

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

West Angeles City Place Senior Apartments, located in Los Angeles, requested and is being recommended for a reservation of \$1,763,374 in annual federal tax credits and \$5,877,914 in total state tax credits to finance the new construction of 69 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Related Development Companies of California, LLC and will be located in Senate District 30 and Assembly District 54.

Project Number CA-17-133

Project Name West Angeles City Place Senior Apartments
Site Address: 5414 Crenshaw Boulevard
Los Angeles, CA 90043 County: Los Angeles
Census Tract: 2346.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,763,374	\$5,877,914
Recommended:	\$1,763,374	\$5,877,914

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

Applicant Information

Applicant: West Angeles Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 Fax: (949) 660-7273
Email: fcardone@related.com

General Partner(s) / Principal Owner(s): Related/Crenshaw Development Co., LLC
WA City Place Senior Apartments LLC

General Partner Type: Joint Venture

Parent Company(ies): The Related Companies of California
West Angeles Community Development Corporation

Developer: Related Development Company of California, LLC

Investor/Consultant: US Bancorp Community Development Corporation

Management Agent(s): Related Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 70
 No. & % of Tax Credit Units: 69 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 40% AMI: 11 15 %
 45% AMI: 11 15 %
 50% AMI: 14 20 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

24 SRO/Studio Units
 45 1-Bedroom Units
 1 2-Bedroom Units

 70 Total Units

<u>Unit Type & 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>
3 SRO/Studio	30%	30%	\$473
4 SRO/Studio	40%	40%	\$631
4 SRO/Studio	45%	45%	\$709
6 SRO/Studio	50%	50%	\$788
7 SRO/Studio	60%	60%	\$946
4 1 Bedroom	30%	30%	\$507
7 1 Bedroom	40%	40%	\$676
7 1 Bedroom	45%	45%	\$760
8 1 Bedroom	50%	50%	\$845
19 1 Bedroom	60%	60%	\$1,014
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$23,294,700

Project Cost Summary at Application

Land and Acquisition	\$1,921,013
Construction Costs	\$14,084,111
Rehabilitation Costs	\$0
Construction Contingency	\$1,052,375
Relocation	\$0
Architectural/Engineering	\$1,405,976
Const. Interest, Perm. Financing	\$1,263,165
Legal Fees, Appraisals	\$161,827
Reserves	\$144,068
Other Costs	\$1,444,739
Developer Fee	\$2,000,000
Commercial Costs	\$687,358
Total	\$24,164,632

Project Financing

Estimated Total Project Cost:	\$24,164,632
Estimated Residential Project Cost:	\$23,445,233
Estimated Commercial Project Cost:	\$719,399

Residential

Construction Cost Per Square Foot:	\$355
Per Unit Cost:	\$334,932
True Cash Per Unit Cost*:	\$326,360

Construction Financing

Source	Amount
U.S. Bank, N.A.	\$17,978,619
HCIDLA - HOME	\$1,985,000
Deferred Operating Deficit Reserve	\$144,068
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$3,056,945

Permanent Financing

Source	Amount
U.S. Bank, N.A.	\$1,200,000
HCIDLA - HOME	\$1,985,000
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$20,379,632
TOTAL	\$24,164,632

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,593,049
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$19,593,049
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,763,374
Total State Credit:	\$5,877,914
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	US Bancorp Community Development Corporation
Federal Tax Credit Factor:	\$0.94991
State Tax Credit Factor:	\$0.61744

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:	\$19,593,049
Actual Eligible Basis:	\$19,884,780
Unadjusted Threshold Basis Limit:	\$14,045,807
Total Adjusted Threshold Basis Limit:	\$19,593,050

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
- Environmental Mitigation
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Seniors
Final:	13.464%

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: 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, 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
\$1,763,374	\$5,877,914

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	8	7
Public Funds	20	8	7
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 ¾ mile of public park or community center open to general public	2	2	0
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
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of GreenPoint Rated Program	5	5	5
Lowest Income	52	49.5	49.5
Basic Targeting	50	47.5	47.5
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
State Credit Substitution	2	2	2
Total Points	138	123.5	122.5

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.