

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2015 First Round**  
**June 10, 2015**

**Project Number** CA-15-827

**Project Name** T. Bailey Manor  
 Site Address: 4121 Eagle Rock Blvd.  
 Los Angeles, CA 90065 County: Los Angeles  
 Census Tract: 1862.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$659,066	\$2,556,377
Recommended:	\$659,066	\$1,997,170

**Applicant Information**

Applicant: Women Organizing Resources Knowledge and Services  
 Contact: Channa Grace  
 Address: 790 N. Avenue 50  
 Los Angeles, CA 90042  
 Phone: 323-341-7028 Fax: 323-341-5815  
 Email: channa@worksusa.org

General Partner(s)/Principal Owner(s): Women Organizing Resources Knowledge and Services  
 General Partner Type: Nonprofit  
 Parent Company(ies): Women Organizing Resources Knowledge and Services  
 Developer: Women Organizing Resources Knowledge and Services  
 Investor/Consultant: National Equity Fund  
 Management Agent: Solari Enterprises

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 46  
 No. & % of Tax Credit Units: 45 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME / HOPWA / HUD Section 8 Veterans Affairs  
 Supportive Housing (VASH) project-based vouchers (19 units - 42%)  
 HCD MHP Funding: Yes  
 Average Targeted Affordability of Special Needs/SRO Project Units: 35.78%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
     30% AMI: 19 40 %  
     40% AMI: 26 55 %  
 Affordability Breakdown by % (Basis Limit Increase):  
 Number of Units @ or below 35% of area median income: 19  
 Number of Units @ or below 50% of area median income: 26

**Bond Information**

Issuer: City of Los Angeles  
 Expected Date of Issuance: October 1, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 % of Special Need Units: 45 units 100%  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

3 SRO/Studio Units  
 42 1-Bedroom Units  
 1 2-Bedroom Units  


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 46 Total Units

<u>Unit Type &amp; 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>
3 SRO/Studio	30%	30%	\$428
14 1 Bedroom	30%	30%	\$458
2 1 Bedroom	30%	30%	\$458
10 1 Bedroom	40%	40%	\$611
16 1 Bedroom	40%	40%	\$611
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,441,455
Construction Costs	\$10,583,710
Rehabilitation Costs	\$0
Construction Contingency	\$763,389
Relocation	\$244,339
Architectural/Engineering	\$641,720
Construction Interest & Perm Financing	\$1,249,417
Legal Fees, Appraisals	\$140,000
Reserves	\$410,000
Other Costs	\$1,277,444
Developer Fee	\$2,003,849
Commercial Costs	\$0
<b>Total</b>	<b>\$18,755,323</b>

**Project Financing**

Estimated Total Project Cost:	\$18,755,323
Estimated Residential Project Cost:	\$18,755,323

**Residential**

Construction Cost Per Square Foot:	\$290
Per Unit Cost:	\$407,724

**Construction Financing**

Source	Amount
Citibank	\$10,000,000
HCIDLA - HOME / HOPWA	\$4,740,000
Los Angeles County CDC	\$1,600,000
Eastern Los Angeles Regional Center	\$1,127,770
Deferred Fees & Costs	\$1,101,849
Tax Credit Equity	\$185,704

**Permanent Financing**

Source	Amount
HCD - MHP	\$2,496,999
HCIDLA - HOME / HOPWA	\$4,740,000
Los Angeles County CDC	\$1,600,000
Eastern Los Angeles Regional Center	\$1,127,770
General Partner Equity	\$803,849
Deferred Developer Fee	\$639,116
Tax Credit Equity	\$7,347,589
<b>TOTAL</b>	<b>\$18,755,323</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,362,846
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,971,700
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$659,066
Total State Credit:	\$1,997,170
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,003,849
Investor/Consultant:	National Equity Fund
Federal Tax Credit Factor:	\$0.93000
State Tax Credit Factor:	\$0.61000

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:	\$15,362,846
Actual Eligible Basis:	\$15,362,846
Unadjusted Threshold Basis Limit:	\$10,663,371
Total Adjusted Threshold Basis Limit:	\$29,857,438

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 100% of Units for Special Needs Population
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 57%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 84%

**Tie-Breaker Information**

Final: **67.720%**

**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 3.30% 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 project will have HUD Section 8 Veterans Affairs Supportive Housing (VASH) project-based vouchers on 19 of the affordable units (42%) for homeless veterans, and a rental subsidy from the County of Los Angeles Department of Health Services on 10 of the affordable units (22%) for homeless persons with HIV/AIDS.

The project site includes a small existing commercial building, situated at the street frontage along Eagle Rock Boulevard, which currently houses an insurance agency and a beauty salon. This commercial building will be master leased to the sponsor, Women Organizing Resources Knowledge and Services, by the project's to-be-formed tax-credit limited partnership ownership entity.

The project's estimated cash flow after debt service in Year 15 slightly exceeds the 2% of gross income limitation of TCAC Regulation Section 10327(g)(6). At the placed-in-service review, prior to the issuance of the IRS 8609 forms, the applicant must demonstrate that the project meets the requirements of TCAC Regulation Section 10327(g)(6).

The calculation of the maximum state credits was overstated due to a formula error in one of the protected cells of the TCAC electronic application. TCAC staff reduced the state credit amount to the correct maximum and adjusted the deferred developer fee accordingly.

**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 Los Angeles Housing and Community Investment 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

**Federal Tax Credits/Annual**  
**\$659,066**

**State Tax Credits/Total**  
**\$1,997,170**

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 reservation 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
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 ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NEW CONSTRUCTION</b>			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Total Points</b>	<b>126</b>	<b>126</b>	<b>126</b>

**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.**