

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 First Round

June 8, 2016

REVISED

Middleton Place, located at 6614 and 6700 Middleton Street in Huntington Park, requested \$530,324 in annual federal credits, but is being recommended for a reservation of \$528,823 in annual federal tax credits (see "**Special Issues/Other Significant Information**" section) to finance the new construction of 19 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by AMG & Associates, LLC and will be located in Senate District 33 and Assembly District 59.

Project Number CA-16-066

Project Name Middleton Place
Site Address: 6614 and 6700 Middleton Street
Huntington Park, CA 90255 County: Los Angeles
Census Tract: 5331.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$530,324	\$0
Recommended:	\$528,823	\$0

Applicant Information

Applicant: Huntington Park Pacific Associates, a California Limited Partnership
Contact: Alexis Gevorgian
Address: 16633 Ventura Blvd., Suite 1014
Encino, CA 91436
Phone: (818) 380-2600 **Fax:** (818) 380-2603
Email: agevorgian@amgland.com

General Partner(s) / Principal Owner(s): AMG & Associates, LLC
Oldtimers Development Corporation IV
RCC MGP LLC
General Partner Type: Joint Venture
Parent Company(ies): AMG & Associates, LLC
Oldtimers Development Corporation IV
Riverside Charitable Corporation
Developer: AMG & Associates, LLC
Investor/Consultant: Boston Capital
Management Agent(s): U.S. Residential Group, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 20
 No. & % of Tax Credit Units: 19 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 2 10 %
 45% AMI: 5 25 %
 50% AMI: 8 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

10 1-Bedroom Units
 5 2-Bedroom Units
 5 3-Bedroom Units

 20 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	45%	45%	\$700
4 1 Bedroom	50%	50%	\$778
2 1 Bedroom	60%	60%	\$933
1 2 Bedrooms	30%	30%	\$560
1 2 Bedrooms	45%	45%	\$840
2 2 Bedrooms	50%	50%	\$933
1 2 Bedrooms	60%	60%	\$1,120
1 3 Bedrooms	30%	30%	\$647
1 3 Bedrooms	45%	45%	\$971
2 3 Bedrooms	50%	50%	\$1,079
1 3 Bedrooms	60%	60%	\$1,295
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,156,000
Construction Costs	\$4,391,239
Rehabilitation Costs	\$0
Construction Contingency	\$225,000
Relocation	\$215,000
Architectural/Engineering	\$495,000
Construction Interest, Perm Financing	\$343,600
Legal Fees, Appraisals	\$65,000
Reserves	\$92,091
Other Costs	\$765,695
Developer Fee	\$917,307
Commercial Costs	\$0
Total	\$8,665,932

Project Financing

Estimated Total Project Cost:	\$8,665,932
Estimated Residential Project Cost:	\$8,665,932
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$272
Per Unit Cost:	\$433,297
Effective Per Unit Cost*:	\$433,297

Construction Financing

Source	Amount
Boston Capital	\$3,932,770
City of Huntington Park - HOME/RDA	\$2,663,222
Deferred Costs	\$92,091
Deferred Developer Fee	\$917,307
Tax Credit Equity	\$1,060,542

Permanent Financing

Source	Amount
Boston Capital	\$700,000
City of Huntington Park - HOME/RDA	\$2,678,229
Tax Credit Equity	\$5,287,703
TOTAL	\$8,665,932

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$4,532,686
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$5,892,492
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$528,823
Approved Developer Fee (in Project Cost & Eligible Basis):	\$917,307
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.99990

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:	\$4,532,686
Actual Eligible Basis:	\$7,032,686
Unadjusted Threshold Basis Limit:	\$4,583,830
Total Adjusted Threshold Basis Limit:	\$5,481,621

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	37.014%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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

TCAC staff noted a \$15,007 inconsistency in the amount of HOME funds committed to the project from the commitment letter and the amount shown in the application. Pursuant to TCAC Regulation Section 10327(e), TCAC staff reduced annual federal credit requested by \$1,501 (\$530,324 - \$528,823), hereby reducing the tax credit equity by \$15,007.

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 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
\$528,823	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of a public middle school and the site is within the attendance	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction (42 hours for small developments of 20 units or less)	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of GreenPoint Rated Program	5	5	5
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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.