

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Magnolia Villas, located at 1445-1453 10th Street in Santa Monica, requested and is being recommended for a reservation of \$1,243,298 in annual federal tax credits to finance the new construction of 39 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by EAH Inc. and is located in Senate District 26 and Assembly District 50.

Project Number CA-19-062

Project Name Magnolia Villas
Site Address: 1445-1453 10th Street
Santa Monica, CA 90404 County: Los Angeles
Census Tract: 06037.7017.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,243,298	\$0
Recommended:	\$1,243,298	\$0

Applicant Information

Applicant: EAH Inc.
Contact: Welton Jordan
Address: 22 Pelican Way
San Rafael, CA 94901
Phone: 415-295-8876
Email: welton.jordan@eahhousing.org

General Partner(s) / Principal Owner(s):	Magnolia Villas EAH LLC
General Partner Type:	Nonprofit
Parent Company(ies):	EAH Inc.
Developer:	EAH Inc.
Investor/Consultant:	California Housing Partnership
Management Agent(s):	EAH Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 40
No. & % of Tax Credit Units: 39 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: None

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: Balance of Los Angeles County
TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	4	10%
At or Below 40% AMI:	8	20%
At or Below 50% AMI:	12	30%

Unit Mix

39 1-Bedroom Units
1 2-Bedroom Units
40 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4 1 Bedroom	30%	30%	\$587
8 1 Bedroom	40%	40%	\$783
12 1 Bedroom	50%	50%	\$979
15 1 Bedroom	60%	60%	\$1,175
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,480,350
Construction Costs	\$12,235,468
Rehabilitation Costs	\$0
Construction Contingency	\$1,751,510
Relocation	\$0
Architectural/Engineering	\$580,000
Const. Interest, Perm. Financing	\$1,217,872
Legal Fees	\$130,000
Reserves	\$92,334
Other Costs	\$934,636
Developer Fee	\$703,080
Commercial Costs	\$0
Total	\$23,125,250

Residential

Construction Cost Per Square Foot:	\$543
Per Unit Cost:	\$578,131
True Cash Per Unit Cost*:	\$578,131

Construction Financing

Source	Amount
Wells Fargo	\$10,243,182
City of Santa Monica Loan	\$11,400,000
Deferred Costs	\$385,953
GP Equity Contribution	\$100
Tax Credit Equity	\$1,096,015

Permanent Financing

Source	Amount
City of Santa Monica Loan	\$11,400,000
GP Equity Contribution	\$100
Tax Credit Equity	\$11,725,150
TOTAL	\$23,125,250

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,626,479
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,814,423
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,243,298
Approved Developer Fee (in Project Cost & Eligible Basis):	\$703,080
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.94307

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$10,626,479
Actual Eligible Basis:	\$16,977,597
Unadjusted Threshold Basis Limit:	\$10,105,967
Total Adjusted Threshold Basis Limit:	\$14,855,772

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
 Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
 95% of Upper Floor Units are Elevator-Serviced
 Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Seniors
Final:	67.313%

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 or 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, 3.30%. 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.

Significant Information / Additional Conditions

Staff noted a per unit cost of \$578,131. The factors affecting this cost include the project size (39 1-Bedroom units), 4-story building with an elevator, ground floor parking for 10 vehicles and 20 bicycles, and community space.

Resyndication and Resyndication Transfer Event: None.

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.

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 fifteen 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)(5) 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	0
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	0	4
Senior project within ½ 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	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, 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, min. 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	113	113	113

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.**