

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2022 First Round

June 15, 2022

Norwalk Veterans Housing, located at 13629-13705 San Antonio Drive and 11950 Foster Road in Norwalk, requested and is being recommended for a reservation of \$2,043,423 in annual federal tax credits to finance the new construction of 59 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 Mercy Housing California and will be located in Senate District 32 and Assembly District 57.

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 Multifamily Housing Program/Veterans Housing and Homelessness Prevention programs of HCD.

Project Number CA-22-017

Project Name Norwalk Veterans Housing
Site Address: 13629-13705 San Antonio Drive; 11950 Foster Road
Norwalk, CA 90650 County: Los Angeles
Census Tract: 55211.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,043,423	\$0
Recommended:	\$2,043,423	\$0

Applicant Information

Applicant: Mercy Housing California, 98 L.P.
Contact: Erika Villablanca
Address: 1500 South Grand Avenue
Los Angeles, CA 90015
Phone: 213-743-5826
Email: evillablanca@mercyhousing.org

General Partner(s) / Principal Owner(s): Mercy Housing California 98 LLC
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing California
Developer: Mercy Housing California
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Mercy Housing Management Group

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 60
No. & % of Tax Credit Units: 59 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (18 units - 31%)

Information

Set-Aside: Nonprofit (qualified nonprofit organization)
 Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	26	40%
At or Below 50% AMI:	6	10%
At or Below 60% AMI:	27	45%

Unit Mix

20 1-Bedroom Units
 25 2-Bedroom Units
15 3-Bedroom Units
 60 Total Units

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
18 1 Bedroom	30%	\$665
3 2 Bedrooms	30%	\$798
6 2 Bedrooms	50%	\$1,330
15 2 Bedrooms	60%	\$1,596
3 3 Bedrooms	30%	\$922
12 3 Bedrooms	60%	\$1,843
2 1 Bedroom	30%	\$258
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,158,414
Construction Costs	\$27,120,204
Rehabilitation Costs	\$0
Construction Contingency	\$3,005,255
Relocation	\$0
Architectural/Engineering	\$1,220,000
Const. Interest, Perm. Financing	\$1,881,463
Legal Fees	\$130,000
Reserves	\$363,941
Other Costs	\$2,765,171
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$42,844,448

Residential

Construction Cost Per Square Foot:	\$417
Per Unit Cost:	\$714,074
True Cash Per Unit Cost*:	\$651,576

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
JP Morgan Chase	\$28,089,574	JP Morgan Chase	\$1,992,000
AHP	\$885,000	AHP	\$885,000
City of Norwalk	\$6,000,000	MHP	\$6,859,462
City of Norwalk: Mitigation Fee Loan	\$815,000	VHHP	\$4,289,000
City of Norwalk: Land Donation	\$3,749,015	City of Norwalk	\$6,000,000
Deferred Costs	\$1,600,961	City of Norwalk; Mitigation Fee Loan	\$815,000
General Partner Equity	\$100	City of Norwalk: Land Donation	\$3,749,915
Tax Credit Equity	\$1,703,897	General Partner Equity	\$100
		Tax Credit Equity	\$18,253,971
		TOTAL	\$42,844,448

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,704,704
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,704,704
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,043,423
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.89330

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.

Tie-Breaker Information

First:	Large Family
Final:	83.839%

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, City of Norwalk, has completed a site review of this project and strongly supports this project.

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.

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 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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit station or public bus stop	4	4	4
Within 1 mile of public library	2	2	2
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
Within 1 mile of a public high school	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. 60 hrs/yr instruction	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	109	109	109

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.