

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2009 Single Round
September 10, 2009**

Project Number CA-2009-183

Project Name PATH Villas Osage Apartments
Site Address: 812 South Osage Avenue
Inglewood, CA 90301 **County:** Los Angeles
Census Tract: 6010.02

Applicant Information

Applicant: PATH Villas Osage Apartments, L.P.
Contact: Geoffrey Gilbert-Hamerling
Address: 2118 Wilshire Boulevard, Suite 1154
Santa Monica, CA 90403
Phone: (310) 828-5668 **Fax:** (310) 828-1773
Email: Geoffrey@polisgroup.com
General Partner Type: Joint Venture

Information

Set-Aside: Small Development
Housing Type: Large Family
Geographic Area: Los Angeles

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$591,291	\$0
Recommended:	\$591,291	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: HOME
Total # of Units: 20
Total # Residential Buildings: 1
Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 19 units

Eligible Basis

Requested: \$5,187,233
Actual: \$6,778,856
Maximum Permitted: \$5,361,396

Adjustments to Threshold Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 95% of Upper Floor Units are Elevator-Serviced
- 3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features
 - Projects installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas
 - Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
 - Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Public Funds	20	20	20
<i>Owner / Management Characteristics</i> Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre density	7	7	7
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Large Family project within ¼ mile of public school that project children may attend	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	3
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Bona fide service coordinator available	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Formaldehyde free cabinets, countertops and shelving	1	1	1
<input checked="" type="checkbox"/> No-VOC interior paint	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<i>Lowest Income</i> Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum 20 points	20	20	20
<i>State Credit Substitution</i> Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **Large Family**
 Second: Calculated Ratio per Regulation 10325(c)(10) **68.488%**

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 One-bedroom Units	40%	\$594
2 One-bedroom Units	50%	\$743
1 Two-bedroom Unit	30%	\$535
2 Two-bedroom Units	50%	\$892
2 Two-bedroom Units	60%	\$1,071
1 Three-bedroom Unit	30%	\$618
2 Three-bedroom Units	50%	\$1,030
3 Three-bedroom Units	60%	\$1,236
1 Two-bedroom Unit	Manager's Unit	\$945

The general partner(s) or principal owner(s) are People Assisting The Homeless (PATH) and Polis Properties I, LLC.

The project developer is PATH Villas Osage Apartments.

The management agent is Community Housing Management Services.

The market analyst is Goldrush Realty Advisors.

The Local Reviewing Agency, city of Inglewood, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$9,015,895 Per Unit Cost: \$450,795 Construction Cost Per Sq. Foot: \$341

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
City of Inglewood – HOME	\$2,202,010	City of Inglewood – HOME	\$2,202,010
City of Inglewood RDA – Set-aside	\$1,904,515	City of Inglewood RDA – Set-aside	\$1,904,515
City of Inglewood RDA – Set-aside	\$770,333	City of Inglewood RDA – Set-aside	\$770,333
		Investor Equity	\$4,139,037
		TOTAL	\$9,015,895

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,187,233
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$6,743,403
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$591,291
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,039,259
Investor:	Enterprise Community Investment, Inc.
Federal Tax Credit Factor:	\$0.70

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found most fees to be within TCAC's underwriting guidelines and TCAC limitations with the exception of the contractor profit, overhead and general requirement costs and eligible basis figures as explained in the Special Issues section below. 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 applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

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.

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
\$591,291	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Jack Waegell