

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

REVISED

Casa Carmen, located at 1800 W. 11th St. in Los Angeles, requested and is being recommended for a reservation of \$392,025 in annual federal tax credits and \$1,205,482 in total state tax credits to finance the new construction of 24 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by 1010 Development Corporation and will be located in Senate District 22 and Assembly District 53.

The project will be receiving rental assistance from the Los Angeles County Department of Health Services. The project financing includes state funding from the MHP program of HCD.

Project Number CA-16-928

Project Name Casa Carmen
Site Address: 1800 W. 11th St.
Los Angeles, CA 90006 County: Los Angeles
Census Tract: 2098.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$392,025	\$1,205,482
Recommended:	\$392,025	\$1,205,482

Applicant Information

Applicant: 1010 Development Corporation
Contact: Robert Buente
Address: 1001 S. Hope St.
Los Angeles, CA 90015
Phone: 213-749-4495 Fax: 213-749-3098
Email: bbuente@1010dev.org

General Partner(s) / Principal Owner(s): VH Casa Carmen GP, LLC
1010/Casa Carmen, LLC
General Partner Type: Joint Venture
Parent Company(ies): Valued Housing LLC
1010 Development Corporation
Developer: 1010 Development Corporation
Investor/Consultant: RBC Tax Credit Equity, LLC
Management Agent: Barker Management Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 25
 No. & % of Tax Credit Units: 24 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: Yes
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 24 80 %
 Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 24

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: 12/15/16
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Type of Special Needs: Homeless / formerly homeless
 % of Special Need Units: 24 units 100%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Connie Harina

Unit Mix

24 1-Bedroom Units
 1 2-Bedroom Units

 25 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
24 1 Bedroom	30%	30%	\$488
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,108,058
Construction Costs	\$5,213,747
Rehabilitation Costs	\$0
Construction Contingency	\$637,406
Relocation	\$0
Architectural/Engineering	\$735,000
Const. Interest, Perm. Financing	\$1,035,871
Legal Fees, Appraisals	\$150,000
Reserves	\$565,000
Other Costs	\$847,351
Developer Fee	\$1,210,266
Commercial Costs	\$0
Total	\$11,502,699

Project Financing

Estimated Total Project Cost:	\$11,502,699
Estimated Residential Project Cost:	\$11,502,699
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$235
Per Unit Cost:	\$460,108
True Cash Per Unit Cost*:	\$452,658

Construction Financing

Source	Amount
CitiBank Community Capital	\$6,400,000
City of Los Angeles - HCID	\$2,050,000
AHP	\$234,446
Deferred Costs & Fees	\$1,797,728
Tax Credit Equity	\$1,020,525

Permanent Financing

Source	Amount
HCD - MHP	\$3,500,000
City of Los Angeles - HCID	\$2,050,000
AHP	\$234,446
General Partner Equity	\$400,000
Deferred Developer Fee	\$186,250
Tax Credit Equity	\$5,132,003
TOTAL	\$11,502,699

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,278,707
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,062,319
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$392,025
Total State Credit:	\$1,205,482
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,210,266
Investor/Consultant:	RBC Tax Credit Equity, LLC
Federal Tax Credit Factor:	\$1.10000
State Tax Credit Factor:	\$0.68000

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:	\$9,278,707
Actual Eligible Basis:	\$9,278,707
Unadjusted Threshold Basis Limit:	\$5,600,128
Total Adjusted Threshold Basis Limit:	\$18,592,426

Adjustments to Basis Limit:

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

100% of Units for Special Needs Population

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 200%

Tie-Breaker Information

Final: **69.305%**

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 3.25% 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

The applicant’s estimate of contractor profit, overhead and general requirement costs slightly exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

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 and Community Investment Department, 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
\$392,025	\$1,205,482

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 reservation 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 fifteen 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
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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ 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 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED Gold	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	15	15	15
Total Points	116	116	116

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.