

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 17, 2019**

PATH Villas Hollywood, located at 5627 West Fernwood Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,522,137 in annual federal tax credits to finance the new construction of 59 units of housing serving special needs tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by PATH Ventures and will be located in Senate District 24 and Assembly District 43.

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 AHSC and NHTF programs of HCD.

Project Number CA-19-501

Project Name PATH Villas Hollywood
Site Address: 5627 West Fernwood Avenue
Los Angeles, CA 90028 County: Los Angeles
Census Tract: 1909.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,522,137	\$0
Recommended:	\$1,522,137	\$0

Applicant Information

Applicant: PVH LA LP
Contact: Allison Riley
Address: 340 North Madison Avenue
Los Angeles, CA 90004
Phone: 323-644-2221
Email: AllisonR@PATHVentures.org

General Partner(s) or Principal Owner(s): PVH GP LLC
General Partner Type: Nonprofit
Parent Company(ies): PATH Ventures
Developer: PATH Ventures
Investor/Consultant: California Housing Partnership Corporation
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 60
No. / % of Low Income Units: 59 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (59 units - 100%)

Bond Information

Issuer: HCIDLA
 Expected Date of Issuance: January 1, 2020

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Lucy Vang

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 59	100%

Unit Mix

45 SRO/Studio Units
 14 1-Bedroom Units
1 2-Bedroom Units
 60 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>
13 SRO/Studio	50%	30%	\$508
12 1 Bedroom	50%	30%	\$545
32 SRO/Studio	50%	50%	\$848
2 1 Bedroom	50%	50%	\$909
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,280,500
Construction Costs	\$24,334,057
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,831,013
Soft Cost Contingency	\$175,735
Relocation	\$0
Architectural/Engineering	\$801,381
Const. Interest, Perm. Financing	\$3,037,409
Legal Fees	\$120,000
Reserves	\$410,335
Other Costs	\$1,732,419
Developer Fee	\$4,627,900
Commercial Costs	\$0
Total	\$40,350,749

Residential

Construction Cost Per Square Foot:	\$533
Per Unit Cost:	\$672,512
True Cash Per Unit Cost*:	\$637,047

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$24,440,000	Citibank	\$2,029,000
City of Los Angeles Proposition HHH	\$11,434,724	City of Los Angeles Proposition HHH	\$12,320,000
Costs Deferred Until Completion	\$1,707,024	SGC HCD AHSC**	\$4,837,217
Deferred Developer Fee	\$2,127,900	HCD National Housing Trust Fund	\$3,935,162
General Partner Equity	\$100	Deferred Developer Fee	\$2,127,900
Tax Credit Equity	\$641,000	General Partner Equity	\$100
		Tax Credit Equity	\$15,101,370
		TOTAL	\$40,350,749

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

**Affordable Housing and Sustainable Communities Program

Determination of Credit Amount(s)

Requested Eligible Basis:	\$35,481,056
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$46,125,373
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,522,137
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,627,900
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99212

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$35,481,056
Actual Eligible Basis:	\$35,481,056
Unadjusted Threshold Basis Limit:	\$15,502,541
Total Adjusted Threshold Basis Limit:	\$37,051,073

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

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation

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

100% of the Low Income Units for Special Needs Population

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.30% 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.

Significant Information / Additional Conditions

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event: None

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

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 reservation 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.

CDLAC Additional Conditions:

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.