

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 First Round
June 11, 2014

Project Number CA-14-077

Project Name Paloma Terrace
 Site Address: 5000 S. Main Street
 Los Angeles, CA 90037 County: Los Angeles
 Census Tract: 2293.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,741,073	\$0
Recommended:	\$1,741,073	\$0

Applicant Information

Applicant: Paloma Terrace RHF Partners, LP
 Contact: Anders Plett
 Address: 911 N. Studebaker Road
 Long Beach, CA 90815
 Phone: (562) 257-5309 Fax: (562) 257-5200
 Email: anders.plett@rhf.org

General Partner(s) / Principal Owner(s): Paloma RHF Housing, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Retirement Housing Foundation
 Developer: Retirement Housing Foundation
 Investor/Consultant: Bank of America Merrill Lynch
 Management Agent(s): Foundation Property Management Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 59
 No. & % of Tax Credit Units: 58 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 7 10 %
 45% AMI: 16 25 %
 50% AMI: 26 40 %

Information

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

Unit Mix

13 1-Bedroom Units
 28 2-Bedroom Units
 18 3-Bedroom Units

 59 Total Units

<u>Unit Type & 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>
2 1 Bedroom	30%	30%	\$458
4 1 Bedroom	45%	45%	\$687
6 1 Bedroom	50%	50%	\$764
1 1 Bedroom	60%	60%	\$917
3 2 Bedrooms	30%	30%	\$550
7 2 Bedrooms	45%	45%	\$825
12 2 Bedrooms	50%	50%	\$917
5 2 Bedrooms	60%	60%	\$1,101
2 3 Bedrooms	30%	30%	\$636
5 3 Bedrooms	45%	45%	\$954
8 3 Bedrooms	50%	50%	\$1,060
3 3 Bedrooms	60%	60%	\$1,272
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$24,954,122
 Estimated Residential Project Cost: \$24,954,122

Residential

Construction Cost Per Square Foot: \$101
 Per Unit Cost: \$422,951

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$14,888,247
Bank of America - Land Loan	\$3,774,780
LP-Deducted Operating Reserve	\$133,711
RHF-Deducted Post-Construction Costs	\$59,190
Deferred Developer Fee	\$1,350,000
General Partner Equity	\$1,828
Solar Tax Credit Equity	\$122,850
Tax Credit Equity	\$4,693,166

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$2,773,400
Angelus Trust Land Loan	\$3,774,779
Angelus Trust Loan Accrued Interest	\$1
General Partner Equity	\$1,828
Solar Tax Credit Equity	\$122,850
Tax Credit Equity	\$18,281,264
TOTAL	\$24,954,122

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,310,604
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (5%)	\$1,190,190
Qualified Basis:	\$22,613,596
Applicable Rate:	7.70%
Total Maximum Annual Federal Credit:	\$1,741,073
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Bank of America Merrill Lynch
Federal Tax Credit Factor:	\$1.05000

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:	\$18,310,604
Actual Eligible Basis:	\$18,705,246
Unadjusted Threshold Basis Limit:	\$14,143,727
Total Adjusted Threshold Basis Limit:	\$18,310,605

Adjustments to Basis Limit:

Parking Beneath Residential Units

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

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use 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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Formal Letter of Support
First:	Large Family
Second:	24.027%

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 7.70% 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 included \$69,650 in TCAC required performance deposit in the project's budget. However, this deposit is returned to the applicant once the project is successfully placed in service and therefore not included as part of the project's cost. Staff reduced the project costs and permanent financing sources 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 Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,741,073	\$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
Credit Reduction	20	5	5
Public Funds	20	15	15
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 ¼ 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 full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ¼ mile of a public elementary school project children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	0
Within 1 mile of medical clinic or hospital	2	0	2
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, minimum 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	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
Smoke Free Residence	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.