

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2014 First Round**  
**June 11, 2014**

**Project Number** CA-14-073

**Project Name** Cedar Springs Apartments  
 Site Address: 1251 Palomares Avenue  
 La Verne, CA 91750 County: Los Angeles  
 Census Tract: 4015.000

| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
|---------------------------|-----------------------|--------------------|
| Requested:                | \$963,114             | \$2,886,419        |
| Recommended:              | \$963,114             | \$2,886,419        |

**Applicant Information**

Applicant: Cedar Springs, L.P.  
 Contact: Dora Leong Gallo  
 Address: 3701 Wilshire Blvd., #700  
 Los Angeles, CA 90010  
 Phone: 213-480-0809 Fax: 213-480-4189  
 Email: dgallo@acof.org

General Partner(s) / Principal Owner(s): A Community of Friends  
 David & Margaret Home, Inc.  
 General Partner Type: Nonprofit  
 Parent Company(ies): A Community of Friends  
 David & Margaret Home, Inc.  
 Investor/Consultant: Union Bank, N.A.  
 Management Agent(s): The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 3  
 Total # of Units: 36  
 No. & % of Tax Credit Units: 35 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME  
 Utility Allowance: CUAC  
 Average Targeted Affordability of Special Needs/SRO Project Units: 35.14%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 26 70 %  
 50% AMI: 9 25 %

**Information**

Set-Aside: Nonprofit Homeless Assistance  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless / Transition Aged Youth / Physical, Mental, and Developmentally Disabled  
 % of Special Need Units: 25 units 80%  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

20 1-Bedroom Units  
 8 2-Bedroom Units  
 8 3-Bedroom Units  


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 36 Total Units

| <b>Unit Type &amp; Number</b> | <b>2014 Rents Targeted<br/>% of Area Median<br/>Income</b> | <b>2014 Rents Actual<br/>% of Area Median<br/>Income</b> | <b>Proposed<br/>Rent<br/>(including<br/>utilities)</b> |
|-------------------------------|--|--|--|
| 20 1 Bedroom                  | 30%  | 17%  | \$260  |
| 5 2 Bedrooms                  | 30%  | 14%  | \$260  |
| 3 2 Bedrooms                  | 50%  | 14%  | \$260  |
| 1 3 Bedrooms                  | 30%  | 30%  | \$636  |
| 6 3 Bedrooms                  | 50%  | 50%  | \$1,060  |
| 1 3 Bedrooms                  | Manager's Unit   | Manager's Unit   | \$0  |

**Project Financing**

Estimated Total Project Cost: \$19,970,247  
 Estimated Residential Project Cost: \$17,018,349  
 Estimated Commercial Project Cost \$2,951,898

**Residential**

Construction Cost Per Square Foot: \$209  
 Per Unit Cost: \$472,732

**Construction Financing**

| Source               | Amount      |
|----------------------|-------------|
| Union Bank           | \$9,774,287 |
| LACDC - HOME         | \$2,452,322 |
| MHSA (LA County DMH) | \$1,000,000 |
| MHSA (Tri-City)      | \$800,000   |
| GP Equity            | \$100       |
| Deferred Costs       | \$4,233,342 |
| Tax Credit Equity    | \$1,710,196 |

**Permanent Financing**

| Source                 | Amount              |
|------------------------|---------------------|
| HCD MHP-Homeless Youth | \$3,157,376         |
| LACDC - HOME           | \$2,452,322         |
| MHSA (LA County DMH)   | \$1,000,000         |
| MHSA (Tri-City)        | \$800,000           |
| GP Equity              | \$100               |
| Deferred Developer Fee | \$1,248,739         |
| Tax Credit Equity      | \$11,311,710        |
| <b>TOTAL</b>           | <b>\$19,970,247</b> |

**Determination of Credit Amount(s)**

|   |                  |
|---|------------------|
| Requested Eligible Basis:                 | \$9,621,516      |
| 130% High Cost Adjustment:                | Yes              |
| Applicable Fraction:                      | 100.00%          |
| Qualified Basis:                          | \$12,507,970     |
| Applicable Rate:                          | 7.70%            |
| Total Maximum Annual Federal Credit:      | \$963,114        |
| Total State Credit:                       | \$2,886,419      |
| Approved Developer Fee in Project Cost:   | \$1,995,739      |
| Approved Developer Fee in Eligible Basis: | \$1,400,000      |
| Investor/Consultant:                      | Union Bank, N.A. |
| Federal Tax Credit Factor:                | \$0.97070        |
| State Tax Credit Factor:                  | \$0.68000        |

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:  | \$9,621,516  |
| Actual Eligible Basis:                | \$12,483,688 |
| Unadjusted Threshold Basis Limit:     | \$7,966,812  |
| Total Adjusted Threshold Basis Limit: | \$10,281,460 |

**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.

Local Development Impact Fees

**Tie-Breaker Information**

|         |                      |
|---------|----------------------|
| First:  | <b>Special Needs</b> |
| Second: | <b>58.217%</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. 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 7.70% of the qualified basis. 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:** This special needs project will have 25 special needs units serving transition age youth as required under the HCD MHP - Homeless Youth Program. These same 25 units will be further restricted to homeless tenants by the Community Development Commission of the County of Los Angeles. In addition, 15 of these 25 units will be restricted to MHSA households.

The project has operating subsidies from the Community Development Commission of the County of Los Angeles and the Los Angeles County Department of Mental Health for the 25 special needs 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 La Verne, 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**  
**\$963,114**

**State Tax Credits/Total**  
**\$2,886,419**

**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.

| <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                          | 20                      | 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 minutes in rush hours        | 6                           | 6                       | 6                     |
| Within ¼ mile of public park or community center open to general public      | 3                           | 3                       | 3                     |
| Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf   | 3                           | 3                       | 3                     |
| Within 1/2 mile of a public elementary school project children may attend    | 2                           | 2                       | 0                     |
| Special Needs/SRO project within ½ mile of facility serving tenant pop.      | 3                           | 3                       | 3                     |
| <b>Service Amenities</b>   | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>SPECIAL NEEDS HOUSING TYPE</b>  |                             |                         |                       |
| Case Manager, minimum ratio of 1 FTE to 100 bedrooms                         | 5                           | 5                       | 5                     |
| Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms | 5                           | 5                       | 5                     |
| <b>Sustainable Building Methods</b>  | <b>10</b>                   | <b>10</b>               | <b>10</b>             |
| <b>NEW CONSTRUCTION</b>  |                             |                         |                       |
| Develop project in accordance w/ requirements of: LEED                       | 5                           | 5                       | 5                     |
| Develop project to requirements of: LEED Gold                                | 5                           | 5                       | 5                     |
| <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>Miscellaneous Federal and State Policies</b>                              | <b>2</b>                    | <b>2</b>                | <b>2</b>              |
| State Credit Substitution  | 2                           | 2                       | 2                     |
| <b>Total Points</b>  | <b>148</b>                  | <b>148</b>              | <b>148</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.**