

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2019 Second Round**

**September 25, 2019**

PATH Villas South Gate, located at 5610 Imperial Highway in South Gate, requested and is being recommended for a reservation of \$2,291,150 in annual federal tax credits and \$116,685 in total state tax credits to finance the new construction of 59 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 33 and Assembly District 63.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and VASH Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

**Project Number** CA-19-101

**Project Name** PATH Villas South Gate  
**Site Address:** 5610 Imperial Highway  
South Gate, CA 90280 County: Los Angeles  
**Census Tract:** 5362.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,291,150	\$116,685
Recommended:	\$2,291,150	\$116,685

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

**Applicant Information**

**Applicant:** PATH Villas South Gate, LP  
**Contact:** Allison Riley  
**Address:** 340 N. Madison Avenue  
Los Angeles, CA 90004  
**Phone:** 323-644-2226  
**Email:** allisonr@pathventures.org

**General Partner(s) / Principal Owner(s):** PV South Gate GP, LLC  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** PATH Ventures  
**Developer:** PATH Ventures  
**Investor/Consultant:** California Housing Partnership  
**Management Agent(s):** The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 60  
 No. & % of Tax Credit Units: 59 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (23 units / 38%)  
 VASH Project-based Vouchers (36 units / 61%)

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.47%  
 % of Special Need Units: 59 units 100%  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Carmen Doonan

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 29	45%
At or Below 40% AMI: 20	30%
At or Below 60% AMI: 10	15%

**Unit Mix**

31 SRO/Studio Units  
 28 1-Bedroom Units  
1 2-Bedroom Units  
 60 Total Units

<u>Unit Type &amp; Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 SRO/Studio	30%	30%	\$548
14 1 Bedroom	30%	30%	\$587
10 SRO/Studio	40%	40%	\$731
10 1 Bedroom	40%	40%	\$783
7 SRO/Studio	60%	60%	\$1,096
3 1 Bedroom	60%	60%	\$1,175
2 SRO/Studio	30%	30%	\$548
1 1 Bedroom	30%	30%	\$587
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,580,027
Construction Costs	\$17,852,741
Rehabilitation Costs	\$0
Construction Contingency	\$1,218,651
Relocation	\$0
Architectural/Engineering	\$1,082,397
Const. Interest, Perm. Financing	\$2,328,068
Legal Fees	\$118,000
Reserves	\$691,292
Other Costs	\$2,082,109
Developer Fee	\$1,547,854
Commercial Costs	\$0
<b>Total</b>	<b>\$33,501,139</b>

**Residential**

Construction Cost Per Square Foot:	\$342
Per Unit Cost:	\$558,352
True Cash Per Unit Cost*:	\$558,352

**Construction Financing**

Source	Amount
Banner Bank	\$24,339,930
LACDA <sup>1</sup>	\$4,031,000
LACDA <sup>2</sup>	\$500,000
Costs Deferred Until Conversion	\$1,489,409
LISC Grant <sup>3</sup>	\$41,500
General Partner Contribution	\$100
Tax Credit Equity	\$3,099,200

**Permanent Financing**

Source	Amount
Banner Bank - Tranche B	\$3,819,000
VHHP	\$3,771,436
LACDA <sup>1</sup>	\$4,081,000
LACDA <sup>2</sup>	\$500,000
LISC Grant <sup>3</sup>	\$41,500
General Partner Contribution	\$100
Tax Credit Equity	\$21,288,103
<b>TOTAL</b>	<b>\$33,501,139</b>

<sup>1</sup>Los Angeles Community Development Authority - County Affordable Housing Funds<sup>2</sup>Los Angeles Community Development Authority - Homeless Service Funds<sup>3</sup>Local Initiatives Support Corporation

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,582,475
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,457,218
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,291,150
Total State Credit:	\$116,685
Approved Developer Fee in Project Cost:	\$1,547,854
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.92507
State Tax Credit Factor:	\$0.80000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$19,582,475
Actual Eligible Basis:	\$19,582,475
Unadjusted Threshold Basis Limit:	\$14,099,115
Total Adjusted Threshold Basis Limit:	\$19,582,476

**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

100% of the Low Income Units for Special Needs Population

One or More Energy Efficiency:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>57.337%</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 meet or 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, 3.30%. 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.

**Significant Information / Additional Conditions:**

The proposed rents do 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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 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)(5) 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<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
Negative Points		5	5
<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, 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 public library	3	3	0
Within 1 mile of public library	2	0	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a pharmacy	1	1	1
<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: 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 Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</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>113</b>	<b>108</b>	<b>108</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.**