

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

11604 Vanowen Apartments, located at 11604 Vanowen Street in North Hollywood, requested and is being recommended for a reservation of \$597,241 in annual federal tax credits and \$1,990,804 in total state tax credits to finance the new construction of 48 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Decro Corporation and Daylight Community Development, LLC and will be located in Senate District 18 and Assembly District 39.

The project will be receiving rental assistance from the Flexible Housing Subsidy Pool (FHSP) Program implemented by the Los Angeles County Department of Health Services.

Project Number CA-20-015

Project Name 11604 Vanowen Apartments
Site Address: 11604 Vanowen Street
North Hollywood, CA 91605 County: Los Angeles
Census Tract: 1232.050

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$597,241	\$1,990,804
Recommended:	\$597,241	\$1,990,804

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: 11604 Vanowen, L.P.
Contact: Ted M. Handel
Address: 3431 Wesley Street, Suite F
Culver City, CA 90232
Phone: (424) 603-4586
Email: thandel@decro.org

General Partner(s) / Principal Owner(s): Decro Vanowen LLC
Daylight Vanowen LLC
Angelino Supportive Housing Partners, LLC

General Partner Type: Joint Venture

Parent Company(ies): Decro Corporation
Daylight Community Development, LLC
Black River Manager, LLC and Black Cat Ventures, LLC

Developer: Decro Corporation / Daylight Community Development, LLC

Investor/Consultant: Hudson Housing Capital

Management Agent(s): FPI Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 49
 No. & % of Tax Credit Units: 48 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A

Information

Set-Aside: Special Needs
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 % of Special Need Units: 48 units 100%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	24	50%
At or Below 50% AMI:	24	40%

Unit Mix

6 SRO/Studio Units
 42 1-Bedroom Units
 1 2-Bedroom Units

 49 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 SRO/Studio	30%	30%	\$548
3 SRO/Studio	50%	42%	\$769
21 1 Bedroom	30%	30%	\$587
21 1 Bedroom	50%	50%	\$979
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,598,963
Construction Costs	\$8,486,800
Rehabilitation Costs	\$0
Construction Contingency	\$1,024,000
Relocation	\$0
Architectural/Engineering	\$729,000
Const. Interest, Perm. Financing	\$1,140,020
Legal Fees	\$296,290
Reserves	\$550,000
Other Costs	\$877,360
Developer Fee	\$1,816,298
Commercial Costs	\$0
Total	\$18,518,731

Residential

Construction Cost Per Square Foot:	\$326
Per Unit Cost:	\$377,933
True Cash Per Unit Cost*:	\$377,933

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$11,251,289	Citibank	\$6,611,100
HCIDLA Proposition HHH Loan	\$4,900,000	HCIDLA Proposition HHH Loan	\$4,900,000
Deferred Developer Fee	\$1,316,298	Tax Credit Equity	\$7,007,631
Tax Credit Equity	\$1,051,144	TOTAL	\$18,518,731

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,636,014
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$6,636,014
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$597,241
Total State Credit:	\$1,990,804
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,816,298
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.94000
State Tax Credit Factor:	\$0.70000

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:	\$6,636,014
Actual Eligible Basis:	\$13,924,948
Unadjusted Threshold Basis Limit:	\$14,190,656
Total Adjusted Threshold Basis Limit:	\$18,850,029

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.

Local Development Impact Fees.

95% of Upper Floor Units are Elevator-Serviced.

Tie-Breaker Information

First:	Special Needs
Final:	75.030%

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, 3.24%. 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 applicant requested and has been granted a waiver of the housing type minimum square footage requirement for one bedroom units.

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, HCIDLA, 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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
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
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond 2019 CA Building Code Title 24: 8 EDR Pts.	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
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.