

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2008 Second Round Cycle**  
**October 8, 2008**

**Project Number** CA-2008-190

**Project Name** Westside II  
Site Address: 725 South Hindry Avenue  
Inglewood, CA 90301 County: Los Angeles  
Census Tracts: 6014.01

**Applicant Information**

Applicant: Cloudbreak Inglewood, LLC  
Contact: Randall Bishop  
Address: 733 Hindry Avenue  
Inglewood, CA 90301  
Phone: (310) 568-9100 Fax: (310) 568-9191  
Email: [rbishop@cantwell-anderson.com](mailto:rbishop@cantwell-anderson.com)  
General Partner Type: For Profit

**Information**

Set-Aside: Special Needs  
Housing Type: Special Needs  
Type of SpN: Homeless, At-risk of Homeless, Mentally Ill/Disabled, Physically Disabled,  
Chronic Drug/Alcohol Abuse  
147 Special Need Units: 75%  
Geographic Area: N/A

**Eligible Basis**

Requested: \$19,623,231  
Actual: \$21,510,869  
Maximum Permitted: \$22,041,634

**Adjustments to Threshold Basis Limit:** Local Development Impact Fees   
95% of Upper Floor Units are Elevator-Serviced

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,000,000	\$0
Recommended:	\$2,000,000	\$0

**Project Information**

Construction Type: New Construction  
Federal Subsidy: None  
Total # of Units: 196  
Total # Residential Buildings: 1

**Income/Rent Targeting**

Federal Set-Aside Elected: 40%/60%  
% & No. of Tax Credit Units: 100% - 196 units  
Average Affordability of Special Needs Units: 40%  
Breakdown by %: 20% @ 30%, 25% @ 40%, 35% @ 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 Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
<b>Owner / Management Characteristics Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<b>Negative Points</b>			
<b>Housing Needs Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities Maximum of 15 points</b>	<b>15</b>	<b>15</b>	<b>15</b>
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	3
<b>Service Amenities Maximum of 10 points</b>	<b>10</b>	<b>10</b>	<b>10</b>
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
<input checked="" type="checkbox"/> Direct client services where a contract is in place at the time of application	5	5	5
<b>Neighborhood Revitalization Maximum of 9 points</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>Sustainable Building Methods Maximum of 8 points</b>	<b>8</b>	<b>8</b>	<b>8</b>
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<b>Lowest Income Maximum of 52 points</b>	<b>52</b>	<b>52</b>	<b>52</b>
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed Maximum of 20 points</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>State credit substitution Maximum of 2 points</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>155</b>	<b>155</b>	<b>155</b>

**Tie-Breaker Information**

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Special Needs**

Second: Maximum Neighborhood Revitalization Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **67.721%**

<u>Unit Type &amp; Number</u>	<u>2008 Rents for 2<sup>nd</sup> Round 2008 % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
42 SRO / Studio	30%	\$398
52 SRO / Studio	40%	\$530
74 SRO / Studio	50%	\$550
28 SRO / Studio	60%	\$665

Managers located in adjacent project

The general partner or principal owner is Cloudbreak Inglewood, LLC.

The project developer is Cloudbreak Inglewood, LLC (Cantwell-Anderson, Inc.).

The management agent is Cantwell-Anderson, Inc.

The market analyst is Market Insights.

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.

**Project Financing**

Estimated Total Project Cost: \$34,431,719 Per Unit Cost: \$175,672 Construction Cost Per Sq. Foot: \$323

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Red Capital	\$10,500,000	City of Inglewood RDA	\$7,400,000
City of Inglewood RDA	\$7,400,000	HCD – Infill Infrastructure Grant	\$7,500,000
Westside Residence Hall, Inc.	\$1,500,000	Westside Residence Hall, Inc.	\$1,500,000
HCD – Infill Infrastructure Grant	\$7,500,000	Deferred Developer Fee	\$435,239
Deferred Costs	\$1,372,951	Investor Equity	\$17,596,480
Investor Equity	\$6,158,768	<b>TOTAL</b>	<b>\$34,431,719</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$19,623,231
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$510,204
Qualified Basis:	\$24,999,996
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$2,000,000
Total State Credit:	\$0
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Tax Credit Factor: Red Capital	\$0.8798

Applicant requests and staff recommends annual federal credits of \$2,000,000, based on a qualified basis of \$24,999,996 and a funding shortfall of \$17,596,480

**Cost Analysis and Line Item Review**

The requested eligible basis \$19,623,231 is below TCAC’s threshold basis limit \$22,041,634. The basis limit was increased by the following extraordinary features: local development impact fees and projects where 95% of upper floor units are elevator-serviced. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations.

Annual operating expenses equal 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 **8.00%** 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 project's unit mix consists of 148 SRO type units and 48 SRO units designed within 8 six-unit suites that have communal kitchens and living/dining rooms, and shared bathrooms.

The project will serve 75% special needs tenants consisting of veterans who are homeless, at-risk of being homeless, or living in transitional housing and who are mentally disabled/ill, physically disabled, and/or suffering from chronic drug/alcohol abuse. The balance of the units will be targeted toward low-income veterans.

Westside Residence Hall, a transitional housing project located adjacent to Westside II, and a part of the veteran's complex (511 total units once Westside II is completed), will be co-users of the parking structure being built as part of the Westside II project.

**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:

<b>Federal/Annual</b>	<b>State/Total</b>
<b>\$2,000,000</b>	<b>\$0</b>

### **Standard Conditions**

An application for a carryover allocation must be submitted by **October 31, 2008**, 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)(1)(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 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 **March 9, 2009**, 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