

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2010 Second Round
September 22, 2010

Project Number CA-2010-227

Project Name Sherman Village
Site Address: 18900 Sherman Way
Reseda, CA 91335 County: Los Angeles
Census Tract: 1325.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,276,454	\$0
Recommended:	\$1,276,454	\$0

Applicant Information

Applicant: Sherman Village Apartments, L.P.
Contact: Aaron Mandel
Address: 1640 S. Sepulveda Blvd., Ste. 425
Los Angeles, CA 90025
Phone: (310) 575-3543 Fax: (310) 575-3563
Email: amandel@metahousing.com

General partner(s) or principal owner(s): Western Community Housing, Inc.
Sherman Village Apartments, LLC
General Partner Type: Joint Venture
Developer: Meta Housing Corp.
Investor/Consultant: Red Stone Equity Partners, LLC
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 73
No. & % of Tax Credit Units: 72 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 15 %
40% AMI: 30 %
50% AMI: 25 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

20 1-Bedroom Units
 28 2-Bedroom Units
25 3-Bedroom Units
 73 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 1 Bedroom	30%	30%	\$466
18 1 Bedroom	60%	49%	\$756
6 2 Bedrooms	30%	30%	\$559
7 2 Bedrooms	40%	38%	\$699
14 2 Bedrooms	50%	45%	\$838
3 3 Bedrooms	30%	30%	\$646
15 3 Bedrooms	40%	37%	\$788
7 3 Bedrooms	50%	44%	\$945
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,467

Project Financing

Estimated Total Project Cost: \$24,105,205 Construction Cost Per Square Foot: \$123
 Per Unit Cost: \$330,208

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$14,000,000	CCRC	\$2,678,270
Community Redevelopment Agency/LA	\$4,400,000	HCD Infill Infrastructure Grant	\$3,569,960
LAHD - HOME	\$2,295,346	CRA/LA	\$4,400,000
Deferred Developer Fee	\$1,309,859	LAHD - HOME	\$2,295,346
Tax Credit Equity	\$2,100,000	Deferred Developer Fee	\$950,000
		Tax Credit Equity	\$10,211,629
		TOTAL	\$24,105,205

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,909,860
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,182,818
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,276,454
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Red Stone Equity Partners, LLC
Federal Tax Credit Factor:	\$0.80000

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:	\$10,909,860
Actual Eligible Basis:	\$17,737,253
Unadjusted Threshold Basis Limit:	\$16,051,160
Total Adjusted Threshold Basis Limit:	\$22,773,055

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

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

- Projects exceeding Title 24 by at least 15%
- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: **Large Family**
Second: **97.326%**

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 meet 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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,276,454	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. 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 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) 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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Large Family proj. w/i ½ mile of public school project children may attend	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
Sustainable Building Methods	8	8	8
LEED/Green Communities/GreenPoint Rated Multifamily Guidelines	8	8	8
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	20	20	20
State Credit Substitution	2	2	2
Total Points	146	146	146

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.