

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2016 First Round**

**June 8, 2016**

King 1101, located at 1101-1107 Martin Luther King, Jr. Blvd. in Los Angeles, requested and is being recommended for a reservation of \$736,560 in annual federal tax credits to finance the new construction of 25 units of housing serving large families and special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Clifford Beers Housing, Inc. and will be located in Senate District 30 and Assembly District 59.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the Governor's Homeless Initiative (GHI) program of HCD.

**Project Number** CA-16-067

**Project Name** King 1101  
**Site Address:** 1101-1107 Martin Luther King, Jr. Blvd.  
Los Angeles, CA 90037 County: Los Angeles  
**Census Tract:** 231220.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$736,560	\$0
Recommended:	\$736,560	\$0

**Applicant Information**

**Applicant:** King 1101 Apartments, L.P.  
**Contact:** Cristian Ahumada  
**Address:** 1200 Wilshire Blvd., Suite 520  
Los Angeles, CA 90017  
**Phone:** 213-316-0108 **Fax:** 213-316-0111  
**Email:** cahumada@cbhousing.org

**General Partner(s) / Principal Owner(s):** King 1101 Apartments, LLC  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Clifford Beers Housing, Inc.  
**Developer:** Clifford Beers Housing, Inc.  
**Investor/Consultant:** National Equity Fund  
**Management Agent(s):** The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 26  
 No. & % of Tax Credit Units: 25 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (20 units - 80%)  
 Average Targeted Affordability of Special Needs/SRO Project Units: 32.50%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
     30% AMI: 15 60 %  
     40% AMI: 5 20 %  
     50% AMI: 5 20 %

**Information**

Set-Aside: Nonprofit (homeless assistance)  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 % of Special Need Units: 20 units 80%  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

7 SRO/Studio Units  
 11 1-Bedroom Units  
 8 3-Bedroom Units  


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 26 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>
7 SRO/Studio	30%	30%	\$435
7 1 Bedroom	30%	30%	\$466
1 3 Bedrooms	30%	30%	\$647
3 1 Bedroom	40%	40%	\$622
2 3 Bedrooms	40%	40%	\$863
5 3 Bedrooms	50%	50%	\$1,079
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,923,911
Construction Costs	\$6,953,070
Rehabilitation Costs	\$0
Construction Contingency	\$347,654
Relocation	\$0
Architectural/Engineering	\$484,270
Construction Interest, Perm Financing	\$443,907
Legal Fees, Appraisals	\$90,546
Reserves	\$591,976
Other Costs	\$1,139,350
Developer Fee	\$1,455,546
Commercial Costs	\$546,396
<b>Total</b>	<b>\$13,976,626</b>

**Project Financing**

Estimated Total Project Cost:	\$13,976,626
Estimated Residential Project Cost:	\$13,361,908
Estimated Commercial Project Cost:	\$614,718

**Residential**

Construction Cost Per Square Foot:	\$376
Per Unit Cost:	\$513,920
Effective Per Unit Cost*:	\$513,920

**Construction Financing**

Source	Amount
US Bank	\$5,200,000
HCIDLA - HOME	\$3,930,000
Los Angeles County CDC	\$1,576,000
Costs Deferred During Construction	\$926,978
Deferred Developer Fee	\$440,600
General Partner Equity	\$100
Tax Credit Equity	\$1,902,948

**Permanent Financing**

Source	Amount
HCIDLA - HOME	\$3,930,000
Los Angeles County CDC	\$1,600,000
HCD - GHI	\$1,100,000
HCD - Capitalized Reserve Subsidy	\$75,000
General Partner Equity	\$100
Tax Credit Equity	\$7,271,526
<b>TOTAL</b>	<b>\$13,976,626</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$6,295,382
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,183,997
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$736,560
Approved Developer Fee in Residential Project Cost:	\$1,400,000
Approved Developer Fee in Commercial Project Cost:	\$68,322
Approved Developer Fee in Eligible Basis:	\$1,387,224
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.98723

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:	\$6,295,382
Actual Eligible Basis:	\$10,635,382
Unadjusted Threshold Basis Limit:	\$5,678,454
Total Adjusted Threshold Basis Limit:	\$8,321,554

**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

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

- New construction: project buildings are at least 15% more energy efficient than 2013 CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- 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:	N/A
First:	<b>Special Needs</b>
Final:	<b>64.639%</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 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**

The project has 20 special needs units (80%) serving the homeless and 5 units (20%) serving families. The project has HUD Section 8 project-based vouchers for the 20 units special needs units.

The Los Angeles County Department of Health Services (DHS) will provide services funding to Ocean Park Community Center in order to provide services targeted for 10 DHS clients that are part of the special needs households residing at the project.

**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>\$736,560</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 ½ 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 ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1.5 miles of a public high school that project's children may attend	3	3	3
<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 bdrms	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements of:LEED	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>15</b>	<b>15</b>	<b>15</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>138</b>	<b>138</b>	<b>138</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.**