

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2011 First Round
June 22, 2011

Project Number CA-2011-014

Project Name Gateways Apartments
 Site Address: 505 S. San Pedro Street
 Los Angeles, CA 90013 County: Los Angeles
 Census Tract: 2063.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,379,188	\$0
Recommended:	\$1,379,188	\$0

Applicant Information

Applicant: Gateways Apartments, L.P.
 Contact: Joseph Corcoran
 Address: 354 S. Spring Street, Suite 400
 Los Angeles, CA 90013
 Phone: (213) 229-9640 Fax: (213) 633-5468
 Email: josephc@srohousing.org

General partner(s) or principal owner(s): Single Room Occupancy Housing Corporation
 General Partner Type: Nonprofit
 Developer: Single Room Occupancy Housing Corporation
 Investor/Consultant: Enterprise Community Investment
 Management Agent: Single Room Occupancy Housing Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 108
 No. & % of Tax Credit Units: 107 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME/McKinney-Vento Homeless Assistance Program (53 units - 51%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.44%
 Affordability Breakdown by % (Lowest Income Points):
 30% AMI: 10 %
 35% AMI: 40 %
 45% AMI: 45 %

Information

Set-Aside: N/A
 Housing Type: Single Room Occupancy
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Velia M. Greenwood

Unit Mix

107 SRO/Studio Units
 1 1-Bedroom Units
 108 Total Units

Unit Type & Number	2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
11 SRO/Studio	30%	30%	\$435
43 SRO/Studio	35%	35%	\$507
53 SRO/Studio	45%	35%	\$507
1 1 Bedroom	Manager's Unit	Manager's Unit	\$525

Project Financing

Estimated Total Project Cost: \$27,576,390
 Estimated Residential Project Cost: \$27,576,390

Residential

Construction Cost Per Square Foot: \$174
 Per Unit Cost: \$255,337

Construction Financing

Source	Amount
Union Bank	\$12,950,000
Los Angeles Housing Department	\$9,411,904
CRA of Los Angeles	\$1,000,000
Deferred Costs and Fees	\$1,165,040
Tax Credit Equity	\$3,049,446

Permanent Financing

Source	Amount
Union Bank Tranche B1	\$1,330,000
Union Bank Tranche B2	\$2,503,984
Los Angeles Housing Department	\$9,411,904
CRA of Los Angeles	\$1,000,000
Deferred Developer Fee	\$228,216
Tax Credit Equity	\$13,102,286
TOTAL	\$27,576,390

Determination of Credit Amount(s)

Requested Eligible Basis: \$11,787,932
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$15,324,312
 Applicable Rate: 9.00%
 Total Maximum Annual Federal Credit: \$1,379,188
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,093,600
 Investor/Consultant: Enterprise Community Investment
 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:	\$11,787,932
Actual Eligible Basis:	\$20,661,148
Unadjusted Threshold Basis Limit:	\$16,298,872
Total Adjusted Threshold Basis Limit:	\$16,298,872

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Single Room Occupancy
Second:	83.266%

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: None.

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 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
\$1,379,188	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-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 ½ mile of public library	2	2	2
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrm	5	5	0
Health/behavioral services provided by licensed org. or individual	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 20%	5	5	5
Develop project to requirements of: LEED Silver	3	3	3
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.