

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

Baldwin Rose Family Veteran Housing, located at 9960 & 10020 Bessie Avenue and 4103-4163 & 4102-4156 Baldwin Avenue, requested and is being recommended for a reservation of \$2,212,170 in annual federal tax credits to finance the new construction of 54 units of housing serving large families 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 22 and Assembly District 49.

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

Project Number CA-17-048

Project Name Baldwin Rose Family Veteran Housing
Site Address: 9960 & 10020 Bessie Ave. and 4103-4163 & 4102-4156 Baldwin Ave.
El Monte, CA 91731 County: Los Angeles
Census Tract: 4328.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,212,170	\$0
Recommended:	\$2,212,170	\$0

Applicant Information

Applicant: Mercy Housing California
Contact: Erika Villablanca
Address: 1500 S. Grand Avenue, 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: 6
 Total # of Units: 55
 No. & % of Tax Credit Units: 54 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (3 units / 6%) & HUD Veterans Affairs Supportive Housing Project-based Vouchers (19 units / 35)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 19 35 %
 40% AMI: 9 15 %
 50% AMI: 22 40 %

Information

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

Unit Mix

16 1-Bedroom Units
 21 2-Bedroom Units
 18 3-Bedroom Units

 55 Total Units

<u>Unit Type & 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>
12 1 Bedroom	30%	30%	\$488
5 2 Bedrooms	30%	30%	\$586
2 3 Bedrooms	30%	30%	\$677
2 1 Bedroom	40%	40%	\$651
3 2 Bedrooms	40%	40%	\$782
4 3 Bedrooms	40%	40%	\$903
2 1 Bedroom	50%	50%	\$814
8 2 Bedrooms	50%	50%	\$977
12 3 Bedrooms	50%	50%	\$1,128
4 2 Bedrooms	60%	60%	\$1,173
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$27,391,320

Project Cost Summary at Application

Land and Acquisition	\$5,430,000
Construction Costs	\$16,490,174
Rehabilitation Costs	\$0
Construction Contingency	\$1,628,877
Relocation	\$0
Architectural/Engineering	\$1,350,000
Const. Interest, Perm. Financing	\$1,246,638
Legal Fees, Appraisals	\$80,000
Reserves	\$525,475
Other Costs	\$2,750,982
Developer Fee	\$1,713,093
Commercial Costs	\$0
Total	\$31,215,239

Project Financing

Estimated Total Project Cost:	\$31,215,239
Estimated Residential Project Cost:	\$31,215,239
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$248
Per Unit Cost:	\$567,550
True Cash Per Unit Cost*:	\$513,311

Construction Financing

Source	Amount
US Bancorp	\$22,272,538
LA County CDC	\$1,965,750
City of El Monte - Land Donation	\$2,670,000
City of El Monte - Mitigation Fee Loan	\$1,200,000
City of El Monte - Loan	\$250,000
Deferred Costs	\$1,011,064
General Partner Equity	\$100
Deferred Developer Fee	\$313,093
Tax Credit Equity	\$1,532,694

Permanent Financing

Source	Amount
US Bancorp	\$1,964,600
HCD - VHHP	\$2,380,570
LA County CDC	\$1,965,750
City of El Monte - Land Donation	\$2,670,000
City of El Monte - Mitigation Fee Loan	\$1,200,000
City of El Monte - Loan	\$250,000
General Partner Equity	\$100
Deferred Developer Fee	\$313,093
Tax Credit Equity	\$20,471,126
TOTAL	\$31,215,239

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,907,438
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,579,669
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,212,170
Approved Developer Fee in Project Cost:	\$1,713,093
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.92539

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:	\$18,907,438
Actual Eligible Basis:	\$23,148,318
Unadjusted Threshold Basis Limit:	\$14,486,448
Total Adjusted Threshold Basis Limit:	\$18,953,504

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

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

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Use no irrigation at all, irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.
- Community gardens of at least 60 square feet per unit
- 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

Tie-Breaker Information

First:	Large Family
Final:	46.153%

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. 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 El Monte, 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
\$2,212,170	\$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 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.

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 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of a public elementary school project children may attend	2	2	2
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of LEED	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	138	138	138

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.