

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2011 First Round

June 22, 2011

Project Number CA-2011-090

Project Name ND Sepulveda I

Site Address: 1611 Plummer Street / 15852 Lassen Street - Building 4
Los Angeles, CA 91343 County: Los Angeles
Census Tract: 1172.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,074,180	\$0
Recommended:	\$1,074,180	\$0

Applicant Information

Applicant: ND Sepulveda I, L.P.
Contact: Dora Leong Gallo
Address: 3701 Wilshire Boulevard, Suite 700
Los Angeles, CA 90010
Phone: (213) 480-0809 Fax: (213) 480-1788
Email: dgallo@acof.org

General partner(s) or principal owner(s): A Community of Friends
New Directions Sepulveda LLC
General Partner Type: Nonprofit
Developer: ND Sepulveda I, LP
Investor/Consultant: Community Economics, Inc.
Management Agent: John Stewart Company

Project Information

Construction Type: Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 73
No. & % of Tax Credit Units: 72 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: U.S. Dept. of Veteran Affairs and
HUD Section 8 Project-based Vouchers (100% / 72 Units)
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 36 units
50% AMI: 36 units

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs
 Type of Special Needs: Homeless Veterans
 % of Special Need Units: 72 units 100%
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

72 SRO/Studio Units
 1 1-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>
36 SRO/Studio	30%	30%	\$435
36 SRO/Studio	50%	30%	\$435
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$32,167,784	Residential	
Estimated Residential Project Cost:	\$32,167,784	Construction Cost Per Square Foot:	\$275
		Per Unit Cost:	\$440,655

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America	\$16,530,563	HCD - MHP	\$8,807,832
FHLB - AHP	\$720,000	FHLB - AHP	\$720,000
VA Land & Improvement Donation	\$6,690,000	VA Land & Improvement Donation	\$6,690,000
VA Capital Contribution	\$6,000,000	VA Capital Contribution	\$6,000,000
Deferred Developer Fee and Costs	\$2,227,221	Deferred Developer Fee	\$144,500
		Tax Credit Equity	\$9,805,452
		TOTAL	\$32,167,784

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$9,181,022
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,935,329
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,074,180
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.91283

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:	\$9,181,022
Actual Eligible Basis:	\$17,794,499
Unadjusted Threshold Basis Limit:	\$11,024,302
Total Adjusted Threshold Basis Limit:	\$14,774,693

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 100% of Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	110.155%

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, 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: This project is the adaptive reuse of an existing U.S. Department of Veteran Affairs medical building located at the VA's Sepulveda Ambulatory Care Center.

The project has Section 8 project-based vouchers on all 72 affordable units from the Housing Authority of the City of Los Angeles.

The preliminary drawings did not identify the washers and dryers required by regulation of 1 set for every 15 units. Adequate laundry facilities of at least 5 sets of washers/dryers must be available on the project premises upon completion of the project prior to the issuance of the IRS 8609 tax forms.

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 Department, has completed a site review of this project and 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
\$1,074,180	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-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 500 ft of regular bus stop	4	4	0
Within 1,500 ft of regular bus stop	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
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
Sustainable Building Methods	10	10	10
ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
Develop project to requirements of: LEED Silver	3	3	3
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
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.