

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2009 Single Round

September 10, 2009

Project Number CA-2009-020

Project Name Ford Apartments

Site Address: 1000-1002 E. 7th Street

Los Angeles, CA 90021

County: Los Angeles

Census Tract: 2260.00

Applicant Information

Applicant: Single Room Occupancy Housing Corporation

Contact: Joseph Corcoran

Address: 354 S. Spring Street, Suite 400

Los Angeles, CA 90013

Phone: (213) 229-9640

Fax: (213) 229-9677

Email: josephc@srohousing.org

General Partner Type: Nonprofit

Information

Set-Aside: Nonprofit Homeless Assistance

Housing Type: Single Room Occupancy (SRO)

Geographic Area: Los Angeles County

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$1,609,446 \$0

Recommended: \$1,609,446 \$0

ARRA Award Amount

Federal Calculated Amount Requested: $(\$1,609,446 \times 10 \times \$0.10) = \$1,609,446$

State Calculated Amount Requested: \$0

Total Federal Award Recommended: \$1,609,446

Total State Award Recommended: \$0

Project Information

Construction Type: Rehabilitation

Federal Subsidy: N/A

Total # of Units: 151

Total # Residential Buildings: 1

Federal Set-Aside Elected: 40%/60%

% & No. of Tax Credit Units: 100% - 150 units

Average Affordability of SRO Project: 40%

Eligible Basis

Requested: \$13,755,947

Actual: \$16,635,581

Maximum Permitted: \$26,448,161

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages
95% of Upper Floor Units are Elevator-Serviced

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency/Credit Reduction/Public Funds Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Public Funds	20	20	20
Owner / Management Characteristics Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Housing Needs Maximum 10 points	10	10	10
Site Amenities Maximum 15 points	15	15	15
<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 ¼ mile of public park or community center open to general public	3	3	3
<input type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	0
<input checked="" type="checkbox"/> Within ¼ mile of convenience market where staples are sold	2	0	2
<input checked="" type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	3
<input type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	0
<input type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
Service Amenities Maximum 10 points	10	10	10
<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 available for Senior, SRO, or Special Needs projects	5	5	5
Sustainable Building Methods Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
Lowest Income Maximum 52 points	52	52	52
<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
Readiness to Proceed Maximum 20 points	20	20	20
State Credit Substitution Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **SRO**
Second: Calculated Ratio per Regulation 10325(c)(10) **65.222%**

Unit Type & Number	2009 Rents % of Area Median Income (rounded)	Proposed Rent (including utilities)
90 SRO Units	29%	\$398
60 SRO Units	41%	\$560
1 One-bedroom Units	Manager's Unit	\$560

The general partner or principal owner is Single Room Occupancy Housing Corporation.

The project developer is Single Room Occupancy Housing Corporation.

The management agent is Single Room Occupancy Housing Corporation.

The market analyst is Goldrush Realty Advisors.

The Local Reviewing Agency, Los Angeles Housing Departments, has completed a site review of this project and supports this project.

Project Financing

Estimated Total Project Cost: \$28,310,266 Per Unit Cost: \$187,485 Construction Cost Per Sq. Foot: \$308

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Union Bank	\$8,000,000	Cal HFA MHSA	\$9,434,700
Cal HFA MHSA	\$9,434,700	CRA of Los Angeles	\$4,500,000
CRA of Los Angeles	\$4,500,000	AHP	\$1,500,000
AHP	\$1,500,000	Investor Equity	11,266,120
Deferred Costs and Fees	\$1,012,896	TCAC ARRA Award	1,609,446
Investor Equity	\$3,379,836		
TCAC ARRA Award	\$482,834		
		TOTAL	\$28,310,266

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,755,947
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis (Rehabilitation):	\$17,882,731
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,609,446
Approved Developer Fee in Project Cost	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor:	Union Bank of California
Federal Tax Credit Factor:	\$0.70000

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 9.00% of the qualified basis. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: The applicant has stated that all utilities will be paid by the owner and has presented proposed tenant rent exclusive of a utility allowance. This award is based on the documentation presented, which indicates tenants will not pay for the utilities covered by utility allowances. If, at any time, this is altered such that tenants are responsible for utility charges, the applicant must, without delay, submit new proposed tenant rents and utility allowances to TCAC for review and approval.

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 and ARRA funds, 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
\$1,609,446	\$0
ARRA/Federal	ARRA/State
\$1,609,446	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), 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 twelve (12) 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 and allocation fees must be paid by cashier's check within the time periods specified in the 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 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.

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)(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)(P) at project completion.

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.

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 **February 8, 2010**, 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: Velia Martinez