

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2007 Second Round Cycle**  
**September 26, 2007**

**Project Number**      CA-2007-106

**Project Name**            New Carver Apartments  
Site Address:            325 West 17<sup>th</sup> Street  
Los Angeles, CA 90015      County: Los Angeles      Census Tract: 2240.10

**Applicant Information**

Applicant:            New Carver Apartments, L.P.  
Contact:              Cristian Ahumada  
Address:              1317 East 7<sup>th</sup> Street  
Los Angeles, CA 90021  
Phone:                (213) 683-0522      Fax: (213) 683-0781      email: Cristian@skidrow.org  
General Partner Type: Nonprofit

**Information**

Set-Aside:            Nonprofit Homeless Apportionment  
Housing Type:        Special Needs – 100%  
Geographic Area:    Los Angeles

**Eligible Basis**

Requested:            \$16,779,503  
Actual:                \$23,722,515  
Maximum Permitted: \$16,779,504

**Adjustments to Threshold Basis Limit:**

Required to Pay Prevailing Wages       Parking Beneath Residential Units   
100% of Units for Special Needs Population       Local Impact Fees   
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features   
Region Where Development Costs Frequently Exceed Published Limit

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,774,298	\$0
Recommended:	\$1,383,773	\$5,033,851

**Project Information**

Construction Type:      New Construction  
Federal Subsidy:        HOME / HUD Section 8  
Total # of Units:        97  
Total # Residential Buildings:    1

**Income/Rent Targeting**

Federal Set-Aside Elected:    40%/60%  
% & No. of Tax Credit Units: 100% - 95 units  
Average Affordability of Special Needs Project: 40%  
Breakdown by %:            10% @ 30%, 50% @ 40%, 10% @ 50%

<b>Selection Criteria</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency/Credit Reduction/Public Funds</b> Maximum of 20 points	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Credit Reduction	<b>20</b>	2	<b>2</b>
<input checked="" type="checkbox"/> Public Funds	<b>18</b>	18	<b>18</b>
<b>Owner / Management Characteristics</b> Maximum of 9 points	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	<b>6</b>	6	<b>6</b>
<input checked="" type="checkbox"/> Management Experience	<b>3</b>	3	<b>3</b>
<b>Housing Needs</b> Maximum of 10 points	<b>10</b>	10	<b>10</b>
<b>Site Amenities</b> Maximum of 15 points	<b>15</b>	15	<b>15</b>
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	<b>7</b>	7	<b>7</b>
<input checked="" type="checkbox"/> Within ¼ mile of public park or community center open to general public	<b>3</b>	3	<b>3</b>
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	<b>2</b>	2	<b>2</b>
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	<b>3</b>	3	<b>3</b>
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	<b>2</b>	2	<b>2</b>
<b>Service Amenities</b> Maximum of 10 points	<b>10</b>	10	<b>10</b>
<input checked="" type="checkbox"/> High speed internet service provided in each unit	<b>5</b>	5	<b>5</b>
<input checked="" type="checkbox"/> Bona fide service coordinator available	<b>5</b>	5	<b>5</b>
<b>Neighborhood Revitalization</b> Maximum of 9 points	<b>9</b>	9	<b>9</b>
<b>Sustainable Building Methods</b> Maximum of 8 points	<b>8</b>	8	<b>8</b>
<input checked="" type="checkbox"/> New construction project that increase energy efficiency 10% above Title 24 standards	<b>4</b>	4	<b>4</b>
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	<b>1</b>	1	<b>1</b>
<input checked="" type="checkbox"/> Formaldehyde-free insulation	<b>1</b>	1	<b>1</b>
<input checked="" type="checkbox"/> Rainwater retention at ½ inch rainfall per 24-hour period	<b>1</b>	1	<b>1</b>
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	<b>1</b>	1	<b>1</b>
<b>Lowest Income</b> Maximum of 52 points	<b>52</b>	52	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	<b>50</b>	50	<b>50</b>
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	<b>2</b>	2	<b>2</b>
<b>Readiness to Proceed</b> Maximum of 20 points	<b>20</b>	20	<b>20</b>
<b>State credit substitution</b> Maximum of 2 points	<b>2</b>	2	<b>2</b>
<b>Total Points</b>	<b>155</b>	155	<b>155</b>

**Tie-Breaker Information**

Tie-Breaker Categories Apply to this Project: **No**  
 First: Housing Type **Nonprofit Homeless Apportionment**  
 Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**  
 Third: Calculated Ratio per Regulation 10325(c)(12) **70.825%**

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 SRO	30%	\$388
75 SRO	40%	\$518
10 SRO	50%	\$647
1 SRO	Manager's Unit	\$0
1 One-Bedroom	Manager's Unit	\$0

The general partner or principal owner is Skid Row Housing Trust.

The project developer is Skid Row Housing Trust.

The management agent is SRHT Property Management Company.

The market analyst is M. E. Shay & Co.

The Local Reviewing Agency, the Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$29,001,661    Per Unit Cost: \$298,986    Construction Cost Per Sq. Foot: \$365

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Citicorp	\$17,321,514	Citicorp	\$2,281,000
LAHD- HOME	\$7,000,000	LAHD – HOME	\$7,000,000
General Partner Equity	\$100	FHLB – AHP	\$426,800
Deferred Costs	\$1,978,137	Deferred Developer Fee	\$1,473,261
Investor Equity	\$2,701,910	General Partner Equity	\$100
		Investor Equity	\$17,820,500
		<b>TOTAL</b>	<b>\$29,001,661</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$16,779,503
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$436,268
Qualified Basis:	\$21,377,086
Applicable Rate:	8.30%
Total Maximum Annual Federal Credit:	\$1,383,773
Total State Credit:	\$5,033,851
Approved Developer Fee in Project Cost	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor: California Housing Partnership	\$1.00

Applicant requested annual federal credits of \$1,774,298 based on a qualified basis of \$21,377,086 and a funding shortfall of \$17,820,500. Staff recommends annual federal credits of \$1,383,773 and total state credit of \$5,033,851 based on a qualified basis of \$21,377,086 and a funding shortfall of \$17,820,500. Please see special issues section of this report.

**Cost Analysis and Line Item Review**

The requested eligible basis \$16,779,503 is below TCAC’s threshold basis limit \$16,779,504. The basis limit was increased by the following extraordinary features: projects that are located in regions where development costs frequently exceed the published limit, projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, local development impact fees, projects where 100% of the units are for special needs populations, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items where at least 75% of the construction and demolition waste (measured by either weight or volume), using CRI Green Label Plus Carpet or no carpet in all bedrooms, and using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board’s Recycled Content Products Database. 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 8.30% 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.

**Special Issues/Other Significant Information:** This special needs project will serve the homeless, formerly homeless, and persons with disabilities. Also, TCAC requested and the applicant agreed to exchange \$390,525 in annual federal credit for \$5,033,851 in total state credit.

**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.

**Recommendation:** Staff recommends that the Committee make a preliminary reservation of tax credits, in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

**Federal/Annual:** \$1,383,773

**State/Total:** \$5,033,851

### **Standard Conditions**

An application for a carryover allocation must be submitted by **October 31, 2007**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than six (6) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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 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.

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 ten 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)(8) 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)(P) at project completion.

**Additional Conditions:**

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 22, 2008**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

**Project Analyst:** Jack Waegell