

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 15, 2017

Courson Arts Colony, West ("CAC West"), located at the northeast corner of East Avenue Q11 and 9th Street East in Palmdale, requested and is being recommended for a reservation of \$1,462,903 in annual federal tax credits to finance the new construction of 79 units of housing serving large families with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 21 and Assembly District 36.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD VASH Project-based Vouchers. The project financing includes state funding from the MHP & VHHP programs of HCD.

Project Number CA-17-715

Project Name Courson Arts Colony, West ("CAC West")
Site Address: Northeast Corner of East Avenue Q11 and 9th Street East
Palmdale, CA 93550 County: Los Angeles
Census Tract: 9105.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,462,903	\$0
Recommended:	\$1,462,903	\$0

Applicant Information

Applicant: CAC West, L.P.
Contact: Tim Soule
Address: 1640 S. Sepulveda Blvd., Suite 425
Los Angeles, CA 90025
Phone: (310)-575-3543 Fax: (310)-575-3563
Email: tsoule@metahousing.com

General Partner(s) or Principal Owner(s): CAC West, LLC
WCH Affordable XXII, LLC
General Partner Type: Joint Venture
Parent Company(ies): Meta Housing Corporation
Western Community Housing
Developer: Meta Housing Corporation
Investor/Consultant: Bank of America Merrill Lynch
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. & % of Tax Credit Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / CDBG / HUD Section 8 Project-based Vouchers (4 Units / 5%) & HUD VASH Project-based Vouchers (36 Units / 45%)
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 46
 Number of Units @ or below 50% of area median income: 33

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: April 5, 2017
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

40 1-Bedroom Units
 15 2-Bedroom Units
 25 3-Bedroom Units

 80 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
40 1 Bedroom	25%	24%	\$389
3 2 Bedrooms	25%	22%	\$437
11 2 Bedrooms	50%	45%	\$875
3 3 Bedrooms	30%	30%	\$677
22 3 Bedrooms	50%	43%	\$972
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,834

Projected Lifetime Rent Benefit: \$28,543,680

Project Cost Summary at Application

Land and Acquisition	\$1,603,457
Construction Costs	\$24,984,543
Rehabilitation Costs	\$0
Construction Contingency	\$1,280,000
Relocation	\$0
Architectural/Engineering	\$1,284,111
Const. Interest, Perm. Financing	\$2,300,854
Legal Fees, Appraisals	\$143,000
Reserves	\$701,826
Other Costs	\$3,590,087
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$38,087,878

Project Financing

Estimated Total Project Cost:	\$38,087,878
Estimated Residential Project Cost:	\$38,087,878
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$326
Per Unit Cost:	\$476,098
True Cash Per Unit Cost*:	\$451,929

Construction Financing

Source	Amount
Bank of America	\$30,000,000
City of Palmdale - Land/HAT	\$1,488,000
Deferred Developer Fee	\$1,487,032
Tax Credit Equity	\$5,112,846

Permanent Financing

Source	Amount
CalHFA - Conventional Loan	\$2,818,490
CA HCD - MHP	\$6,530,000
CA HCD - VHHP	\$5,000,000
County of Los Angeles	\$2,578,000
City of Palmdale - Land/HAT	\$1,488,000
City of Palmdale - CDBG 2016	\$500,000
FHLB - AHP	\$1,185,000
Deferred Developer Fee	\$945,568
Tax Credit Equity	\$17,042,820
TOTAL	\$38,087,878

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$34,951,004
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$45,436,305
Applicable Rate:	3.22%
Total Maximum Annual Federal Credit:	\$1,462,903
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Bank of America Merrill Lynch
Federal Tax Credit Factor:	\$1.16500

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:	\$34,951,004
Actual Eligible Basis:	\$34,951,004
Unadjusted Threshold Basis Limit:	\$22,637,200
Total Adjusted Threshold Basis Limit:	\$66,776,523

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 41%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 116%

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 3.22% 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: None.

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
\$1,462,903	\$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 becoming certified under any one of the following programs:
Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will exceed 2013 Title 24 Standards for New Construction by 15% of the California Building Code.