

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2011 Second Round
September 28, 2011**

Project Number CA-2011-152
Project Name Mission Plaza Apartments
Site Address: 2250 Parkside Avenue
Los Angeles, CA 90031 County: Los Angeles
Census Tract: 1991.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,699,788	\$0
Recommended:	\$1,699,788	\$0

Applicant Information

Applicant: Mission Plaza Family Apartments, L.P.
Contact: Daniel Falcon, Jr.
Address: 801 South Grand Avenue, Suite 780
Los Angeles, CA 90017
Phone: (213) 236-2680 **Fax:** (213) 236-0707
Email: daniel.falcon@mccormackbaron.com

General partner(s) or principal owner(s): MBA Development Corporation
Mission Plaza Tenants Association
General Partner Type: Joint Venture
Developer: McCormack Baron Salazar
Investor/Consultant: Enterprise Community
Management Agent: McCormack Baron Ragan Management Services

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 132
No. & % of Tax Credit Units: 130 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: CDBG
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 14 10 %
35% AMI: 14 10 %
40% AMI: 14 10 %
45% AMI: 14 10 %
50% AMI: 14 10 %

Information

Set-Aside: At-Risk
Housing Type: Large Family
Geographic Area: Los Angeles County
TCAC Project Analyst: Velia M. Greenwood

Unit Mix

66 2-Bedroom Units
66 3-Bedroom Units
<u>132</u> Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 2 Bedrooms	30%	30%	\$576
7 2 Bedrooms	35%	35%	\$672
7 2 Bedrooms	40%	40%	\$769
7 2 Bedrooms	45%	45%	\$865
7 2 Bedrooms	50%	50%	\$961
30 2 Bedrooms	60%	60%	\$1,153
7 3 Bedrooms	30%	30%	\$666
7 3 Bedrooms	35%	35%	\$777
7 3 Bedrooms	40%	40%	\$888
7 3 Bedrooms	45%	45%	\$999
7 3 Bedrooms	50%	50%	\$1,110
30 3 Bedrooms	60%	60%	\$1,332
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$33,105,950
Estimated Residential Project Cost:	\$33,105,950

Residential

Construction Cost Per Square Foot:	\$97
Per Unit Cost:	\$250,803

Construction Financing

<u>Source</u>	<u>Amount</u>
CITI Community Capital	\$15,400,000
HUD	\$2,454,000
City of Los Angeles - CDBG	\$1,200,000
City of Los Angeles - EECBG	\$500,000
Seller Loan	\$3,978,950
Deferred Developer Fee	\$1,541,500
Tax Credit Equity	\$8,031,500

Permanent Financing

<u>Source</u>	<u>Amount</u>
CITI Community Capital	\$8,910,000
HUD	\$2,454,000
City of Los Angeles - CDBG	\$1,200,000
City of Los Angeles - EECBG	\$500,000
Seller Loan	\$3,978,950
Tax Credit Equity	\$16,063,000
TOTAL	\$33,105,950

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$14,534,750
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$18,895,175
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,699,788
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Enterprise Community
Federal Tax Credit Factor:	\$0.94500

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:	\$14,534,750
Actual Eligible Basis:	\$26,119,750
Unadjusted Threshold Basis Limit:	\$31,540,608
Total Adjusted Threshold Basis Limit:	\$37,864,680

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Second:	66.969%

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: 1) In the Utility Allowance the applicant included \$3 for Code Enforcement, and \$1 for Rent Stabilization, under Section 42 of the Internal Revenue Service (§ 1.42-10) Code Enforcement and Rent Stabilization fees are not considered a utility allowance. The owner is responsible for paying the lump-sum fees (billed yearly), and may not charge the tenants for reimbursement. Since the applicant inadvertently included these fees, staff removed the utility allowance from the Utility Fee Schedule. 2) The project qualified for acquisition-based credit for the value of the existing improvements, and a portion of the developer's fee is based on the acquisition eligible basis. However, for purposes of the requested eligible basis and calculation of acquisition-based tax credits, the applicant chose to voluntarily exclude all of the acquisition basis and not request any acquisition-based tax credits, only rehabilitation 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, 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
\$1,699,788

State Tax Credits/Total
\$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 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Large Family proj. w/i ½ mile of public school project children may attend	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
Licensed child care, available 20 hrs/week or more, M-F	5	5	0
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	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.