

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2009 Single Round
September 10, 2009**

Project Number CA-2009-018

Project Name Glassell Park Community Housing
Site Address: 3000 Verdugo Road
Los Angeles, CA 90065 County: Los Angeles
Census Tract: 1864.02

Applicant Information

Applicant: Glassell Park, L.P.
Contact: Holly Phillips
Address: 701 East 3rd Street, Suite 400
Los Angeles, CA 90013
Phone: (213) 225-2708 **Fax:** (213) 225-2709
Email: hphillips@abodecommunities.org
General Partner Type: Nonprofit

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: Los Angeles

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,626,341	\$0
Recommended:	\$1,626,341	\$0

ARRA Award Amount

Federal Calculated Amount Requested: $(\$1,626,341 \times 10 \times \$0.08) = \$1,301,073$
State Calculated Amount Requested: \$0

Total Federal Award Recommended: \$1,301,073
Total State Award Recommended: \$0

Project Information

Construction Type: New Construction
Federal Subsidy: HOME
Total # of Units: 50
Total # Residential Buildings: 1
Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 49 units

Eligible Basis

Requested: \$13,900,349
Actual: \$15,505,838
Maximum Permitted: \$13,900,349

Adjustments to Threshold Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 95% of Upper Floor Units are Elevator-Serviced

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Public Funds	20	20	20
<i>Owner / Management Characteristics</i> Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes	6	6	6
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store w/ staples and fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Large Family project within ¼ mile of public school that project children may attend	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Bona fide Service Coordinator/Social Worker	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
<i>Lowest Income</i> Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum 20 points	20	20	20
<i>State Credit Substitution</i> Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **Large Family**
 Second: Calculated Ratio per Regulation 10325(c)(10) **58.645%**

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 Two-bedroom Units	30%	\$535
3 Two-bedroom Units	40%	\$714
20 Two-bedroom Units	50%	\$892
8 Two-bedroom Units	60%	\$1,070
2 Three-bedroom Units	30%	\$618
2 Three-bedroom Unit	40%	\$824
5 Three-bedroom Units	50%	\$1,030
6 Three-bedroom Units	60%	\$1,236
1 Two-bedroom Unit	Manager's Unit	\$0

The general partner or principal owner is Abode Communities.

The project developer is Abode Communities.

The management agent is Abode Communities.

The market analyst is Laurin Associates (Raney Planning & Management, Inc.)

The Local Reviewing Agency, city of Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$27,461,934 Estimated Total Commercial/Non-residential Cost: \$4,989,751
 Estimated Total Residential Cost: \$22,472,183 Per Unit Cost: \$449,444 Construction Cost Per Sq. Foot: \$312

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$9,068,590	US Bank	\$2,300,000
LAUSD Ground Lease Loan	\$2,850,000	LAUSD Ground Lease Loan	\$2,850,000
LAHD – HOME	\$2,640,475	LAHD – HOME	\$2,640,475
HCD – Prop. 1C Infill Grant	\$2,604,360	HCD – Prop 1C Infrastructure Grant	\$2,604,360
LAUSD Equity – Non-residential	\$4,100,000	LAUSD Equity – Non-residential	\$4,100,000
G.P. Equity	\$100	G.P. Equity	\$100
Deferred Costs	\$1,457,573	Deferred Developer Fee	\$29,405
Investor Equity	\$3,439,763	Investor Equity	\$11,636,521
TCAC ARRA Award	\$1,301,073	TCAC ARRA Award	\$1,301,073
		TOTAL	\$27,461,934

Determination of Credit Amount(s)

Requested Eligible Basis:	\$13,900,349
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$18,070,454
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,626,341
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.71550

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitations except the Developer Fee included in eligible basis as explained in the Special Issues section below. 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 9.00% 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: The applicant's estimate of Developer Fee included in eligible basis of \$2,000,000 exceeded the TCAC limit of \$1,400,000. Staff reduced the applicant's voluntarily excluded eligible basis figure by a corresponding amount, resulting in no net affect to the requested unadjusted eligible basis figure or the tax credits recommended.

This project is a joint effort between the LAUSD and the applicant to co-locate affordable housing adjacent to joint-use school facilities and schools. In this case, the tax-credit project, LAUSD's Early Education Center (EEC), and the nearby Glassell Park Elementary School will have shared parking and the tax-credit project will have some joint-use priority for the use of certain EEC facilities. The EEC, developed by LAUSD as a separate/independent facility, but adjacent/integrated with the tax credit project, will feature classrooms, a parent/teacher community room, and play facilities. The playground facilities and parent/teacher community room will be available to the tax-credit project tenants on a priority basis during non-instructional hours (during hours of the day that the EEC/LAUSD joint-use facility is not open for instruction).

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.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits and ARRA funds, 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
\$1,626,341	\$0
ARRA/Federal	ARRA/State
\$1,301,073	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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)(P) at project completion.

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Jack Waegell