

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2013 First Round
June 12, 2013

Project Number CA-13-066

Project Name Blossom Plaza
 Site Address: 900 N. Broadway
 Los Angeles, CA 90012 County: Los Angeles
 Census Tract: 2060.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,915,789	\$0
Recommended:	\$1,870,845	\$0

Applicant Information

Applicant: Forest City Blossom, LLC
 Contact: Frank Frallicciardi
 Address: 949 S. Hope Street
 Los Angeles, CA 90015
 Phone: 213-416-2200 Fax: 213-488-9308
 Email: FrankFrallicciardi@ForestCity.net

General partner(s) or principal owner(s): Hearthstone Housing Foundation
 Forest City Blossom, LLC
 General Partner Type: Joint Venture
 Developer: Forest City Blossom, LLC
 Investor/Consultant: Boston Financial Investment Management
 Management Agent(s): Forest City Residential Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 54
 No. & — of Tax Credit Units: 53 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and — (Lowest Income Points):
 30% AMI: 6 10 %
 40% AMI: 11 20 %
 50% AMI: 22 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

17 SRO/Studio Units
 12 1-Bedroom Units
 9 2-Bedroom Units
 16 3-Bedroom Units

 54 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	30%	30%	\$435
1 1 Bedroom	30%	30%	\$466
2 2 Bedrooms	30%	30%	\$559
2 3 Bedrooms	30%	30%	\$646
4 SRO/Studio	40%	40%	\$580
3 1 Bedroom	40%	40%	\$621
2 2 Bedrooms	40%	40%	\$746
2 3 Bedrooms	40%	40%	\$861
8 SRO/Studio	50%	50%	\$725
6 1 Bedroom	50%	50%	\$776
2 2 Bedrooms	50%	50%	\$932
6 3 Bedrooms	50%	50%	\$1,076
4 SRO/Studio	60%	60%	\$870
2 1 Bedroom	60%	60%	\$931
2 2 Bedrooms	60%	60%	\$1,119
6 3 Bedrooms	60%	60%	\$1,292
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,500

Project Financing

Estimated Total Project Cost: \$27,144,151
 Estimated Residential Project Cost: \$27,144,151

Residential

Construction Cost Per Square Foot: \$295
 Per Unit Cost: \$502,669

Construction Financing

<u>Source</u>	<u>Amount</u>
CITI Construction Loan	\$18,619,151
LAHD - HOME	\$5,300,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
CITI Permanent Loan	\$1,568,626
City of Los Angeles	\$3,625,000
LAHD - HOME	\$5,300,000
Tax Credit Equity	\$16,650,525
TOTAL	\$27,144,151

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,265,567
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,145,236
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,870,845
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	\$0.89000

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:	\$16,265,567
Actual Eligible Basis:	\$22,378,151
Unadjusted Threshold Basis Limit:	\$11,239,246
Total Adjusted Threshold Basis Limit:	\$16,265,567

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
 - Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Environmental Mitigation
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Second:	44.615%

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: The applicant included developer fee cost in the sources and uses budget at \$2,400,000, which is above the TCAC limit of \$2,000,000. TCAC adjusted accordingly resulting in a decrease to the recommended tax credits.

This project is the affordable piece (54 units) of a larger high-rise mixed-use development with 181 market-rate units and a grand total of 235 units. An airspace subdivision for the tax credit project's units will be used to create a legally separate parcel to allow for the separate ownership of the tax credit project within the larger project. The tax credit units will be scattered throughout the larger project as required by fair housing laws and applicable government codes and regulations.

The larger project will have a 3-level, semi-subterranean parking structure with 372 total parking spaces. Of these spaces, 175 will be public parking spaces for the adjacent Metro Gold Line station. The other 197 spaces will be for the 235 residential units with the tax credit units having 1 space per unit.

The project is required under regulation section 10325(g)(1)(D) to provide outdoor play/recreational facilities suitable and available to all tenants for children of all ages.

Pursuant to Chapter 8, Category 11e of the TCAC Compliance Manual and IRS Revenue Rule 92-61, if a manager's unit is being charged rent, the eligible basis for the unit should be excluded from the development budget. Staff noted that rent will be charged by the owner for the manager's unit at the proposed project. For all future submission of the application to TCAC, the owner should either exclude the eligible basis from the development budget or not charge rent on the manager's unit.

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 Los Angeles Housing Department, 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	State Tax Credits/Total
\$1,870,845	\$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: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	9	6
Management Experience	3	6	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ¼ mile of a public elementary school that children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
After school program for school age children, minimum of 6 hours/week	3	3	3
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 20.0%	5	5	5
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	10
Miscellaneous Federal and State Policies	2	2	1
Universal Design	1	1	1
Qualified Census Tract	2	2	0
Total Points	148	148	137

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.