

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2010 First Round**  
**June 9, 2010**

**Project Number** CA-2010-110

**Project Name** Epworth Apartments  
 Site Address: 6525 S. Normandie Avenue  
 Los Angeles, CA 90044 County: Los Angeles  
 Census Tract: 2374.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$589,548	\$0
Recommended:	\$589,548	\$0

**Applicant Information**

Applicant: LTSC CDC, CRCD, UMMLAD  
 Contact: Silvia Yoshimizu-Yee  
 Address: 231 E. 3rd Street, G106  
 Los Angeles CA 90013  
 Phone: 213-473-1696 Fax: 213-473-1681  
 Email: syoshimizu@ltsc.org

General partner(s) or principal owner(s): Little Tokyo Service Center CDC  
 Coalition for Responsible Community Development  
 United Methodist Ministries of Los Angeles District

General Partner Type: Nonprofit  
 Developer: LTSC CDC, CRCD and UMMLAD  
 Investor / Consultant: National Equity Fund  
 Management Agent: Levine Management Group, Inc

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 20  
 No. & % of Tax Credit Units: 19 100%  
 Federal Set-Aside Elected: 20%/50%  
 Federal Subsidy: N/A  
 Average Affordability of Special Needs/SRO Project Units: 26.07%  
 Affordability Breakdown by % (Lowest Income Points):  
 30% AMI: 80 %

**Information**

Set-Aside: Nonprofit Homeless Apportionment  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless, Mentally Ill, Transition Age Youth  
 % of Special Need Units: 19 units 100%  
 Geographic Area: Los Angeles County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

2 SRO/Studio Units  
 18 1-Bedroom Units  


---

 20 Total Units

<u>Unit Type &amp; Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	30%	\$416
17 1 Bedroom	30%	30%	\$445
1 1 Bedroom	Manager's Unit	Manager's Unit	\$634

**Project Financing**

Estimated Total Project Cost: \$8,056,738      Construction Cost Per Square Foot: \$203  
 Per Unit Cost: \$402,837

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$4,487,000	Cal HFA MHSA Capital	\$1,991,770
Cal HFA MHSA Capital	\$1,991,770	Cal HCD MHP Homeless Youth	\$1,761,267
Deferred Costs and Dev. Fees/LTSC CDC	\$287,068	Tax Credit Equity	\$4,303,701
Tax Credit Equity	\$1,290,900	<b>TOTAL</b>	<b>\$8,056,738</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$5,038,874  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$6,550,536  
 Applicable Rate: 9.00%  
 Total Maximum Annual Federal Credit: \$589,548  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$420,000  
 Investor /Consultant: National Equity Fund  
 Federal Tax Credit Factor: \$0.73000

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:	\$5,038,874
Actual Eligible Basis:	\$6,789,539
Unadjusted Threshold Basis Limit:	\$3,429,048
Total Adjusted Threshold Basis Limit:	\$5,038,874

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

Parking Beneath Residential Units

100% of Units for Special Needs Population

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

- Projects exceeding Title 24 by at least 15%
- Projects using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms

Environmental Mitigation

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Second:	<b>84.040%</b>

**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 except for the developer fee as explained in the Special Issues section of this report. 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:** The project has a MHSA 20-year operating subsidy on the 19 low-income units.

The applicant inadvertently included \$100,000 in 3rd party construction management costs under Developer Costs instead of under the Other Project Costs section of the development budget. Staff adjusted accordingly, which results in the project's developer fee reduced from \$520,000 to the maximum allowed amount of \$420,000. This adjustment has no affect on the reservation of tax credits.

**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 Housing Department of the City of Los Angeles, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$589,548</b>	<b>\$0</b>

**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

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

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	46	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
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
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	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
<b>Sustainable Building Methods</b>	<b>8</b>	<b>8</b>	<b>8</b>
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
CRI Green-label, low-VOC carpet and pad	1	1	1
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</b>

**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.**