

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2017 Second Round**  
**September 20, 2017**

Cielito Lindo Apartments - Phase II, located at 2423-2431 E. 1st Street in Los Angeles, requested requested a reservation of \$1,128,083 in annual federal tax credits and \$2,513,079 in total state tax credits, but is being recommended for a reservation of \$1,135,481 in annual federal tax credits and \$2,419,351 in total state tax credits (**see Special Issues/Other Significant Information" section**) to finance the new construction of 28 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 East LA Community Corporation and will be located in Senate District 24 and Assembly District 53.

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 AHSC program of HCD.

<b>Project Number</b>	CA-17-122		
<b>Project Name</b>	Cielito Lindo Apartments - Phase II		
Site Address:	2423- 2431 E. 1st Street		
	Los Angeles, CA 90033		County: Los Angeles
Census Tract:	2042.000		

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,128,083	\$2,513,079
Recommended:	\$1,135,481	\$2,419,351

\* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

**Applicant Information**

Applicant:	East LA Community Corporation		
Contact:	Ernesto Espinoza		
Address:	2917 E. 1st Street, Suite 101		
	Los Angeles, CA 90033		
Phone:	323-604-1986	Fax:	323-604-1321
Email:	eespinoza@elacc.org		
General Partner(s) / Principal Owner(s):	East LA Community Corporation		
General Partner Type:	Nonprofit		
Parent Company(ies):	East LA Community Corporation		
Developer:	East LA Community Corporation		
Investor/Consultant:	California Housing Partnership Corporation		
Management Agent(s):	John Stewart Company		

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 29  
 No. & % of Tax Credit Units: 28 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Vouchers (14 units / 50%)  
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
     30% AMI: 21 75 %  
     50% AMI: 7 25 %

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 % of Special Need Units: 14 units 50%  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

12 SRO/Studio Units  
 7 1-Bedroom Units  
 3 2-Bedroom Units  
 7 3-Bedroom Units  


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 29 Total Units

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	22%	\$340
1 1 Bedroom	30%	23%	\$389
10 SRO/Studio	30%	30%	\$473
1 1 Bedroom	30%	30%	\$507
2 1 Bedroom	30%	30%	\$507
2 2 Bedrooms	30%	30%	\$607
3 3 Bedrooms	30%	30%	\$702
1 1 Bedroom	40%	40%	\$676
1 3 Bedrooms	40%	40%	\$936
2 1 Bedroom	50%	50%	\$845
3 3 Bedrooms	50%	50%	\$1,171
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$18,932,760

**Project Cost Summary at Application**

Land and Acquisition	\$1,803,726
Construction Costs	\$8,722,023
Rehabilitation Costs	\$0
Construction Contingency	\$440,626
Relocation	\$240,202
Architectural/Engineering	\$653,800
Const. Interest, Perm. Financing	\$935,590
Legal Fees, Appraisals	\$105,000
Reserves	\$68,908
Other Costs	\$1,255,071
Developer Fee	\$1,224,916
Commercial Costs	\$0
<b>Total</b>	<b>\$15,449,862</b>

**Project Financing**

Estimated Total Project Cost:	\$15,449,862
Estimated Residential Project Cost:	\$15,449,862
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$384
Per Unit Cost:	\$532,754
True Cash Per Unit Cost*:	\$528,428

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$11,775,197
HCD - AHSC HRI Grant	\$1,537,287
HCIDLA - CRA Funds	\$450,000
Cost Deferred until Completion	\$463,721
General Partner Equity	\$100
Deferred Developer Fee	\$125,450
Tax Credit Equity	\$1,098,107

**Permanent Financing**

Source	Amount
CCRC	\$327,800
HCD AHSC AHD Loan	\$948,153
HCD - AHSC HRI Grant	\$1,537,287
HCIDLA - CRA Funds	\$450,000
General Partner Equity	\$100
Deferred Developer Fee	\$125,450
Tax Credit Equity	\$12,061,072
<b>TOTAL</b>	<b>\$15,449,862</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$9,903,025
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (2%)	\$257,479
Qualified Basis:	\$12,616,453
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,135,481
Total State Credit:	\$2,419,351
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,224,916
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.90928
State Tax Credit Factor:	\$0.71770

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:	\$9,903,025
Actual Eligible Basis:	\$12,849,047
Unadjusted Threshold Basis Limit:	\$6,671,641
Total Adjusted Threshold Basis Limit:	\$9,903,026

**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:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- 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:	<b>Letter of Support</b>
First:	<b>Special Needs</b>
Final:	<b>27.009%</b>

### **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**

In determining the amount and type of credits requested, the applicant excluded more eligible basis than is allowed by TCAC regulations for a special needs project in a DDA/QCT using the 130% adjustment in calculating the project's qualified basis and tax credits. As a result, the applicant requested less federal credit and more state credit than allowed by regulation section 10317(d). TCAC staff initially disqualified the project for this reason. At the August 16, 2017 TCAC Committee meeting, the Committee granted the applicant's appeal of the staff's disqualification. Accordingly, staff recalculated the federal and state credit amounts in compliance with the regulation, resulting in an increase to \$1,135,481 in the TCAC recommended annual federal tax credits, and a reduction in the TCAC recommended state tax credits to \$2,419,351.

This project's cost is estimated at \$532,784 per unit. Some of the project's features that contribute to its moderately high per unit cost estimate are its small size (29 units), the high percentage of studio units (41%), an elevator, below-grade parking, and that it is designed to meet LEED Gold certification exceeding Title 24.

The project will have 14 units (50%) targeted for special needs, transition-aged youth (TAY) tenants who are homeless or are at-risk of being homeless in that they lack a fixed, regular, and adequate nighttime residence under regulation section 10315(b)(1)(B). The other 14 affordable units (50%) will be targeted for individuals, small households, and families.

### **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**  
**\$1,135,481**

**State Tax Credits/Total**  
**\$2,419,351**

**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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Credit Reduction	20	2	2
Public Funds	20	18	18
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
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 ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school that project children may attend	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS HOUSING TYPE</b>			
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
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION</b>			
Develop project in accordance w/ requirements of: LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>138</b>	<b>138</b>	<b>138</b>

**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.**