

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

88th & Vermont, located at 8740-8750 S. Vermont Avenue & 957 W. 88th Street in Los Angeles, requested and is being recommended for a reservation of \$1,682,610 in annual federal tax credits to finance the new construction of 60 units of housing serving special needs tenants with rents affordable to households earning 30-40% of area median income (AMI). The project will be developed by Women Organizing Resources, Knowledge and Services (WORKS) and will be located in Senate District 30 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and the County of Los Angeles Department of Health Services Flexible Housing Subsidy Pool (FHSP).

Project Number CA-17-117

Project Name 88th & Vermont
Site Address: 8740-8750 S. Vermont Avenue & 957 W. 88th Street
Los Angeles, CA 90044 County: Los Angeles
Census Tract: 2403.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,682,610	\$0
Recommended:	\$1,682,610	\$0

Applicant Information

Applicant: WORKS & Community Build, Inc.
Contact: Channa Grace
Address: 795 N Avenue 50
Los Angeles, CA 90042
Phone: 323-341-7028 Fax: 323-341-5815
Email: channa@worksusa.org

General Partner(s) / Principal Owner(s): Women Organizing Resources, Knowledge and Services (WORKS)
Community Build, Inc.

General Partner Type: Nonprofit

Parent Company(ies): Women Organizing Resources, Knowledge and Services (WORKS)
Community Build Inc.

Developer: Women Organizing Resources, Knowledge and Services (WORKS)

Investor/Consultant: National Equity Fund, Inc.

Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 62
 No. & % of Tax Credit Units: 60 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (19 units / 32%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 46 75 %
 40% AMI: 14 20 %

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 46 units 77%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

12 SRO/Studio Units
 20 1-Bedroom Units
 24 2-Bedroom Units
 6 3-Bedroom Units

 62 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12 SRO/Studio	30%	30%	\$473
15 1 Bedroom	30%	30%	\$507
17 2 Bedrooms	30%	30%	\$608
2 3 Bedrooms	30%	30%	\$703
5 1 Bedroom	40%	30%	\$507
5 2 Bedrooms	40%	30%	\$608
4 3 Bedrooms	40%	30%	\$703
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$39,526,740

Project Cost Summary at Application

Land and Acquisition	\$3,475,536
Construction Costs	\$20,160,343
Rehabilitation Costs	\$0
Construction Contingency	\$1,217,870
Relocation	\$45,000
Architectural/Engineering	\$954,684
Const. Interest, Perm. Financing	\$1,395,318
Legal Fees, Appraisals	\$54,086
Reserves	\$460,000
Other Costs	\$1,167,287
Developer Fee	\$1,585,093
Commercial Costs	\$3,245,154
Total	\$33,760,371

Project Financing

Estimated Total Project Cost:	\$33,760,371
Estimated Residential Project Cost:	\$30,515,217
Estimated Commercial Project Cost:	\$3,245,154

Residential

Construction Cost Per Square Foot:	\$309
Per Unit Cost:	\$492,181
True Cash Per Unit Cost*:	\$463,388

Construction Financing

Source	Amount
California Bank & Trust	\$13,500,000
HCIDLA - HHH Bonds	\$9,680,000
HCIDLA - AHTF/HOME	\$1,900,000
City of Los Angeles CAO - HHH Facilities	\$3,245,154
City of Los Angeles - Land Lease Value	\$1,975,000
Deferred Fees & Costs	\$1,929,195
Tax Credit Equity	\$1,531,022

Permanent Financing

Source	Amount
California Bank & Trust	\$1,650,000
HCIDLA - HHH Bonds	\$9,680,000
HCIDLA - AHTF/HOME	\$1,900,000
City of Los Angeles CAO - HHH Facilities	\$3,245,154
City of Los Angeles - Land Lease Value	\$1,975,000
Tax Credit Equity	\$15,310,217
TOTAL	\$33,760,371

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,381,280
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,695,664
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,682,610
Approved Developer Fee in Project Cost:	\$1,585,093
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$0.90991

Per Regulation Section 10327(c)(6), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$14,381,280
Actual Eligible Basis:	\$24,910,566
Unadjusted Threshold Basis Limit:	\$14,381,280
Total Adjusted Threshold Basis Limit:	\$20,259,758

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

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Special Needs
Final:	62.393%

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.

Special Issues/Other Significant Information

46 of the 60 affordable units (77%) will be for homeless households including individuals, transition-age youth (TAY), and families, restricted at 30% AMI and subsidized with either HUD Section 8 project-based vouchers (19 units) or the County of Los Angeles Department of Health Services Flexible Housing Subsidy Pool rental subsidy (27 units). The other 14 affordable units will be for low-income households restricted at 40% AMI.

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 Los Angeles Housing and Community Investment Department, has completed a site review of this project and strongly supports this project.

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 Tax Credits/Annual	State Tax Credits/Total
\$1,682,610	\$0

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.

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)(6) 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.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
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 ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
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 bdrm	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	138	138	138

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.