

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

Project Number CA-13-071

Project Name East Carson II Housing
 Site Address: 401 East Carson Street
 Carson, CA 90745 County: Los Angeles
 Census Tract: 5438.020

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$1,008,977 | \$0 |
| Recommended: | \$1,008,977 | \$0 |

Applicant Information

Applicant: East Carson II Housing Partners, L.P.
 Contact: Frank Cardone
 Address: 18201 Von Karman Avenue, Suite 900
 Irvine, CA 92612
 Phone: (949) 660-7272 Fax: (949) 660-7273
 Email: fcardone@related.com

General partner(s) or principal owner(s): Related East Carson II Development Co., LLC
 East Carson II Housing Partners MGP, LLC
 General Partner Type: Joint Venture
 Developer: Related Development Company of California
 Investor/Consultant: Union Bank
 Management Agent(s): Related Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 40 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 4 10 %
 40% AMI: 8 20 %
 50% AMI: 16 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: DC Navarrette

Unit Mix

8 1-Bedroom Units
 20 2-Bedroom Units
 12 3-Bedroom Units

 40 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> |
|-------------------------------|--|--|--|
| 2 1 Bedroom | 40% | 40% | \$621 |
| 1 1 Bedroom | 50% | 50% | \$776 |
| 3 1 Bedroom | 60% | 60% | \$932 |
| 2 1 Bedroom | 50% | 47% | \$729 |
| 2 2 Bedrooms | 30% | 30% | \$559 |
| 4 2 Bedrooms | 40% | 40% | \$746 |
| 5 2 Bedrooms | 50% | 50% | \$932 |
| 4 2 Bedrooms | 60% | 60% | \$1,119 |
| 3 2 Bedrooms | 50% | 47% | \$874 |
| 2 2 Bedrooms | 60% | 60% | \$1,119 |
| 1 3 Bedrooms | 30% | 30% | \$646 |
| 1 3 Bedrooms | 40% | 40% | \$861 |
| 2 3 Bedrooms | 50% | 50% | \$1,076 |
| 3 3 Bedrooms | 60% | 60% | \$1,292 |
| 2 3 Bedrooms | 50% | 47% | \$1,010 |
| 1 3 Bedrooms | 30% | 30% | \$646 |
| 1 3 Bedrooms | 40% | 40% | \$861 |
| 1 3 Bedrooms | 50% | 50% | \$1,076 |

Project Financing

Estimated Total Project Cost: \$17,217,806
 Estimated Residential Project Cost: \$17,217,806

Residential

Construction Cost Per Square Foot: \$155
 Per Unit Cost: \$430,445

Construction Financing

| <u>Source</u> | <u>Amount</u> |
|----------------------------|---------------|
| Union Bank | \$9,734,270 |
| Carson Housing Authority | \$4,813,750 |
| Carson Housing Authority | \$71,696 |
| Deferred Operating Deficit | \$187,570 |
| Deferred Developer Fee | \$851,666 |

Permanent Financing

| <u>Source</u> | <u>Amount</u> |
|--------------------------|---------------------|
| Union Bank | \$1,940,000 |
| Carson Housing Authority | \$4,813,750 |
| Carson Housing Authority | \$71,696 |
| Tax Credit Equity | \$10,392,360 |
| TOTAL | \$17,217,806 |

Tax Credit Equity \$1,558,854

Determination of Credit Amount(s)

| | |
|---|--------------|
| Requested Eligible Basis: | \$8,624,512 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$11,211,865 |
| Applicable Rate: | 9.00% |
| Maximum Annual Federal Credit: | \$1,008,977 |
| Approved Developer Fee in Project Cost: | \$1,885,000 |
| Approved Developer Fee in Eligible Basis: | \$1,400,000 |
| Investor/Consultant: | Union Bank |
| Federal Tax Credit Factor: | \$1.02999 |

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: | \$8,624,512 |
| Actual Eligible Basis: | \$14,071,590 |
| Unadjusted Threshold Basis Limit: | \$9,137,456 |
| Total Adjusted Threshold Basis Limit: | \$10,926,666 |

Adjustments to Basis Limit:

Parking Beneath Residential Units
Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

| | |
|---------|---------------------|
| First: | Large Family |
| Second: | 44.217% |

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 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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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 is the second phase of a development. The first phase consists of 65 units with a manager's unit which will serve as the manager's unit for this phase.

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 Carson Housing Authority, 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 |
| \$1,008,977 | \$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 | 6 | 6 |
| Management Experience | 3 | 3 | 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 ½ mile of public park or community center open to general public | 2 | 2 | 2 |
| Within ½ mile of public library | 2 | 2 | 2 |
| Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf | 5 | 5 | 5 |
| Within 1 mile of a high school student may attend | 3 | 3 | 0 |
| Within ¼ mile of a pharmacy | 2 | 2 | 0 |
| Within ½ mile of a pharmacy | 1 | 0 | 1 |
| Service Amenities | 10 | 10 | 10 |
| LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES | | | |
| Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction | 5 | 5 | 5 |
| After school program for school age children, min. of 10 hours/week | 5 | 5 | 5 |
| Sustainable Building Methods | 10 | 10 | 10 |
| NEW CONSTRUCTION/ADAPTIVE REUSE | | | |
| Develop project in accordance w/ requirements of: GreenPoint | 5 | 5 | 5 |
| Develop project to requirements of: GreenPoint 125 | 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 | 20 |
| Miscellaneous Federal and State Policies | 2 | 2 | 2 |
| State Credit Substitution | 2 | 2 | 2 |
| 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.