

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

Project Number CA-13-083

Project Name Step Up On Colorado
 Site Address: 520 Colorado Avenue
 Santa Monica, CA 90401 County: Los Angeles
 Census Tract: 7019.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$680,469	\$0
Recommended:	\$677,983	\$0

Applicant Information

Applicant: Step Up On Colorado, L.P.
 Contact: William F. Harris
 Address: 5020 Santa Monica Blvd.
 Los Angeles, CA 90029
 Phone: 323-469-0710 Fax: 323-469-1899
 Email: bharris@hollywoodhousing.org

General partner(s) or principal owner(s): Step Up On Colorado LLC
 Hollywood Community Housing Corporation
 Step Up On Second Street

General Partner Type: Nonprofit

Developer: Hollywood Community Housing Corporation

Investor/Consultant: California Housing Partnership Corporation

Management Agent(s): Barker Management Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 34

No. & % of Tax Credit Units: 32 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD & LAHSA - Shelter Plus Care (32 Units / 100%)

Average Targeted Affordability of Special Needs/SRO Project Units: 36.25%

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	12	35 %
40% AMI:	20	60 %

Information

Set-Aside: Special Needs
 Housing Type: Special Needs
 Type of Special Needs: Homeless with Mental Illness
 % of Special Need Units: 32 units 100%
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

33 SRO/Studio Units
 1 1-Bedroom Units

 34 Total Units

Unit Type & Number	2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12 SRO/Studio	30%	30%	\$435
20 SRO/Studio	40%	40%	\$580
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,216,872
 Estimated Residential Project Cost: \$13,216,872

Residential

Construction Cost Per Square Foot: \$431
 Per Unit Cost: \$388,732

Construction Financing

Source	Amount
Wells Fargo Community Lending	\$4,141,534
City of Santa Monica Housing Trust Fund	\$5,041,255
County of Los Angeles	\$1,100,000
AHP	\$750,000
Deferred Costs During Construction	\$1,029,516
Tax Credit Equity	\$1,177,762

Permanent Financing

Source	Amount
City of Santa Monica Housing Trust Fund	\$5,041,255
County of Los Angeles	\$1,100,000
AHP	\$750,000
Tax Credit Equity	\$6,325,617
TOTAL	\$13,216,872

Determination of Credit Amount(s)

Requested Eligible Basis: \$5,815,977
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$7,560,770
 Applicable Rate: 9.00%
 Total Maximum Annual Federal Credit: \$677,983
 Approved Developer Fee (in Project Cost & Eligible Basis): \$515,440
 Investor/Consultant: California Housing Partnership Corporation
 Federal Tax Credit Factor: \$0.93301

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:	\$5,815,977
Actual Eligible Basis:	\$9,981,907
Unadjusted Threshold Basis Limit:	\$5,343,372
Total Adjusted Threshold Basis Limit:	\$7,710,735

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

100% of Units for Special Needs Population

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

- Irrigated with reclaimed water, greywater, or rainwater (excluding community gardens)
- 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
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	83.752%

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 project has a HUD / Los Angeles Homeless Services Authority (LAHSA) Shelter Plus Care subsidy for 100% of the tax credit units (32 units), annually for 5 years.

The developer fee cost and basis included in the application sources and uses budget is above the current City of Santa Monica limit of \$515,440. The applicant increased the limit based on the city's anticipated increase to their limit that may or may not occur later this year. Staff reduced the developer fee cost and basis accordingly to the current limit resulting in a slight decrease to the tax credits needed for project feasibility.

The project's construction cost is relatively high as a result of the small number of units on this small in-fill project site requiring prevailing wage construction of a 5-story building with an elevator, lot line to lot line construction with limited access to the site, on-site parking, space for the manager's office, and additional space to serve the special need tenants including a case manager's office, community room, and library. In addition, the 33 studio units average only 287 square feet, but each has its own bathroom and kitchen.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$677,983	\$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 ¼ mile of a community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrm	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	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	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.