

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2014 Second Round

September 24, 2014

Project Number CA-14-154

Project Name Heritage Square Senior Housing

Site Address: 750-790 N. Fair Oaks Avenue

Pasadena, CA 91103

County: Los Angeles

Census Tract: 4620.020

Tax Credit Amounts **Federal/Annual** **State/Total**

Requested: \$1,476,589 \$0

Recommended: \$1,476,589 \$0

Applicant Information

Applicant: Heritage Square Housing Partners, L.P.

Contact: Anna Slaby

Address: 20321 Irvine Avenue, Suite F-1

Newport Beach, CA 92660

Phone: (949) 229-7076 Fax: (949) 274-7688

Email: aslaby@bridgehousing.com

General Partner(s) / Principal Owner(s): BRIDGE SC, LLC

General Partner Type: Nonprofit

Parent Company(ies): BRIDGE Housing Corporation

Developer: BRIDGE Housing Corporation

Investor/Consultant: Bank of America

Management Agent(s): John Stewart Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 70

No. & % of Tax Credit Units: 69 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (69 Units / 100%)

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

30% AMI: 7 10 %

45% AMI: 18 25 %

50% AMI: 44 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

69 1-Bedroom Units
 1 2-Bedroom Units

 70 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	30%	30%	\$458
18 1 Bedroom	45%	45%	\$687
44 1 Bedroom	50%	50%	\$764
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$27,771,128
 Estimated Residential Project Cost: \$27,771,128

Residential

Construction Cost Per Square Foot: \$278
 Per Unit Cost: \$396,730

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$10,302,783
City of Pasadena - Land Lease	\$5,310,000
City of Pasadena - HOME	\$1,400,000
City of Pasadena - Waived Fee	\$1,464,024
General Partner Equity	\$1,624
Deferred Developer Fee	\$1,171,457
Tax Credit Equity	\$8,121,240

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$638,000
Bank of America - Tranche B	\$2,715,000
City of Pasadena - Land Lease	\$5,310,000
City of Pasadena - HOME	\$1,400,000
City of Pasadena - Waived Fee	\$1,464,024
General Partner Equity	\$1,624
Tax Credit Equity	\$16,242,480
TOTAL	\$27,771,128

Determination of Credit Amount(s)

Requested Eligible Basis: \$14,751,140
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$19,176,482
 Applicable Rate: 7.70%
 Total Maximum Annual Federal Credit: \$1,476,589
 Approved Developer Fee in Project Cost: \$2,000,000
 Approved Developer Fee in Eligible Basis: \$1,400,000
 Investor/Consultant: Bank of America
 Federal Tax Credit Factor: \$1.10000

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:	\$14,751,140
Actual Eligible Basis:	\$20,435,448
Unadjusted Threshold Basis Limit:	\$13,316,375
Total Adjusted Threshold Basis Limit:	\$17,492,423

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	59.259%

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 7.70% 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 Section 8 project-based voucher subsidy covering all 69 affordable units.

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 Pasadena, 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
\$1,476,589	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within ½ mile of daily operated senior center/facility	2	2	2
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifamily G	5	5	5
Develop project to requirements of: GreenPoint Rated Multifamily Guic 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.