

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2013 First Round
June 12, 2013

Project Number CA-13-006

Project Name Navy Village
 Site Address: 1556 West Palos Verdes Drive North
 Los Angeles, CA 90732 County: Los Angeles
 Census Tract: 2951.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,765,267	\$0
Recommended:	\$1,765,267	\$0

Applicant Information

Applicant: Navy Village VOA Affordable Housing, L.P.
 Contact: Mike Seltz
 Address: 1660 Duke Street
 Alexandria, VA 22314
 Phone: 703-341-5081 Fax: 703-341-7001
 Email: mseltz@voa.org

General partner(s) or principal owner(s): Volunteers of America of Los Angeles
 Volunteers of America National Services
 General Partner Type: Nonprofit
 Developer: Volunteers of America National Services
 Investor/Consultant: National Equity Fund, Inc.
 Management Agent(s): VOA National Housing Corporation

Project Information

Construction Type: Rehabilitation-Only
 Total # Residential Buildings: 13
 Total # of Units: 74
 No. & % of Tax Credit Units: 73 100%
 Federal Set-Aside Elected: 20%/50%
 Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (50 Units / 68%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	8	10 %
40% AMI:	57	75 %
50% AMI:	8	10 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs
 Type of Special Needs: Homeless Families
 % of Special Need Units: 73 units 100%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

74 2-Bedroom Units
74 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>
8 2 Bedrooms	30%	5%	\$100
15 2 Bedrooms	40%	5%	\$100
42 2 Bedrooms	40%	40%	\$746
8 2 Bedrooms	50%	50%	\$932
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$29,679,404
Estimated Residential Project Cost: \$29,679,404

Residential

Construction Cost Per Square Foot: \$162
Per Unit Cost: \$401,073

Construction Financing

<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$12,500,000
LAHD - HOME	\$2,673,764
CalHFA/LA Dept. of Mental Health	\$1,257,960
AHP	\$1,000,000
Dept. of Navy - Property Donation	\$6,550,000
Deferred Developer Fee & Expenses	\$1,000,000
Tax Credit Equity	\$4,697,680

Permanent Financing

<u>Source</u>	<u>Amount</u>
LAHD - HOME	\$2,673,764
CalHFA/LA Dept. of Mental Health	\$1,257,960
AHP	\$1,000,000
Dept. of Navy - Property Donation	\$6,550,000
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$17,597,680
TOTAL	\$29,679,404

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$15,087,760
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$19,614,088
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,765,267
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$0.99688

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:	\$15,087,760
Actual Eligible Basis:	\$18,961,454
Unadjusted Threshold Basis Limit:	\$16,102,400
Total Adjusted Threshold Basis Limit:	\$19,644,928

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
100% of Units for Special Needs Population

Tie-Breaker Information

First:	Special Needs
Second:	60.369%

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. 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 involves the rehabilitation of former military housing that was part of the former San Pedro Naval Reservation, Defense Fuel Supply Point San Pedro. The U.S. Department of the Navy donated this property to the applicant under the Base Realignment and Closure (BRAC) process through the City of Los Angeles in 2006.

This project is receiving HUD Section 8 project-based vouchers for 50 units. In addition, 12 units will be for clients eligible for MHSA services from the Los Angeles Department of Mental Health.

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
\$1,765,267	\$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	10
Within 1/3 mile of a regular bus stop or rapid transit system stop	3	3	3
Within ¼ mile of public park or community center open to general public	3	3	0
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Special Needs/SRO project within 1 mile of facility serving tenant pop.	2	2	2
Within 1 mile of medical clinic or hospital	2	2	0
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrm	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
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	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	133

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.