

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Parque Vista Apartments, located at 2581 E. Chaucer Street in Los Angeles, requested and is being recommended for a reservation of \$1,708,553 in annual federal tax credits to finance the new construction of 41 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by McCormack Baron Salazar and will be located in Senate District 24 and Assembly District 51.

The project financing includes state funding from the IIG program of HCD.

Project Number CA-19-093

Project Name Parque Vista Apartments
Site Address: 2581 E. Chaucer Street
Los Angeles, CA 90065 **County:** Los Angeles
Census Tract: 1871.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,708,553	\$0
Recommended:	\$1,708,553	\$0

Applicant Information

Applicant: Parque Vista, L.P.
Contact: Daniel Falcon
Address: 801 S. Grand Ave., Suite 780
Los Angeles, CA 90017
Phone: (213) 236-2680
Email: daniel.falcon@mccormackbaron.com

General Partner(s) / Principal Owner(s):	Parque Vista MBS GP, Inc. New Economics for Women
General Partner Type:	Joint Venture
Parent Company(ies):	McCormack Baron Salazar New Economics for Women
Developer:	McCormack Baron Salazar
Investor/Consultant:	Hudson Housing Capital
Management Agent(s):	McCormack Baron Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 42
 No. & % of Tax Credit Units: 41 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Utility Allowance: CUAC

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	5 10%
At or Below 35% AMI:	5 10%
At or Below 40% AMI:	5 10%
At or Below 45% AMI:	5 10%
At or Below 50% AMI:	5 10%

Unit Mix

28 2-Bedroom Units
14 3-Bedroom Units
42 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12 2 Bedrooms	60%	60%	\$1,410
3 2 Bedrooms	50%	50%	\$1,175
3 2 Bedrooms	45%	45%	\$1,057
3 2 Bedrooms	40%	40%	\$940
3 2 Bedrooms	35%	35%	\$822
3 2 Bedrooms	30%	30%	\$705
4 3 Bedrooms	60%	60%	\$1,629
2 3 Bedrooms	50%	50%	\$1,357
2 3 Bedrooms	45%	45%	\$1,221
2 3 Bedrooms	40%	40%	\$1,088
2 3 Bedrooms	35%	35%	\$950
2 3 Bedrooms	30%	30%	\$814
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,441,543
Construction Costs	\$13,006,905
Rehabilitation Costs	\$0
Construction Contingency	\$1,065,118
Relocation	\$0
Architectural/Engineering	\$525,000
Const. Interest, Perm. Financing	\$1,073,653
Legal Fees	\$210,000
Reserves	\$70,000
Other Costs	\$1,728,252
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$24,320,471

Residential

Construction Cost Per Square Foot:	\$300
Per Unit Cost:	\$579,059
True Cash Per Unit Cost*:	\$569,674

Construction Financing

Source	Amount
Chase Bank	\$15,600,000
HCIDLA ¹ - HOME	\$2,500,000
HCD-IIG via HCIDLA ¹	\$2,420,051
Deferred Developer Fees and Costs	\$2,177,295
Tax Credit Equity	\$1,623,125

Permanent Financing

Source	Amount
Chase Bank	\$2,775,000
HCIDLA ¹ - HOME	\$2,500,000
HCD-IIG via HCIDLA ¹	\$2,420,051
Deferred Developer Fee	\$394,170
Tax Credit Equity	\$16,231,250
TOTAL	\$24,320,471

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

¹City of Los Angeles Housing and Community Investment Department

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,999,676
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$18,999,676
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,708,553
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.95000

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:	\$18,999,676
Actual Eligible Basis:	\$18,999,676
Unadjusted Threshold Basis Limit:	\$13,922,944
Total Adjusted Threshold Basis Limit:	\$19,930,210

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

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 interior floor space other than units (where no VOC adhesives or backing is also used)

Environmental Mitigation

Local Development Impact Fees

Tie-Breaker Information

Initial:	Letter of Support
First:	Large Family
Final:	15.830%

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

This project is the 4th phase of a master development, Taylor Yard, a 23-acre parcel portion of the former 243-acre Southern Pacific Railroad rail yard. Previous phases include Taylor Yard Apartments (CA-11-905), Rio Vista Apartments (CA-12-086), and Taylor Yard Senior Housing (CA-14-040).

Staff noted the project's development cost is \$579,059 per unit. The factors affecting this cost includes requirement to pay federal prevailing wages for receiving HOME funds and environmental remediation. During previous research of the master development, various environmental subsurface conditions were found that needed to be addressed prior to construction. The subsurface conditions requiring remediation to comply with State and Federal standards extended into and below the project's location.

Services will be provided by a public service center, Cypress Park Family Source Center, either on-site or off-site for both after school programs for school age children and adult educational/health and wellness classes/skill building classes. The off-site services located at Cypress Park Family Source Center will be available to the project's tenants and are also open to the low income public community. In the event off-site services located at Cypress Park Family Source Center are impacted by non-residential tenants where availability to the project's tenants becomes scarce, the project must offer sufficient amount of services on-site to meet required hours for each of the services that garnered points.

The applicant's estimate of the 3-month operating reserve shown in the application development budget is below TCAC's minimum. Pursuant to TCAC Regulations 10327(a), the shortage of sources for the 3-month operating reserve is within the \$50,000 limit allowed by TCAC to be deemed an application error which shall be covered by the project's contingency line item. The applicant must correct the 3-month operating reserve in the readiness submission.

The applicant requested and was granted a waiver for the recreational facilities requirement for children ages 13-17 under TCAC Regulation Section 10325(g)(1)(D). The applicant has demonstrated availability of play or recreational facilities suitable for children ages 13-17 in the form of a nearby and readily accessible public park with recreational facilities adjacent to the proposed project. The public park's (Rio de Los Angeles State Park) recreational facilities includes softball and soccer fields as well as tennis and basketball courts.

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, Los Angeles Housing and Community Investment Departments, 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	15
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	3
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¾ mile of public elementary school	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	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
Smoke Free Residence	2	2	2
Total Points	113	113	113

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.