

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2013 Second Round

September 25, 2013

REVISED

Project Number CA-13-168

Project Name Turner Apartments
Site Address: 7000, 7006, 7010, 7014 S. Hoover Street
Los Angeles, CA 90044 County: Los Angeles
Census Tract: 2376.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$548,266	\$0
Recommended:	\$548,266	\$0

Applicant Information

Applicant: Horizon Development Consulting, LLC
Contact: Keith Stanley
Address: 2030 Main Street, Suite 1300
Irvine, CA 92614
Phone: (949) 260-4998 Fax: (949) 260-4994
Email: Keith.stanley@horizondev.com

General Partner(s) or Principal Owner(s): Horizon Development Consulting, LLC
AOF/Pacific Affordable Housing Corp.
General Partner Type: Joint Venture
Parent Company(ies): Horizon Development Consulting, LLC
The American Opportunity Foundation, Inc.
Developer: Horizon Development Consulting, LLC
Investor/Consultant: Hudson Housing Capital
Management Agent(s): Solari Enterprises Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 31
No. & % of Tax Credit Units: 30 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Contract (30 Units / 100%)
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 3 10 %
35% AMI: 3 10 %
40% AMI: 3 10 %
50% AMI: 8 25 %

Information

Set-Aside: N/A
 Housing Type: At-Risk
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

31 2-Bedroom Units
 31 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 2 Bedrooms	30%	30%	\$559
3 2 Bedrooms	35%	35%	\$652
3 2 Bedrooms	40%	40%	\$746
8 2 Bedrooms	50%	50%	\$932
13 2 Bedrooms	60%	60%	\$1,119
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$9,719,677
Estimated Residential Project Cost: \$9,719,677

Residential

Construction Cost Per Square Foot: \$117
Per Unit Cost: \$313,538

Construction Financing

<u>Source</u>	<u>Amount</u>
U.S. Bank, N.A.	\$7,196,360
Deferred Developer Fee	\$894,968
Tax Credit Equity	\$1,628,349

Permanent Financing

<u>Source</u>	<u>Amount</u>
PNC Bank-HUD 221(d)(4) Tranche A Loan	\$2,050,000
PNC Bank-HUD 221(d)(4) Tranche B Loan	\$1,750,000
Deferred Developer Fee	\$491,848
Tax Credit Equity	\$5,427,829
TOTAL	\$9,719,677

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,521,121
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,259,202
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,577,457
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$4,259,202
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$411,972
Maximum Annual Federal Credit, Acquisition:	\$136,294
Total Maximum Annual Federal Credit:	\$548,266
Approved Developer Fee in Project Cost:	\$1,067,734
Approved Developer Fee in Eligible Basis:	\$662,096
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.99000

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:	\$7,780,323
Actual Eligible Basis:	\$7,780,323
Unadjusted Threshold Basis Limit:	\$6,745,600
Total Adjusted Threshold Basis Limit:	\$8,769,280

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

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

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Tie-Breaker Information

First:	At-Risk
Second:	18.894%

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

Special Issues/Other Significant Information: This project has an existing HUD Section 8 project-based 5-year contract that will be renewed for 20 years covering 100% of the affordable 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 Los Angeles Housing and Community Investment Department, has completed a site review of this project and strongly opposes this project receiving a reservation of tax credits from the City of Los Angeles geographic apportionment. However, had the project been recommended to receive a reservation of tax credits from the At-Risk set aside the city would have supported the 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
\$548,266	\$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	11	11
Public Funds	20	9	9
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 ¼ mile of public park or community center open to general public	3	3	3
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
Within ½ mile of medical clinic or hospital	3	3	3
Service Amenities	10	10	10
AT-RISK HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Additional rehab measures: PV generation that offsets either 50% of	3	3	3
Additional rehab measures: Sustainable Building Mgmt Practices	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.