

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 Second Round
October 10, 2012

Project Number CA-12-215

Project Name Norwalk Towers Apartments
 Site Address: 14141 Clarkdale Avenue
 Norwalk, CA 90650 County: Los Angeles
 Census Tract: 6037552100.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,050,837	\$0
Recommended:	\$2,050,837	\$0

Applicant Information

Applicant: Norwalk Preservation Limited Partnership
 Contact: William E. Szymczak
 Address: 21515 Hawthorne Blvd Suite 125
 Torrance, CA 90503
 Phone: 310.802.6671 Fax: 310.802.6680
 Email: bill@preservationpartners.org

General partner(s) or principal owner(s): IHO Norwalk LLC
 Norwalk Preservation Partners LLC
 General Partner Type: Joint Venture
 Developer: Preservation Partners Development III LP
 Investor/Consultant: Enterprise Community Investment, Inc.
 Management Agent: Preservation Partners Management Group, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 185
 No. & % of Tax Credit Units: 183 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Contract (144 Units / 78%)
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	19	10 %
35% AMI:	19	10 %
45% AMI:	19	10 %
50% AMI:	55	30 %

Information

Set-Aside: At-Risk
 Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

102 SRO/Studio Units
 83 1-Bedroom Units

 185 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>
10 SRO/Studio	30%	30%	\$443
19 SRO/Studio	35%	35%	\$517
19 SRO/Studio	45%	45%	\$664
54 SRO/Studio	50%	49%	\$721
9 1 Bedroom	30%	30%	\$474
1 1 Bedroom	50%	50%	\$791
71 1 Bedroom	60%	58%	\$910
2 1 Bedroom	Manager's Unit	Manager's Unit	\$949

Project Financing

Estimated Total Project Cost: \$42,729,312
 Estimated Residential Project Cost: \$42,729,312

Residential

Construction Cost Per Square Foot: \$94
 Per Unit Cost: \$230,969

Construction Financing

<u>Source</u>	<u>Amount</u>
Union Bank N.A	\$11,413,300
Seller Carryback Loan	\$2,503,700
Seller Below Market Sale/Donation	\$7,196,300
Deferred Developer Fee	\$2,000,000
Tax Credit Equity	\$19,616,012

Permanent Financing

<u>Source</u>	<u>Amount</u>
Union Bank N.A	\$5,181,320
Union Bank N.A. - Tranche B	\$6,231,980
Seller Carryback Loan	\$2,503,700
Seller Below Market Sale/Donation	\$7,196,300
Deferred Developer Fee	\$82,227
Tax Credit Equity	\$21,533,785
TOTAL	\$42,729,312

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$15,066,980
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,000,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$19,587,074
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$9,000,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$1,762,837
Maximum Annual Federal Credit, Acquisition:	\$288,000
Total Maximum Annual Federal Credit:	\$2,050,837
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	\$1.05000

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:	\$24,066,980
Actual Eligible Basis:	\$30,417,131
Unadjusted Threshold Basis Limit:	\$31,158,221
Total Adjusted Threshold Basis Limit:	\$40,505,687

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	55.021%

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 meet 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, 3.20%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final

Special Issues/Other Significant Information: This project has an existing HUD Section 8 project-based contract covering 144 of the units.

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 Norwalk Community Development 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
\$2,050,837	\$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
Cost Efficiency	20	9	9
Public Funds	20	11	11
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	0
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	0	4
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Senior project within ¼ mile of daily operated senior center/facility	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
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
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
Additional rehab measures: Individually metered utilities per TCAC	3	3	3
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.