

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2012 Second Round

October 10, 2012

REVISED

Project Number CA-12-223

Project Name HFL Sequoia Apartments
Site Address: 14402-14406 Hamlin Street
Van Nuys, CA 91401 County: Los Angeles
Census Tract: 1281.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$518,707	\$0
Recommended:	\$488,243	\$0

Applicant Information

Applicant: LTSC Community Development Corporation
Contact: Takao Suzuki
Address: 231 E. Third Street, Suite G106
Los Angeles, CA 90013
Phone: 213-473-1606 Fax: 213-473-1681
Email: tsuzuki@ltsc.org

General partner(s) or principal owner(s): LTSC Community Development Corporation
Homes For Life Foundation
General Partner Type: Nonprofit
Developer: LTSC Community Development Corporation
Investor: Enterprise Community Investment, Inc.
Management Agent: CARING Housing Ministries

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 25
No. & % of Tax Credit Units: 24 100%
Federal Set-Aside Elected: 20%/50%
Federal Subsidy: HUD Section 811 & Project Rental Assistance Contract (100% / 24 Units)
and McKinney-Vento Homeless Assistance Program (Continuum of Care)
Average Targeted Affordability of Special Needs/SRO Project Units: 35.24%
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 3 10 %
40% AMI: 18 75 %
50% AMI: 3 10 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs
 Type of Special Needs: Homeless and Persons with Disabilities
 % of Special Need Units: 24 Units 100%
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

24 1-Bedroom Units
 1 2-Bedroom Units

 25 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$468
18 1 Bedroom	40%	39%	\$616
3 1 Bedroom	50%	39%	\$616
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$9,130,310
 Estimated Residential Project Cost: \$9,130,310

Residential

Construction Cost Per Square Foot: \$215
 Per Unit Cost: \$365,212

Construction Financing

<u>Source</u>	<u>Amount</u>
HUD Section 811	\$4,092,000
LA Homeless Services Authority	\$400,000
Deferred Fees & Expenses	\$1,077,112
Tax Credit Equity	\$3,561,198

Permanent Financing

<u>Source</u>	<u>Amount</u>
HUD Section 811	\$4,092,000
LA Homeless Services Authority	\$400,000
Tax Credit Equity	\$4,638,310
TOTAL	\$9,130,310

Determination of Credit Amount(s)

Requested Eligible Basis: \$5,509,880
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$7,162,844
 Applicable Rate: 7.50%
 Maximum Annual Federal Credit: \$488,243
 Approved Developer Fee (in Project Cost & Eligible Basis): \$923,497
 Investor: Enterprise Community Investment, Inc.
 Federal Tax Credit Factor: \$0.95000

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:	\$5,509,880
Actual Eligible Basis:	\$6,790,740
Unadjusted Threshold Basis Limit:	\$4,580,408
Total Adjusted Threshold Basis Limit:	\$6,046,139

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 100% of Units for Special Needs Population
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	72.930%

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 7.50% 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 the Contractor profit, overhead, and general requirement costs and eligible basis exceeds the 14% limitation of regulation section 10327(g). Staff adjusted accordingly resulting in a decrease in the developer fee and the recommended reservation of tax credits.

The project has HUD Section 811 program funding and a corresponding Project Rental Assistance Contract (PRAC) for 100% of the tax credit units. In addition, the project has HUD McKinney-Vento Continuum of Care capital funds and supportive services funds for supportive housing and operations through the Los Angeles Homeless Services Authority.

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 Los Angeles Housing Department, has completed a site review of this project and 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
\$488,243	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. 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 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	3
Special Needs project within ½ mile of facility serving tenant pop.	3	3	3
Within 1/4 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 25%	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.