

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2011 First Round
June 22, 2011

Project Number CA-2011-019

Project Name Caroline Severance Manor
Site Address: 2914-2924 W. 8th St., and 2927, 2933 and 2941 W. Francis Ave.
Los Angeles, CA 90005 County: Los Angeles
Census Tract: 2122.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,253,639	\$0
Recommended:	\$1,253,639	\$0

Applicant Information

Applicant: Mercy Housing California
Contact: Ben 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
General Partner Type: Nonprofit
Developer: Mercy Housing California
Investor/Consultant: Community Economics, Inc.
Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 85
No. & % of Tax Credit Units: 84 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / Project Based-Section 8 (43 units - 51%)
Average Targeted Affordability of Special Needs/SRO Project Units: 35%
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 45 %
35% AMI: 10 %
50% AMI: 10 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 48 units 56%
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Velia M. Greenwood

Unit Mix

30 1-Bedroom Units
 29 2-Bedroom Units
 16 3-Bedroom Units
 10 4-Bedroom Units

 85 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>
26 1 Bedroom	30%	17%	\$257
4 1 Bedroom	35%	17%	\$257
2 2 Bedrooms	30%	29%	\$535
1 2 Bedrooms	30%	29%	\$535
6 2 Bedrooms	50%	50%	\$932
19 2 Bedrooms	60%	60%	\$1,119
1 3 Bedrooms	30%	30%	\$646
2 3 Bedrooms	30%	30%	\$646
4 3 Bedrooms	35%	30%	\$646
3 3 Bedrooms	50%	50%	\$1,076
6 3 Bedrooms	60%	60%	\$1,292
4 4 Bedrooms	30%	30%	\$720
2 4 Bedrooms	30%	30%	\$720
2 4 Bedrooms	35%	30%	\$720
2 4 Bedrooms	60%	60%	\$1,441
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,071

Project Financing

Estimated Total Project Cost:	\$30,099,693
Estimated Residential Project Cost:	\$28,150,078
Estimated Commercial Project Cost:	\$1,949,615

Residential

Construction Cost Per Square Foot:	\$157
Per Unit Cost:	\$331,177

Construction Financing

Source	Amount
Wells Fargo Bank	\$11,557,791
CalHFA - MHSA	\$8,531,840
CalHFA - MHSA Capitalized Reserve	\$500,000
City of Industry	\$3,100,000
LAHD	\$891,000
CRA/LA	\$800,000
AHP	\$1,000,000
1st Unitarian Church - Commercial	\$1,030,000
Tax Credit Equity	\$1,118,775

Permanent Financing

Source	Amount
CCRC	\$3,059,000
CalHFA - MHSA	\$8,531,840
CalHFA - MHSA Capitalized Reserve	\$500,000
City of Industry	\$3,100,000
LAHD	\$891,000
CRA/LA	\$800,000
AHP	\$1,000,000
1st Unitarian Church - Commercial	\$1,030,000
General Partner Equity	\$100
Tax Credit Equity	\$11,187,753
TOTAL	\$30,099,693

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,714,865
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,929,325
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,253,639
Approved Developer Fee in Project Cost:	\$1,400,000
Approved Developer Fee in Eligible Basis:	\$1,309,538
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.89242

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:	\$10,714,865
Actual Eligible Basis:	\$23,388,799
Unadjusted Threshold Basis Limit:	\$18,572,648
Total Adjusted Threshold Basis Limit:	\$25,729,591

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
 Parking Beneath Residential Units
 Local Development Impact Fees
 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	85.636%

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: The applicant’s estimate of contractor profit, overhead and general requirement costs 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, Los Angeles Housing 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
\$1,253,639	\$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 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 ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Large Family proj. w/i ¼ mile of public school project children may attend	3	3	0
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			
Health/behavioral services provided by licensed org. or individual	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: Green Communities	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 20%	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.