

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2017 First Round**  
**June 7, 2017**

New Direction West Adams, located at 3015 - 3031 South West View Street, requested a reservation of \$1,972,048 in annual federal tax credits and \$5,056,023 in total state tax credits, but is being recommended for \$2,376,620 in annual federal tax credits and \$0 in total state tax credits (see Special Issues/Other Significant Information" section) to finance the new construction of 63 units of housing serving seniors and special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by the Cesar Chavez Foundation and will be located in Senate District 30 and Assembly District 62.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based VASH Vouchers. The project financing includes state funding from the IIG and VHHP programs of HCD.

**Project Number** CA-17-025

**Project Name** New Direction West Adams (Formerly, South West View Apartments)  
**Site Address:** 3015 - 3031 South West View Street  
Los Angeles, CA 90016 County: Los Angeles  
**Census Tract:** 2197.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,972,048	\$5,056,032
Recommended:	\$2,376,620	\$0

**Applicant Information**

**Applicant:** LA New Directions West Adams LP  
**Contact:** Alfredo Izmajtovich  
**Address:** 316 West Second Street, Suite 600  
Los Angeles, CA 90012  
**Phone:** 213.362.0260 **Fax:** 213.362.0265  
**Email:** alfredoi@chavezfoundation.org

**General Partner(s) / Principal Owner(s):** New Directions West Adams LLC  
PC Los Angeles South West View LLC

**General Partner Type:** Nonprofit

**Parent Company(ies):** New Directions, Inc.  
Cesar Chavez Foundation

**Developer:** Cesar Chavez Foundation

**Investor/Consultant:** Bank of America

**Management Agent(s):** ConAm Management Company, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 64  
 No. & % of Tax Credit Units: 63 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / HUD Section 8 Project-based VASH Vouchers (32 units / 50%)  
 Utility Allowance: CUAC  
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.72%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 17 25 %  
 40% AMI: 10 15 %  
 50% AMI: 19 30 %

**Information**

Set-Aside: N/A  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 % of Special Need Units: 36 units 57%  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

51 1-Bedroom Units  
 13 2-Bedroom Units  


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 64 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	30%	16%	\$260
1 1 Bedroom	40%	16%	\$260
2 1 Bedroom	50%	16%	\$260
4 1 Bedroom	30%	30%	\$488
2 1 Bedroom	40%	30%	\$488
11 1 Bedroom	50%	30%	\$488
3 2 Bedrooms	30%	30%	\$586
3 2 Bedrooms	50%	30%	\$586
4 1 Bedroom	30%	30%	\$488
6 1 Bedroom	40%	40%	\$651
2 1 Bedroom	50%	50%	\$814
13 1 Bedroom	60%	55%	\$895
1 2 Bedrooms	40%	40%	\$782
1 2 Bedrooms	50%	50%	\$977
4 2 Bedrooms	60%	55%	\$1,074
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$33,117,480

**Project Cost Summary at Application**

Land and Acquisition	\$5,712,122
Construction Costs	\$17,364,903
Rehabilitation Costs	\$0
Construction Contingency	\$876,215
Relocation	\$0
Architectural/Engineering	\$1,770,076
Const. Interest, Perm. Financing	\$3,502,622
Legal Fees, Appraisals	\$400,092
Reserves	\$1,063,699
Other Costs	\$3,702,151
Developer Fee	\$1,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$35,591,880</b>

**Project Financing**

Estimated Total Project Cost:	\$35,591,880
Estimated Residential Project Cost:	\$35,591,880
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$277
Per Unit Cost:	\$556,123
True Cash Per Unit Cost*:	\$556,123

**Construction Financing**

Source	Amount
Bank of America	\$26,372,794
HCID-LA - HOME	\$4,600,000
Deferred Costs	\$1,402,754
Deferred Developer Fee	\$840,000
Tax Credit Equity	\$2,376,332

**Per**

Source	Amount
Bank of America - Tranche B	\$2,357,025
FHLB - AHP	\$630,000
HCID-LA - HOME	\$4,600,000
HCD - IIG	\$1,600,000
HCD - VHHP	\$2,340,000
HCD - VHHP Offset Tranche	\$301,536
Tax Credit Equity	\$23,763,319
<b>TOTAL</b>	<b>\$35,591,880</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$20,323,743
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,421,360
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,376,620
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.99988

Per Regulation Section 10322(i)(4)(A), 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.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$20,323,743
Actual Eligible Basis:	\$25,396,667
Unadjusted Threshold Basis Limit:	\$13,974,521
Total Adjusted Threshold Basis Limit:	\$20,323,744

**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, 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>47.312%</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 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 May 17, 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 \$2,376,620 in the TCAC recommended annual federal tax credits, and a reduction in the TCAC recommended state tax credits to \$0.

The project will provide 36 units (57%) for homeless veterans and 27 units (43%) for seniors with a preference for senior homeless veterans. Of the 36 special needs units, 32 units will have HUD VASH project-based vouchers and 4 will have sponsor-based vouchers for veterans who are not eligible for VA healthcare or funds under the HCD VHHP program.

The project's cost per unit is currently estimated at \$556,123. The project has two 4-story elevator buildings with one-bedroom and two-bedroom units. The project will have a below-grade parking garage with spaces for 50 vehicles including 3 for electric vehicles, and 64 long-term bicycle spaces. The project will be built to the LEED standards and will include thermal solar water heating. The project will have ample community and common space for the special needs tenants. All of these project attributes contribute toward its per unit cost.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$2,376,620</b>	<b>\$0</b>

**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>
Public Funds	20	20	20
<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 ¼ 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
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
SENIOR HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	3	3	3
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 bdrms	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION			
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.**