

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2017 First Round**  
**June 7, 2017**

PICO ROBERTSON SENIOR COMMUNITY, located at 8866-8876 W. Pico Blvd. in Los Angeles, requested and is being recommended for a reservation of \$1,736,616 in annual federal tax credits to finance the new construction of 47 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 30 and Assembly District 50.

The project will be receiving rental assistance in the form of HUD VASH Vouchers and Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

**Project Number** CA-17-044

**Project Name** PICO ROBERTSON SENIOR COMMUNITY  
 Site Address: 8866-8876 W. Pico Blvd  
 Los Angeles, CA 90035 County: Los Angeles  
 Census Tract: 4328.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,736,616	\$0
Recommended:	\$1,736,616	\$0

**Applicant Information**

Applicant: MERCY HOUSING CALIFORNIA  
 Contact: Erika Villablanca  
 Address: 1500 S Grand Ave, Suite 100  
 Los Angeles, CA 90015  
 Phone: 213-743-5826 Fax: (213) 743-5828  
 Email: evillablanca@mercyhousing.org

General Partner(s) / Principal Owner(s): MERCY HOUSING CALWEST  
 General Partner Type: Nonprofit  
 Parent Company(ies): Mercy Housing California  
 Developer: Mercy Housing California  
 Investor/Consultant: California Housing Partnership Corporation  
 Management Agent(s): Mercy Housing Management Group

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 48  
 No. & % of Tax Credit Units: 47 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / HUD VASH vouchers: 10 Units (21%)  
 HUD Project-based vouchers: 2 Units (4%)

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

30% AMI: 12 25 %  
 45% AMI: 5 10 %  
 50% AMI: 19 40 %

**Information**

Set-Aside: N/A  
 Housing Type: Seniors  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

3 SRO/Studio Units  
 44 1-Bedroom Units  
 1 2-Bedroom Units  


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 48 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	30%	\$456
10 1 Bedroom	30%	30%	\$487
1 SRO/Studio	45%	45%	\$684
4 1 Bedroom	45%	45%	\$732
19 1 Bedroom	50%	50%	\$814
11 1 Bedroom	60%	60%	\$976
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$39,042,960

**Project Cost Summary at Application**

Land and Acquisition	\$4,504,210
Construction Costs	\$13,441,397
Rehabilitation Costs	\$0
Construction Contingency	\$1,394,829
Relocation	\$0
Architectural/Engineering	\$936,524
Const. Interest, Perm. Financing	\$961,508
Legal Fees, Appraisals	\$50,749
Reserves	\$223,622
Other Costs	\$1,066,951
Developer Fee	\$1,627,159
Commercial Costs	\$4,544,291
<b>Total</b>	<b>\$28,751,240</b>

**Project Financing**

Estimated Total Project Cost:	\$28,751,240
Estimated Residential Project Cost:	\$23,911,672
Estimated Commercial Project Cost:	\$4,839,568

**Residential**

Construction Cost Per Square Foot:	\$546
Per Unit Cost:	\$498,160
True Cash Per Unit Cost*:	\$406,971

**Construction Financing**

Source	Amount
Bank of America	\$15,651,125
HCIDLA <sup>1</sup> - HOME	\$2,789,400
LADOT <sup>2</sup> - Ground Lease	\$4,460,000
LADOT <sup>2</sup> - Grant (GP Loan)	\$1,430,000
AHP	\$470,000
GP Equity	\$100
Deferred Costs	\$702,684
Deferred Developer Fee	\$802,931
Tax Credit Equity	\$2,445,000

**Permanent Financing**

Source	Amount
Bank of America	\$231,000
HCD - VHHP	\$1,643,310
HCIDLA <sup>1</sup> - HOME	\$2,789,400
LADOT <sup>2</sup> - Ground Lease	\$4,460,000
LADOT <sup>2</sup> - Grant (GP Loan)	\$1,430,000
AHP	\$470,000
GP Equity	\$100
Deferred Developer Fee	\$802,931
Tax Credit Equity	\$16,924,499
<b>TOTAL</b>	<b>\$28,751,240</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

<sup>1</sup>HCIDLA: Los Angeles Housing and Community Investment Department

<sup>2</sup>LADOT: City of Los Angeles Department of Transportation

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$14,842,871
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,295,733
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,736,616
Approved Developer Fee in Project Cost:	\$1,627,159
Approved Developer Fee in Eligible Basis:	\$1,331,882
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.97457

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:	\$14,842,871
Actual Eligible Basis:	\$14,842,871
Unadjusted Threshold Basis Limit:	\$10,019,213
Total Adjusted Threshold Basis Limit:	\$14,842,871

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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

- New construction: project buildings are at least 15% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- 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
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

Initial: **Letter of Support**  
First: **Seniors**  
Final: **42.631%**

**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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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:** None.

**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, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,736,616</b>	<b>\$0</b>

**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 fifteen 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>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of:LEED	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>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>138</b>	<b>138</b>	<b>138</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.**