

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 Second Round

September 22, 2010

Project Number CA-2010-275

Project Name Osborne Place Apartments
Site Address: 12230 & 12232 West Osborne Place
Los Angeles, CA 91331 County: Los Angeles
Census Tract: 1047.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,740,877	\$0
Recommended:	\$1,740,877	\$0

Applicant Information

Applicant: Osborne Place, L.P.
Contact: Dora Leong Gallo
Address: 3345 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010
Phone: (213) 480-0809 Fax: (213) 480-1788
Email: dgallo@acof.org

General partner(s) or principal owner(s): A Community of Friends
General Partner Type: Nonprofit
Developer: A Community of Friends
Investor/Consultant: Enterprise Community Investment
Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 64
No. & % of Tax Credit Units: 62 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Project-based Section 8 (59 units / 95%)
Average Affordability of Special Needs/SRO Project Units: 26.84%
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 80 %

Information

Set-Aside: N/A
Housing Type: Special Needs
Type of Special Needs: Homeless
% of Special Need Units: 62 units 100%
Geographic Area: Los Angeles County
TCAC Project Analyst: Vélia Martínez

Unit Mix

29 SRO/Studio Units
6 1-Bedroom Units
15 2-Bedroom Units
14 3-Bedroom Units
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64 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
29 SRO/Studio	30%	30%	\$435
6 1 Bedroom	30%	30%	\$466
14 2 Bedrooms	30%	30%	\$559
13 3 Bedrooms	30%	30%	\$646
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$28,613,941	Construction Cost Per Square Foot:	\$200
		Per Unit Cost:	\$447,093

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank Community Capital	\$15,150,325	Citibank Community Corp	\$529,000
Los Angeles Housing Department	\$1,324,795	HCD-Governor's Homeless Initiative	\$4,314,021
County of LA - Dept. of Mental Health	\$6,499,460	Los Angeles Housing Department	\$1,324,795
Federal Home Loan Bank SF - AHP	\$620,000	Federal Home Loan Bank SF - AHP	\$620,000
Accrued/Deferred Interest MHSA	\$210,461	Co. of LA - Dept. of Mental Health	\$6,499,460
Accrued/Deferred Interest LAHD	\$48,300	HCD - Proposition 63	\$255,000
Deferred Costs	\$2,691,815	Accrued/Deferred Interest MHSA	\$210,461
Tax Credit Equity	\$2,068,785	Accrued/Deferred Interest LAHD	\$48,300
		Deferred Developer Fee	\$1,021,000
		Tax Credit Equity	\$13,791,904
		TOTAL	\$28,613,941

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,879,294
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$19,343,082
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$1,740,877
Approved Developer Fee in Project Cost	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$0.79224

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:	\$14,879,294
Actual Eligible Basis:	\$24,797,154
Unadjusted Threshold Basis Limit:	\$12,312,938
Total Adjusted Threshold Basis Limit:	\$18,016,358

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

100% of Units for Special Needs Population

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

- Projects exceeding Title 24 by at least 15%
- Projects recycling at least 75% of the construction and demolition waste
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	95.285%

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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 project Architect/Engineer Sustainable Building Method Certification, Attachment 25, did not match the applicant's selection. This did not affect points for Sustainable Building Methods, as TCAC awards points for what the architect/engineer certifies to. See Points System table below, page 6.

The applicant's estimate of the deferred developer fee funding source, \$1,021,000, exceeds the limit set by regulation (50% of the developer fee cost or \$1,000,000). Applicant is required to reduce the deferred developer fee down to the limit and provide TCAC with an acceptable alternative source for the \$21,000 overage by October 12, 2010.

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, Los Angeles Housing 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
\$1,740,877	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day 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 ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	0
In-unit high speed internet service	2	2	2
Service Amenities	10	10	10
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Sustainable Building Methods	8	8	8
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Formaldehyde free cabinets, countertops and shelving	1	0	1
No-VOC interior paint	1	1	1
CRI Green-label, low-VOC carpet and pad	1	0	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	0	2
Formaldehyde-free insulation	1	0	1
Recycled materials incorp. into concrete, carpet, road base, landscape	1	0	1
Rainwater retention at ½ inch rainfall per 24-hour period	1	1	1
Project design incorporates Universal Design	1	0	1
Project located in a QCT contributing to a community revitalization plan	1	1	1
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
State Credit Substitution	2	2	2
Total Points	146	146	146

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.