	2	2	2
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NEW CONSTRUCTION</b>			
Develop project in accordance w/ requirements of LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
<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.**