

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2016

Saint Mary Tower, located at 1120 Atlantic Avenue in Long Beach, requested and is being recommended for a reservation of \$1,450,794 in annual federal tax credits to finance the acquisition and rehabilitation of 146 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 33 and Assembly District 70.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-825

Project Name Saint Mary Tower
 Site Address: 1120 Atlantic Avenue
 Long Beach, CA 90813 County: Los Angeles
 Census Tract: 5763.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,450,794	\$0
Recommended:	\$1,450,794	\$0

Applicant Information

Applicant: Mercy Housing California 71, L.P.
 Contact: Ed Holder
 Address: 1500 S. Grand Ave. Suite 100
 Los Angeles, CA 90015
 Phone: (213) 743-5820 Fax: (213) 743-5828
 Email: eholder@mercyhousing.org

General Partner(s) or Principal Owner(s): St. Mary Tower LLC
 Mercy Housing Calwest
 General Partner Type: Nonprofit
 Parent Company(ies): Mercy Housing California
 Mercy Housing Calwest
 Developer: Mercy Housing California
 Investor/Consultant: California Housing Partnership Corp.
 Management Agent: Mercy Housing Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 148
 No. & % of Tax Credit Units: 146 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Base Contract (146 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 31
 Number of Units @ or below 60% of area median income: 115

Bond Information

Issuer: Citibank (Community Capital)
 Expected Date of Issuance: June 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marlene McDonough

Unit Mix

37 SRO/Studio Units
 111 1-Bedroom Units

 148 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8 SRO/Studio	50%	50%	\$726
23 1 Bedroom	50%	50%	\$778
29 SRO/Studio	60%	60%	\$871
86 1 Bedroom	60%	60%	\$934
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$28,700,000
Construction Costs	\$0
Rehabilitation Costs	\$5,957,584
Construction Contingency	\$893,638
Relocation	\$1,200,000
Architectural/Engineering	\$330,000
Construction Interest, Perm Financing	\$2,157,300
Legal Fees, Appraisals	\$90,000
Reserves	\$723,070
Other Costs	\$802,102
Developer Fee	\$5,317,279
Commercial Costs	\$0
Total	\$46,170,973

Project Financing

Estimated Total Project Cost:	\$46,170,973
Estimated Residential Project Cost:	\$46,170,973

Residential

Construction Cost Per Square Foot:	\$70
Per Unit Cost:	\$311,966

Construction Financing

Source	Amount
Citibank	\$32,726,000
Seller Note	\$7,004,456
Income from Operations	\$614,000
Deferred Costs	\$2,272,930
Deferred Developer Fee	\$2,357,279
General Partner Equity	\$100
Tax Credit Equity	\$1,196,208

Permanent Financing

Source	Amount
Citibank	\$20,346,000
Seller Note	\$7,004,456
Income from Operations	\$614,000
Deferred Developer Fee	\$2,357,279
General Partner Equity	\$100
Tax Credit Equity	\$15,849,138
TOTAL	\$46,170,973

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,658,803
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$30,107,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,856,444
Qualified Basis (Acquisition):	\$30,107,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$457,263
Maximum Annual Federal Credit, Acquisition:	\$993,531
Total Maximum Annual Federal Credit:	\$1,450,794
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,317,279
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.09245

Per Regulation Section 10322(h)(9)(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:	\$40,765,803
Actual Eligible Basis:	\$40,765,803
Unadjusted Threshold Basis Limit:	\$33,309,028
Total Adjusted Threshold Basis Limit:	\$43,634,827

Adjustments to Basis Limit

- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 21%

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 3.30% 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: None

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,450,794	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 reservation 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.

Additional Conditions: None