

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Pacific Coast Villa, located at 630 East Pacific Coast Highway in Long Beach, is being recommended for a reservation of \$1,272,768 in annual federal tax credits to finance the acquisition and rehabilitation of 49 of units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project is being developed by Dawson Holdings, Inc. and is located in Senate District 33 and Assembly District 70.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-20-039

Project Name Pacific Coast Villa
Site Address: 630 East Pacific Coast Highway
Long Beach, CA 90806 County: Los Angeles
Census Tract: 5753.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,272,768	\$0
Recommended:	\$1,272,768	\$0

Applicant Information

Applicant: DHI Pacific Coast Villa Associates, LP
Contact: Justin Solomon
Address: 300 Turney Street, 2nd Floor
Sausalito, CA 94965
Phone: (415) 609-5352
Email: jsolomon@d-h-i.net

General Partner(s) / Principal Owner(s): DHI Pacific Coast Villa Associates, LLC
Community Resident Services, Inc.
General Partner Type: Joint Venture
Parent Company(ies): Dawson Holdings, Inc.
Community Resident Services, Inc.
Developer: Dawson Holdings, Inc.
Investor/Consultant: Boston Financial Investment Management
Management Agent(s): FPI Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 50
No. & % of Tax Credit Units: 49 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Contract (49 Units / 100%)

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Units</u>	<u>Number of</u> <u>Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
At or Below 30% AMI:	5	10%
At or Below 45% AMI:	11	20%
At or Below 50% AMI:	21	40%
At or Below 60% AMI:	12	20%

Unit Mix

12	1-Bedroom Units
24	2-Bedroom Units
8	3-Bedroom Units
6	4-Bedroom Units
<hr/>	
50	Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted %</u> <u>of Area Median Income</u>	<u>2019 Rents Actual %</u> <u>of Area Median</u> <u>Income</u>	<u>Proposed Rent</u> <u>(including utilities)</u>
1 1 Bedroom	30%	30%	\$587
2 1 Bedroom	45%	45%	\$881
5 1 Bedroom	50%	50%	\$979
4 1 Bedroom	60%	60%	\$1,174
2 2 Bedrooms	30%	30%	\$705
5 2 Bedrooms	45%	45%	\$1,057
10 2 Bedrooms	50%	50%	\$1,175
6 2 Bedrooms	60%	60%	\$1,410
1 3 Bedrooms	30%	30%	\$814
2 3 Bedrooms	45%	45%	\$1,221
3 3 Bedrooms	50%	50%	\$1,357
2 3 Bedrooms	60%	60%	\$1,629
1 4 Bedrooms	30%	30%	\$909
2 4 Bedrooms	45%	45%	\$1,363
3 4 Bedrooms	50%	50%	\$1,515
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$18,100,000
Construction Costs	\$0
Rehabilitation Costs	\$7,268,213
Construction Contingency	\$762,500
Relocation	\$546,950
Architectural/Engineering	\$190,000
Const. Interest, Perm. Financing	\$1,498,586
Legal Fees	\$135,000
Reserves	\$416,748
Other Costs	\$277,425
Developer Fee	\$1,418,917
Commercial Costs	\$0
Total	\$30,614,339

Residential

Construction Cost Per Square Foot:	\$161
Per Unit Cost:	\$612,287
True Cash Per Unit Cost*:	\$612,287

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CapitalOne Commercial Banking	\$9,320,000	CapitalOne Commercial Banking	\$9,320,000
General Partner Loan	\$8,797,056	General Partner Equity	\$8,797,056
Cash Flow From Operations	\$488,950	Cash Flow From Operations	\$488,950
Acquired Replacement Reserves	\$171,591	Acquired Replacement Reserves	\$171,591
Tax Credit Equity	\$10,357,150	Tax Credit Equity	\$11,836,742
		TOTAL	\$30,614,339

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,878,361
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$14,141,869
Applicable Rate:	9.00%
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,272,768
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,418,917
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.93000

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:	\$10,878,361
Actual Eligible Basis:	\$26,334,310
Unadjusted Threshold Basis Limit:	\$18,650,276
Total Adjusted Threshold Basis Limit:	\$22,380,331

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

Tie-Breaker Information

First:	At-Risk
Final:	33.068%

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. 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's estimated cost is \$612,287 per unit. This project is located in the city of Long Beach in Los Angeles County which has been experiencing competition for labor increasing labor costs. This project will also pay prevailing wages which further add to its labor costs. In addition, this project is subsidized with an existing HUD Section 8 contract which results in a higher project value and purchase price. This project will also undergo its first renovation since it was constructed in 1979 which entails substantial rehabilitation costs including many new energy efficiency improvements that will allow the project to increase its energy efficiency over 20% beyond its current condition. This project will also add a new outdoor play area for younger children and a new recreation/congregation area for teenagers. This project is comprised of larger unit sizes which further contribute to its higher per unit cost.

At placed-in-service, any units not occupied by income-qualified tenants will not be considered tax credit units and the applicable fraction will be adjusted accordingly.

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, the City of Long Beach Development Services, 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 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/4 mile of a public elementary school & 1 mile of a public high school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	0
Within 1 mile of medical clinic or hospital	2	0	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
AT-RISK HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 15%	3	3	3
Additional rehab measures: Sustainable Building Mgmt Practices	2	2	2
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
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.