

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2018 Waiting List Project
November 14, 2018**

Rosa De Castilla Apartments, located at 4208 E. Huntington Drive South in Los Angeles, requested and is being recommended for a reservation of \$2,191,276 in annual federal tax credits to finance the new construction of 83 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 East LA Community Corporation and will be located in Senate District 24 and Assembly District 45.

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

Project Number CA-18-090

Project Name Rosa De Castilla Apartments
Site Address: 4208 E. Huntington Drive South
Los Angeles, CA 90032 County: Los Angeles
Census Tract: 2014.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,191,276	\$0
Recommended:	\$2,191,276	\$0

Applicant Information

Applicant: East LA Community Corporation
Contact: Ernesto Espinoza
Address: 2917 E. 1st Street, Suite 101
Los Angeles, CA 90033
Phone: (323) 269-4214
Email: eespinoza@elacc.org

General Partner(s) / Principal Owner(s): East LA Community Corporation
New Directions Housing, LLC

General Partner Type: Nonprofit

Parent Company(ies): East LA Community Corporation
New Directions Housing, LLC

Developer: East LA Community Corporation

Investor/Consultant: California Housing Partnership Corporation

Management Agent(s): John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 85
 No. & % of Tax Credit Units: 83 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (14 units - 17%) /
 HUD VASH Project-based Vouchers (49 units - 59%)

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless/formerly homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
 % of Special Need Units: 63 units 75%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 66	75%
At or Below 50% AMI: 13	15%
At or Below 60% AMI: 4	0%

Unit Mix

9 SRO/Studio Units
 55 1-Bedroom Units
 11 2-Bedroom Units
 10 3-BedroomUnits

 85 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 SRO/Studio	30%	30%	\$509
4 SRO/Studio	30%	30%	\$509
44 1 Bedroom	30%	30%	\$545
10 1 Bedroom	30%	30%	\$545
2 2 Bedrooms	30%	30%	\$654
1 3 Bedrooms	30%	30%	\$756
8 2 Bedrooms	50%	50%	\$1,091
5 3 Bedrooms	50%	50%	\$1,260
4 3 Bedrooms	60%	60%	\$1,512
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$42,139,020

Project Cost Summary at Application

Land and Acquisition	\$5,225,371
Construction Costs	\$28,125,323
Rehabilitation Costs	\$0
Construction Contingency	\$2,857,035
Relocation	\$0
Architectural/Engineering	\$1,038,335
Const. Interest, Perm. Financing	\$2,642,951
Legal Fees, Appraisals	\$107,246
Reserves	\$851,874
Other Costs	\$1,545,674
Developer Fee	\$1,690,770
Commercial Costs	\$942,507
Total	\$45,027,086

Residential

Construction Cost Per Square Foot:	\$405
Per Unit Cost:	\$518,144
True Cash Per Unit Cost*:	\$514,798

Construction Financing

Source	Amount
Construction Loan	\$27,660,812
HCIDLA - Proposition HHH	\$12,000,000
LA County CDC - AHTF	\$1,500,000
Deferred Costs	\$1,603,403
Deferred Developer Fee	\$287,877
GP Equity	\$100
Tax Credit Equity	\$1,972,000

Permanent Financing

Source	Amount
Permanent Loan	\$4,588,000
HCD VHHP	\$5,943,177
HCIDLA - Proposition HHH	\$12,000,000
LA County CDC - AHTF	\$1,500,000
Deferred Developer Fee	\$290,770
GP Equity	\$100
Tax Credit Equity	\$20,705,039
TOTAL	\$45,027,086

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,728,856
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,347,513
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$2,191,276
Approved Developer Fee in Project Cost:	\$1,690,770
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94489

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:	\$18,728,856
Actual Eligible Basis:	\$36,449,980
Unadjusted Threshold Basis Limit:	\$20,756,912
Total Adjusted Threshold Basis Limit:	\$30,135,375

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 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

- Install bamboo, stained concrete, 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, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	74.334%

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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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 current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-18-090 must be completed as part of the Readiness to Proceed submittal.

Resyndication and Resyndication Transfer Event: None

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, City of Los Angeles Housing and Community Investment Department, has completed a site review of this project and strongly supports this project.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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	14
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 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of a public high school	3	3	0
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	0
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	0
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	0
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 600 bdrms	3	3	0
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Enhanced Accessibility and Visitability	2	2	2
Total Points	113	113	102

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.