

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Whittier & Downey SE, located at 4200-4224 Whittier Boulevard in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 70 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 24 and Assembly District 51.

The project will be receiving rental assistance from the Flexible Housing Subsidy Pool (FHSP) from the Los Angeles County Department of Health Services. The project financing includes state funding from SNHP through CalHFA.

Project Number CA-17-150

Project Name Whittier & Downey SE
Site Address: 4200-4224 Whittier Boulevard
Los Angeles, CA 90023 County: Los Angeles
Census Tract: 5313.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

Applicant Information

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

General Partner(s) / Principal Owner(s): WDSE, LLC
WCH Affordable XXVI, LLC
General Partner Type: Joint Venture
Parent Company(ies): Meta Housing Corporation
Western Community Housing, Inc.
Developer: Meta Housing Corporation
Investor/Consultant: RedStone Equity Partners
Management Agent(s): John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 71
 No. & % of Tax Credit Units: 70 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 35 50 %
 50% AMI: 22 30 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Lucy Vang

Unit Mix

34 1-Bedroom Units
 19 2-Bedroom Units
 18 3-Bedroom Units

 71 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
27 1 Bedroom	30%	30%	\$507
7 1 Bedroom	50%	50%	\$845
6 2 Bedrooms	30%	30%	\$608
7 2 Bedrooms	50%	50%	\$1,013
5 2 Bedrooms	60%	60%	\$1,216
2 3 Bedrooms	30%	30%	\$703
8 3 Bedrooms	50%	50%	\$1,171
8 3 Bedrooms	60%	60%	\$1,405
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$41,820,332

Project Cost Summary at Application

Land and Acquisition	\$4,860,826
Construction Costs	\$15,940,369
Rehabilitation Costs	\$0
Construction Contingency	\$815,850
Relocation	\$0
Architectural/Engineering	\$1,462,420
Const. Interest, Perm. Financing	\$1,137,452
Legal Fees, Appraisals	\$101,156
Reserves	\$576,715
Other Costs	\$2,594,461
Developer Fee	\$2,100,000
Commercial Costs	\$1,406,395
Total	\$30,995,644

Project Financing

Estimated Total Project Cost:	\$30,995,644
Estimated Residential Project Cost:	\$29,589,249
Estimated Commercial Project Cost	\$1,406,395

Residential

Construction Cost Per Square Foot:	\$171
Per Unit Cost:	\$416,750
True Cash Per Unit Cost*:	\$416,716

Construction Financing

Source	Amount
Wells Fargo	\$11,500,000
County of Los Angeles (LACDC)	\$2,398,441
CalHFA - SNHP	\$3,325,000
AHP	\$700,000
Deferred Reserves	\$576,715
Deferred Developer Fee	\$1,621,575
Tax Credit Equity	\$10,873,913

Permanent Financing

Source	Amount
CCRC - Tranche B	\$2,695,625
County of Los Angeles (LACDC)	\$2,524,675
CalHFA - SNHP	\$3,325,000
AHP	\$700,000
Deferred Developer Fee	\$2,519
Tax Credit Equity	\$21,747,825
TOTAL	\$30,995,644

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,368,797
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,779,436
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$2,100,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	RedStone Equity Partners
Federal Tax Credit Factor:	\$0.86991

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$21,368,797
Actual Eligible Basis:	\$21,368,797
Unadjusted Threshold Basis Limit:	\$17,753,126
Total Adjusted Threshold Basis Limit:	\$21,847,528

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

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

- Use no irrigation at all, irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	44.093%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

This project is a large family housing type at which 35 units are designated special needs units for persons who are homeless or formerly homeless. These units are receiving a rental subsidy from the Flexible Housing Subsidy Pool (FHSP) from the Los Angeles County Department of Health Services (DHS).

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, Community Development Commission of the County of Los Angeles, 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
\$2,500,000	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 fifteen 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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	3	3	3
Within 1 mile of a public middle school within attendance boundary	2	2	2
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
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 bdrms	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
Enhanced Accessibility and Visitability	2	2	2
Total Points	138	138	138

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.