

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 First Round
July 11, 2012

Project Number CA-12-087

Project Name El Monte Veterans Housing
 Site Address: 11240-11254 Ramona Blvd
 El Monte, CA 91731 County: Los Angeles
 Census Tract: 4332.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$764,595	\$0
Recommended:	\$764,595	\$0

Applicant Information

Applicant: Mercy Housing California
 Contact: Benjamin Phillips
 Address: 1500 S. Grand Ave., Suite 100
 Los Angeles, CA 90015
 Phone: 213-743-5821 Fax: 213-743-5828
 Email: bphillips@mercyhousing.org

General partner(s) or principal owner(s): Mercy Housing Calwest
 New Directions Sepulveda, LLC
 General Partner Type: Nonprofit
 Developer: Mercy Housing California
 Consultant: California Housing Partnership Corporation
 Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 41
 No. & % of Tax Credit Units: 40 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Veterans Affairs Supportive
 Housing Vouchers (40 units / 100%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 32.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 32 80 %
 40% AMI: 8 20 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Single Room Occupancy
 Type of Special Needs: Homeless Veterans
 % of Special Need Units: 40 units 100%
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

40 SRO/Studio Units
 1 2-Bedroom Units

 41 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
32 SRO/Studio	30%	30%	\$443
8 SRO/Studio	40%	30%	\$443
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,116,616
 Estimated Residential Project Cost: \$12,116,616

Residential

Construction Cost Per Square Foot: \$226
 Per Unit Cost: \$295,527

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank	\$6,476,000
HACoLA - City of Industry/CGF	\$2,450,000
City of El Monte - HOME	\$400,000
City of El Monte - Acquisition Loan	\$300,000
City of El Monte - Special Development Loan	\$350,000
Deferred Costs	\$1,031,279
Tax Credit Equity	\$1,109,337

Permanent Financing

<u>Source</u>	<u>Amount</u>
HACoLA - City of Industry/CGF	\$2,450,000
City of El Monte - HOME	\$400,000
City of El Monte - Acquisition Loan	\$300,000
City of El Monte-Special Dev. Loan	\$350,000
FHLB AHP	\$600,000
Deferred Costs	\$43,800
Tax Credit Equity	\$7,972,816
TOTAL	\$12,116,616

Determination of Credit Amount(s)

Requested Eligible Basis:	\$7,842,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$10,194,600
Applicable Rate:	7.50%
Total Maximum Annual Federal Credit:	\$764,595
Approved Developer Fee in Project Cost:	\$1,426,650
Approved Developer Fee in Eligible Basis:	\$1,400,000
Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.04275

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:	\$7,842,000
Actual Eligible Basis:	\$10,910,998
Unadjusted Threshold Basis Limit:	\$6,523,400
Total Adjusted Threshold Basis Limit:	\$10,114,164

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

100% of Units for Special Needs Population

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

- New construction: project buildings are at least 45% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- Community gardens of at least 60 square feet per unit
- Project meets all requirements of US EPA Indoor Air Plus Program

Seismic Upgrading

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: **Single Room Occupancy**
Second: **47.867%**

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 7.50% 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: This project will target homeless veterans and has received a commitment of 40 Section-8 project-based veterans affairs supportive housing vouchers (PBVASH) from the Housing Authority of the County of Los Angeles.

The project has City of Industry funds (COI) from the Housing Authority of the County of Los Angeles committed to the project from the fiscal year 2011-2012 budget. However, it may be determined that these tax-increment funds are not an enforceable obligation. As a result, the County has committed to backstop the COI funds with county general funds (CGF) if necessary.

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 El Monte, 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
\$764,595	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed 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 minutes in rush hours	6	6	6
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrm	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: Green Communities	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 25%	5	5	5
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. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.