CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Sherman Oaks Senior Housing, located at 14534 - 14536 Burbank Blvd. in Los Angeles, requested and is being recommended for a reservation of $1,065,294 in annual federal tax credits to finance the new construction of 54 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 18 and Assembly District 46.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the NPLH program(s) of HCD.

Project Number CA-20-595

Project Name Sherman Oaks Senior Housing
Site Address: 14534-14536 Burbank Blvd.
Los Angeles, CA 91411 County: Los Angeles
Census Tract: 1288.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,065,294	$0
Recommended:	$1,065,294	$0

Applicant Information
Applicant: Mercy Housing California 94, L.P.
Contact: Erika Villablanca
Address: 1500 S. Grand Ave., Suite 100
Los Angeles, CA 90015
Phone: 213-743-5826
Email: evillablanca@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing California 94 LLC
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing California
Developer: Mercy Housing California
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Mercy Housing Management Group

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	55	
No. / % of Low Income Units:	54	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (54 Units-100%)	

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	February 1, 2021

Information

Housing Type:	Special Needs
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jonghyun (Tommy) Shim

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	54	100%

Unit Mix

48	SRO/Studio Units
7	1-Bedroom Units
55	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
48	SRO/Studio	30%	30%	$591
6	1 Bedroom	30%	30%	$633
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$3,005,136
Construction Costs	$17,787,777
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$1,526,363
Soft Cost Contingency	$303,607
Relocation	$0
Architectural/Engineering	$1,162,100
Const. Interest, Perm. Financing	$1,673,143
Legal Fees	$120,000
Reserves	$911,300
Other Costs	$1,347,301
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$30,336,727**

Residential

Construction Cost Per Square Foot:	$564
Per Unit Cost:	$551,577
True Cash Per Unit Cost*:	$551,575

Construction Financing

Source	Amount
Citibank	$14,676,000
HCIDLA - HHH	$5,600,000
LA County - No Place Like Home	$5,634,200
AHP	$950,000
Deferred Costs & Fees	$2,155,471
GP Capital	$100
Tax Credit Equity	$1,320,956

Permanent Financing

Source	Amount
Citibank	$1,780,000
HCIDLA - HHH	$11,880,000
LA County - No Place Like Home	$5,720,000
AHP	$950,000
GP Equity	$100
Tax Credit Equity	$10,006,627
TOTAL	**$30,336,727**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$25,291,882
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$32,879,447
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$1,065,294
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.93933

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, 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. 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:	$25,291,882
Actual Eligible Basis:	$25,291,882
Unadjusted Threshold Basis Limit:	$16,448,520
Total Adjusted Threshold Basis Limit:	$55,962,437

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

100% of the Low Income Units for Special Needs Population

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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 3.24% 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.

Significant Information / Additional Conditions

Development costs are roughly $551,577 per unit. The applicant noted that the per unit cost is attributed to the high-density project design requires a subterranean parking garage. This excavation and garage structure add substantial cost on a per-unit basis to projects with relatively low unit count, such as the subject. The project is subject to both federal and state prevailing wage requirements and is required to capitalize a large transition reserve due to LA County and HCD regulations for their No Place Like Home funding program.

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

CDLAC Additional Conditions
The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.