

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 First Round

June 8, 2016

Crenshaw Villas, located at 2645 Crenshaw Boulevard in Los Angeles, requested and is being recommended for a reservation of \$1,457,750 in annual federal tax credits to finance the new construction of 49 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by American Communities, LLC and will be located in Senate District 30 and Assembly District 54.

The project financing includes state funding from the AHSC program of HCD.

Project Number CA-16-050

Project Name Crenshaw Villas
Site Address: 2645 Crenshaw Boulevard
Los Angeles, CA 90016 County: Los Angeles
Census Tract: 2200.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,457,750	\$0
Recommended:	\$1,457,750	\$0

Applicant Information

Applicant: Crenshaw Villas Partners, LP
Contact: Cynthia Michels
Address: 540 South Normandie Avenue, Suite 100
Los Angeles, CA 90020
Phone: 310-876-0353 Fax: 310-876-0360
Email: cm@americancommunities.net

General Partner(s) / Principal Owner(s): Crenshaw Villas RHF Housing, Inc.
Crenshaw Villas Developers, LLC
General Partner Type: Joint Venture
Parent Company(ies): Retirement Housing Foundation
American Communities, LLC
Developer: American Communities, LLC
Investor/Consultant: Credit Capital LLC
Management Agent(s): Foundation Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 45% AMI: 18 35 %
 50% AMI: 26 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Marisol Parks

Unit Mix

38 1-Bedroom Units
 12 2-Bedroom Units

 50 Total Units

<u>Unit Type & 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>
3 1 Bedroom	30%	30%	\$466
15 1 Bedroom	45%	45%	\$700
20 1 Bedroom	50%	50%	\$778
2 2 Bedrooms	30%	30%	\$560
3 2 Bedrooms	45%	45%	\$840
6 2 Bedrooms	50%	50%	\$933
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,217,631
Construction Costs	\$12,956,326
Rehabilitation Costs	\$0
Construction Contingency	\$637,015
Relocation	\$0
Architectural/Engineering	\$926,500
Construction Interest, Perm Financing	\$1,298,470
Legal Fees, Appraisals	\$204,975
Reserves	\$90,588
Other Costs	\$1,361,205
Developer Fee	\$2,000,000
Commercial Costs	\$731,840
Total	\$23,424,550

Project Financing

Estimated Total Project Cost:	\$23,424,550
Estimated Residential Project Cost:	\$22,687,710
Estimated Commercial Project Cost:	\$736,840

Residential

Construction Cost Per Square Foot:	\$211
Per Unit Cost:	\$453,754
Effective Per Unit Cost*:	\$445,906

Construction Financing

Source	Amount
Wells Fargo Bank	\$16,500,000
HCD - AHSC	\$2,200,000
City of Los Angeles - AHTF	\$2,500,000
Deferred Fees and Costs	\$1,690,588
Tax Credit Equity	\$533,962

Permanent Financing

Source	Amount
CCRC	\$1,958,000
HCD - AHSC	\$2,200,000
City of Los Angeles - AHTF	\$2,500,000
Deferred Developer Fee	\$405,107
Tax Credit Equity	\$16,361,443
TOTAL	\$23,424,550

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,459,403
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,197,224
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,457,750
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Credit Capital LLC
Federal Tax Credit Factor:	\$1.12238

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:	\$12,459,403
Actual Eligible Basis:	\$18,012,456
Unadjusted Threshold Basis Limit:	\$10,127,258
Total Adjusted Threshold Basis Limit:	\$14,114,864

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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial: **Letter of Support**
First: **Seniors**
Final: **28.188%**

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 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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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 applicant’s estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC’s minimum. At placed-in-service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

The project requested and was granted a waiver to the 20% two-bedroom limit of TCAC Regulation Section 10325(g)(2)(D). Of the 49 low-income units, 38 units shall be one-bedroom units and 11 shall be two-bedroom units (22%).

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 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
\$1,457,750	\$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 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

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 1 mile of public library	2	2	2
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Senior project within ½ mile of daily operated senior center/facility	3	3	3
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
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
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
Smoke Free Residence	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.