

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

South Western, located at 11609 South Western Avenue in unincorporated Los Angeles, requested and is being recommended for a reservation of \$2,036,634 in annual federal tax credits to finance the new construction of 56 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 Affirmed Housing Group, Inc. and will be located in Senate District 35 and Assembly District 62.

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 NPLH program of HCD.

Project Number CA-20-202

Project Name South Western
Site Address: 11609 South Western Avenue
Unincorporated Los Angeles, CA 90047 County: Los Angeles
Census Tract: 6027.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,036,634	\$0
Recommended:	\$2,036,634	\$0

Applicant Information

Applicant: South Western SH, L.P.
Contact: Melody Lock
Address: 13520 Evening Creek Drive N., Suite 160
San Diego, CA 92128
Phone: 858-679-2459
Email: mellody@affirmedhousing.com

General Partner(s) / Principal Owner(s): AHG Western LLC
Nexus for Affordable Housing

General Partner Type: Joint Venture

Parent Company(ies): Affirmed Housing
NEXUS for Affordable Housing

Developer: Affirmed Housing Group, Inc

Investor/Consultant: WNC

Management Agent(s): ConAm Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 57
No. & % of Tax Credit Units: 56 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (56 Units - 100%)

Information

Set-Aside: N/A
Housing Type: Special Needs
Type of Special Needs: Homeless
Average Targeted Affordability of Special Needs/SRO Project Units: 39.82%
% of Special Need Units 56 units 100%
Geographic Area: Balance of Los Angeles County
TCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	12 20%
At or Below 40% AMI:	32 55%
At or Below 50% AMI:	12 20%

Unit Mix

27 SRO/Studio Units
29 1-Bedroom Units
1 2-Bedroom Units
<u>57 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 SRO/Studio	30%	30%	\$591
13 SRO/Studio	40%	30%	\$591
4 SRO/Studio	50%	30%	\$591
3 1 Bedroom	30%	30%	\$633
18 1 Bedroom	40%	30%	\$633
8 1 Bedroom	50%	30%	\$633
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,229,453
Construction Costs	\$18,389,237
Rehabilitation Costs	\$0
Construction Contingency	\$1,512,522
Relocation	\$253,000
Architectural/Engineering	\$1,121,700
Const. Interest, Perm. Financing	\$1,268,600
Legal Fees	\$227,000
Reserves	\$236,250
Other Costs	\$1,592,465
Developer Fee	\$1,788,575
Commercial Costs	\$0
Total	\$29,618,802

Residential

Construction Cost Per Square Foot:	\$602
Per Unit Cost:	\$519,628
True Cash Per Unit Cost*:	\$519,628

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Banner Bank	\$15,033,082	Banner Bank - Tranche B Loan	\$4,930,000
LACDA - NPLH	\$5,175,000	LACDA - NPLH	\$5,750,000
Tax Credit Equity	\$9,410,720	Tax Credit Equity	\$18,938,802
		TOTAL	\$29,618,802

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,407,129
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,629,268
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,036,634
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,788,575
Investor/Consultant:	WNC
Federal Tax Credit Factor:	\$0.92991

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:	\$17,407,129
Actual Eligible Basis:	\$25,006,932
Unadjusted Threshold Basis Limit:	\$15,718,912
Total Adjusted Threshold Basis Limit:	\$21,091,877

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:	48.353%

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 estimated project cost is \$519,628. Factors contributing to the project cost include land cost, the cost of construction, a structure with four levels of wood framed construction over one level of concrete (the eastern half of the building is 4 stories and the western half of the building is 5 stories in height), GreenPoint Rated design, and requirement to pay prevailing wages.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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 ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
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
Special Needs project within 1 mile of facility serving tenant population	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
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
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.