CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 6, 2016
REVISED

Camino Del Mar, located at 1015 W. E Street in Wilmington, requested and is being recommended for a reservation of $1,208,375 in annual federal tax credits to finance the new construction of 86 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 35 and Assembly District 64.

This scattered-site project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-16-815

Project Name Camino Del Mar

Site Address:	1015 W. E Street	
	Wilmington, CA 90744	County: Los Angeles
Census Tract:	2949.000	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,208,375	$0
Recommended:	$1,208,375	$0

Applicant Information

Applicant:	New Dana Strand IV-A, L.P.	
Contact:	Ed Holder	
Address:	1500 S Grand Avenue, Suite 100	
	Los Angeles, CA 90015	
Phone:	213-743-5820	Fax: 213-743-5828
Email:	eholder@mercyhousing.org	

General Partner(s) or Principal Owner(s):	Mercy Housing Calwest
	New Dana Strand IV-A GP LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Mercy Housing California
	Abode Communities
Developer:	Mercy Housing California
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Abode Communities

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	13
Total # of Units:	88
No. & % of Tax Credit Units:	86 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Project-based Vouchers (87 units - 100%)
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 13
Number of Units @ or below 60% of area median income: 73

Bond Information

Issuer:	City of Los Angeles HCID
Expected Date of Issuance:	March 16, 2016
Credit Enhancement:	No

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Mayra Lozano

Unit Mix

12	1-Bedroom Units
21	2-Bedroom Units
55	3-Bedroom Units
88	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
Lot 1				
1	1 Bedroom	50%	50%	$778
2	1 Bedroom	60%	60%	$933
1	2 Bedrooms	50%	50%	$933
7	2 Bedrooms	60%	60%	$1,119
2	3 Bedrooms	50%	50%	$1,079
14	3 Bedrooms	60%	60%	$1,294
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
Lots 2 and 3				
1	1 Bedroom	50%	50%	$778
5	1 Bedroom	60%	60%	$933
1	2 Bedrooms	50%	50%	$933
7	2 Bedrooms	60%	60%	$1,119
3	3 Bedrooms	50%	50%	$1,079
23	3 Bedrooms	60%	60%	$1,294
Lot 4				
1	1 Bedroom	50%	50%	$778
2	1 Bedroom	60%	60%	$933
1	2 Bedrooms	50%	50%	$933
2	2 Bedrooms	60%	60%	$1,119
2	3 Bedrooms	50%	50%	$1,079
11	3 Bedrooms	60%	60%	$1,294
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,080

Project Cost Summary at Application	
Land and Acquisition	$2,450,000
Construction Costs	$18,843,053
Rehabilitation Costs	$0
Construction Contingency	$1,507,567
Relocation	$0
Architectural/Engineering	$1,660,827
Construction Interest/Perm Financing	$1,849,446
Legal Fees, Appraisals	$272,500
Reserves	$385,000
Other Costs	$2,035,009
Developer Fee	$3,730,500
Commercial Costs	$0
Total	**$32,733,902**

Project Financing

Estimated Total Project Cost:	$32,733,902
Estimated Residential Project Cost:	$32,733,902

Residential

Construction Cost Per Square Foot:	$192
Per Unit Cost:	$371,976

Construction Financing

Source	Amount
Construction Loan	$24,475,000
HACLA Ground Lease Loan	$2,400,000
Costs Deferred Until Conversion	$1,357,050
Deferred Developer Fee	$1,872,441
General Partner Equity	$100
Tax Credit Equity	$2,629,312

Permanent Financing

Source	Amount
Permanent Financing	$15,648,000
HACLA Ground Lease Loan	$2,400,000
General Partner Equity	$100
Deferred Developer Fee	$1,872,441
Tax Credit Equity	$12,813,361
TOTAL	**$32,733,902**

Determination of Credit Amount(s)

Requested Eligible Basis:	$28,600,600
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$37,180,780
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$1,208,375
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,730,500
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.06038

Per Regulation Section 10322(h)(9)(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:	$28,600,600
Actual Eligible Basis:	$28,600,600
Unadjusted Threshold Basis Limit:	$28,458,516
Total Adjusted Threshold Basis Limit:	$38,418,996

Adjustments to Basis Limit

Required to Pay Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 15%

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 3.30% 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

Camino Del Mar is a new construction scattered site project consisting of 88 units in 13 buildings on 4 parcels. Lot 1 (Hawaiian Avenue) will consist of 27 units, Lots 2 (W. E Street) and 3 (W. E Street) will consist of 40 units, and Lot 4 (W. D Street) will consist of 20 units.

The Lot 1 site will have one exempt on-site manager unit. Additionally, the Lot 4 site will have one exempt on-site manager to serve Lots 2, 3 and 4 in order to meet the on-site manager requirement for a scattered site project pursuant to TCAC Regulations Section 10325(f)(7)(J).

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
$1,208,375	**$0**

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 reservation 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.

Additional Conditions
The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to become certified under the Leadership in Energy & Environmental Design (LEED for Homes) program for New Construction/Adaptive Reuse projects upon completion.
- The project will commit to having at least one (1) nonsmoking building. If the project only has one (1) building, it will be subject to a policy developed by the Sponsor that prohibits smoking in contiguous designated units. These restrictions will be incorporated into the lease agreements for the appropriate units.