CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2019

PATH Villas Montclair-Gramercy, located at 4220 W. Montclair Street & 3317 W. Washington Boulevard in Los Angeles, requested and is being recommended for a reservation of $1,337,781 in annual federal tax credits to finance the new construction & acquisition and rehabilitation of 63 units of housing serving special needs tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by PATH Ventures, and is located in Senate District 30 and Assembly District 54.

PATH Villas Montclair-Gramercy is, in part, a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Gramercy Court (CA-94-144). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and Los Angeles County Department of Health Services Flexible Subsidy Housing Pool (FHSP). The project financing includes state funding from the MHP program of HCD.

Project Number	CA-19-506

Project Name	PATH Villas Montclair - Gramercy
Site Address:	4220 W. Montclair St. (Site 1) & 3317 W. Washington Blvd. (Site 2) Los Angeles, CA 90018 County: Los Angeles
Census Tract:	2193.00 (Site 1), 2181.20 (Site 2)

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,337,781	$0
Recommended:	$1,337,781	$0

Applicant Information

Applicant:	Montclair LA LP
Contact:	Allison Riley
Address:	340 N. Madison Avenue Los Angeles, CA 90004
Phone:	323-644-2226
Email:	allisonr@pathventures.org

General Partner(s) or Principal Owner(s):	Montclair 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 and Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	63
No. / % of Low Income Units:	61 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (45 Units / 73%) / HOME

Bond Information

Issuer:	City of Los Angeles (HCIDLA)
Expected Date of Issuance:	December 20, 2019

Information

Housing Type:	Special Needs
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
35% AMI:	8	13%
45% AMI:	8	13%
50% AMI:	25	41%
60% AMI:	20	33%

Unit Mix

61	SRO/Studio Units
2	2-Bedroom Units
63	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
18	SRO/Studio	50%	30%	$509
7	SRO/Studio	50%	20%	$339
14	SRO/Studio	60%	43%	$728
6	SRO/Studio	60%	30%	$509
8	SRO/Studio	35%	35%	$593
8	SRO/Studio	45%	45%	$763
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$7,535,027
Construction Costs	$15,665,194
Rehabilitation Costs	$3,250,077
Construction Hard Cost Contingency	$2,052,401
Soft Cost Contingency	$302,746
Relocation	$791,896
Architectural/Engineering	$1,688,307
Const. Interest, Perm. Financing	$3,327,207
Legal Fees	$146,000
Reserves	$1,101,504
Other Costs	$1,333,125
Developer Fee	$4,110,016
Commercial Costs	$0
Total	**$41,303,500**

Residential

Construction Cost Per Square Foot:	$434
Per Unit Cost:	$655,611
True Cash Per Unit Cost*:	$608,885

Construction Financing

Source	Amount
Citi Bank, N/A - Tax Exempt Bonds	$23,415,000
HCIDLA - Assumed HOME	$1,466,278
HCIDLA - Prop. HHH	$4,839,609
HCIDLA - HTF	$1,237,445
LACDA	$4,950,000
Seller Note	$1,333,722
General Partner Equity	$100
Cost Deferred Until Completion	$2,491,062
Tax Credit Equity	$1,570,284

Permanent Financing

Source	Amount
Citi Bank, N/A - Tax Exempt Bonds	$1,148,000
HCIDLA - Assumed HOME	$1,466,278
HCIDLA - Prop. HHH	$9,900,000
HCIDLA - HTF	$1,600,000
LACDA	$5,000,000
HCD - MHP Supportive Housing	$6,444,335
Seller Note	$1,333,722
Reserves	$58,736
GP Capital Contribution (Dev. Fee)	$1,610,016
General Partner Equity	$100
Tax Credit Equity	$12,742,313
TOTAL	**$41,303,500**

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

Determination of Credit Amount(s)

Requested Eligible Basis (New Construction & Rehab.):	$30,095,623
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$1,414,500
Applicable Fraction:	100.00%
Qualified Basis (New Construction & Rehabilitatior	$39,124,310
Qualified Basis (Acquisition):	$1,414,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$1,291,102
Maximum Annual Federal Credit, Acquisition:	$46,679
Total Maximum Annual Federal Credit:	$1,337,781
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,110,016
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.95250

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:	$31,510,123
Actual Eligible Basis:	$31,510,123
Unadjusted Threshold Basis Limit:	$15,812,171
Total Adjusted Threshold Basis Limit:	$33,188,213

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

100% of the Low Income Units for Special Needs Population

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 54%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 26%

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

This is a scattered site project consisting of a 46 unit new construction project (Site 1 - Montclair) and a 17 unit rehabilitation and resyndication project (Site 2 - Gramercy Court, CA-94-144). The sites are located within 1 mile of each other. Each site will have a manager's unit.

This project's overall cost per unit is estimated at $655,611. The project combines two scattered sites, one of which is the rehabilitation of a small existing tax credit project that requires significant rehabilitation including extensive energy improvement upgrades and rehabilitation of a community service facility. In order to rehabilitate the existing tax credit project and ensure its long-term viability, the applicant is combining it with a larger new construction project to gain economies of scale and operating efficiencies. However, this also required acquiring a scattered site within 1 mile of the existing project in order to meet the TCAC requirement. This limited the vacant sites available to purchase, which added costs associated with the scattered site aspect of the project. In addition, the cost of materials and labor have continued to rise as a result of shortages and tariffs, and there is a requirement to pay state prevailing wages.

The 17 unit rehabilitation project will also include PATH Ventures' Family Solutions Center which is a Community Service Facility (CSF) that will serve low-income tenants in the community. The CSF's costs are includable in eligible basis and are shown as residential costs rather than non-eligible basis commercial costs.

The existing tax credit project, Gramercy Court, CA-94-144, targets transition-age youth with children experiencing homelessness. PATH Ventures operates a transitional housing program for these tenants using grant funding from the Los Angeles Housing Services Authority to further their transition to other, more long-term housing. These tenants generally reside at Gramercy Court for a period of 8 to 18 months. In part because of its financial constraints, age/condition, small size, the Gramercy Court site is being resyndicated and combined with the new construction site as part of CA-19-506 to ensure its continued viability as affordable housing. The Gramercy Court site will also transition to permanent supportive housing serving homeless individuals allowing the project to use the public agency financing and subsidies necessary to accomplish the project's new construction and rehabilitation, and to continue to serve very low-income tenants.

The Housing Authority of the City of Los Angeles has committed to provide the project with HUD Section 8 project-based vouchers for 45 units and the Los Angeles County Department of Health Services has committed to provide Flexible Housing Subsidy Pool (FHSP) rental subsidy for 16 units.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-94-144). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.
As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).
• Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-94-144) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project includes a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service

The project includes a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirement under TCAC Regulation Section 10320(b)(4)(B).

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.