

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2012 First Round
July 11, 2012

Project Number CA-12-096

Project Name Lorenz Senior Apartments
 Site Address: 1509 Yuba Street
 Redding, CA 96001 County: Shasta
 Census Tract: 101.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$513,005	\$0
Recommended:	\$513,005	\$0

Applicant Information

Applicant: Lorenz Senior Apartments LP
 Contact: Kathleen Mertz
 Address: 303 Hegenberger Road #201
 Oakland, CA 94621
 Phone: 510-746-4120 Fax: 510-746-4204
 Email: kmertz@cchnc.org

General partner(s) or principal owner(s): Lorenz Housing LLC
 General Partner Type: Nonprofit
 Developer: Christian Church Homes
 Consultant: California Housing Partnership Corporation
 Management Agent: Christian Church Homes

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 60
 No. & % of Tax Credit Units: 59 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / HUD Section 8 Project-based Contract (59 units / 100%) &
 HUD Service Coordinator Grant
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 6 10 %
 40% AMI: 30 50 %
 50% AMI: 23 35 %

Information

Set-Aside: At-Risk
 Housing Type: At-Risk
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

24 SRO/Studio Units
 36 1-Bedroom Units

 60 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	30%	\$309
4 1 Bedroom	30%	30%	\$331
19 SRO/Studio	40%	40%	\$412
11 1 Bedroom	40%	40%	\$442
3 SRO/Studio	50%	43%	\$443
20 1 Bedroom	50%	46%	\$507
1 1 Bedroom	Manager's Unit	Manager's Unit	\$892

Project Financing

Estimated Total Project Cost:	\$12,874,872
Estimated Residential Project Cost:	\$11,801,061
Estimated Commercial Project Cost	\$1,073,811

Residential

Construction Cost Per Square Foot:	\$173
Per Unit Cost:	\$196,684

Construction Financing

<u>Source</u>	<u>Amount</u>
US Bank Construction Loan	\$7,656,050
Seller Take Back Loan via HUD Donation	\$2,360,018
City of Redding - HOME	\$500,000
Existing Replacement Reserve	\$400,000
Costs Deferred During Construction	\$1,329,719
Tax Credit Equity	\$629,085

Permanent Financing

<u>Source</u>	<u>Amount</u>
US Bank Permanent Loan	\$1,771,000
Seller Take Back Loan via HUD Donation	\$2,360,018
City of Redding - HOME	\$500,000
Existing Replacement Reserve	\$400,000
FHLB - AHP	\$590,000
Historic Tax Credit Equity	\$2,025,606
Tax Credit Equity	\$5,228,248
TOTAL	\$12,874,872

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,567,349
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,700,051
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$513,005
Approved Developer Fee in Project Cost:	\$1,233,636
Approved Developer Fee in Eligible Basis:	\$1,179,788
Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.01914

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:	\$4,567,349
Actual Eligible Basis:	\$8,866,882
Unadjusted Threshold Basis Limit:	\$8,967,864
Total Adjusted Threshold Basis Limit:	\$10,975,024

Adjustments to Basis Limit:

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use
- Seismic Upgrading
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	At-Risk
Second:	59.602%

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 9.00% 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: This senior project has a HUD Section 8 project-based contract covering 100% of the affordable units on a one-year renewal to August 31, 2012. HUD is currently reviewing a request for a 20 year renewal contract for the period September 1, 2012 through August 31, 2032.

This rehabilitation project has received waivers for several of the minimum construction standards under regulation sections 10325(f)(7)(B), (C), (D), (E), & (H) as supported by the capital needs assessment as follows: (B) CALGreen code compliance is required only for building products or systems replaced as part of the scope of work; (C) Landscaping is waived as the project is a zero lot-line building; (D) Roof requirements are waived as the main roof was replaced in 2007 and the vestibule & interior roof over the "U" were replaced in 2010. The roof has 15 years remaining on its warranty; (E) The 3 exterior building doors are exterior grade doors which are in good condition and meet the requirement. These doors will not be replaced as part of the rehabilitation. However, each unit's exterior door which will be replaced as part of the rehabilitation must meet the minimum construction standard; (H) The water heating is provided by a central system and not individual water heaters.

Lorenz Senior Apartments is currently configured as a 78-unit SRO project. This rehabilitation project will convert these 78 SRO units into 24 studio units and 36 one-bedroom units with kitchens and enlarged bathrooms.

The applicant's estimate of the contractor profit, overhead, and general requirement costs & basis exceeds the 14% limitation under regulation section 10327. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed, which may result in a reduction to the final award of tax credits.

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, the city of Redding, has completed a site review of this project and strongly supports this project.

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
\$513,005

State Tax Credits/Total
\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. 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: At the 90-day submission of the Letter of Intent from the project's equity partner required under regulation section 10325(c)(8), the Letter of Intent must include the historic tax credits and historic tax credit equity as part of the agreement in addition to the low-income housing tax credits and low-income housing tax-credit equity.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	20	3	3
Credit Reduction	20	4	4
Public Funds	20	13	13
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 1/4 mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within 1/4 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
AT-RISK HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Additional rehab measures: PV generation that offsets either 50% of	3	3	3
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
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	20	20	20
Miscellaneous Federal and State Policies	2	2	2
Universal Design	1	1	1
Historic Preservation	1	1	1
Total Points	148	148	148

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.