

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 First Round
June 10, 2015

Project Number CA-15-058

Project Name Tiki Apartments
 Site Address: 7306 - 7308 Marbrisa Avenue; 7223 and 7301 Santa Fe Avenue
 Huntington Parks, CA 90255 County: Los Angeles
 Census Tract: 5349.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$694,628	\$2,043,080
Recommended:	\$694,628	\$2,043,080

Applicant Information

Applicant: 7301 Santa Fe Avenue, LP
 Contact: Aaron Mandel
 Address: 1640 S. Sepulveda Blvd., Suite 425
 Los Angeles, CA 90025
 Phone: (310) 575-3543 Fax: (310) 575-3563
 Email: amandel@metahousing.com

General Partner(s) / Principal Owner(s): 7301 Santa Fe Avenue, LLC
 WCH Affordable XII, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Meta Housing Corporation
 Western Community Housing
 Developer: Meta Housing Corporation
 Investor/Consultant: Hamilton Investments, LLC
 Management Agent(s): John Stewart Company

Project Information

Construction Type: New Construction / Acquisition & Rehabilitation
 Total # Residential Buildings: 6
 Total # of Units: 36
 No. & % of Tax Credit Units: 35 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: None
 Average Targeted Affordability of Special Needs/SRO Project Units: 38.86%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 4 10 %
 40% AMI: 31 80 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless / Formerly homeless
 % of Special Need Units: 35 units 100%
 Geographic Area: Balance of Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

11 SRO/Studio Units
 21 1-Bedroom Units
 1 2-Bedroom Units
 3 3-Bedroom Units

 36 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 SRO/Studio	40%	34%	\$481
4 SRO/Studio	40%	40%	\$570
3 1 Bedroom	30%	30%	\$458
12 1 Bedroom	40%	40%	\$611
6 1 Bedroom	40%	40%	\$611
1 3 Bedrooms	30%	30%	\$636
2 3 Bedrooms	40%	40%	\$848
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,834

Project Cost Summary at Application

Land and Acquisition	\$3,234,500
Construction Costs	\$1,476,127
Rehabilitation Costs	\$2,305,404
Construction Contingency	\$380,753
Relocation	\$325,586
Architectural/Engineering	\$290,000
Construction Interest, Perm Financing	\$470,288
Legal Fees, Appraisals	\$137,500
Reserves	\$103,396
Other Costs	\$694,710
Developer Fee	\$1,165,848
Commercial Costs	\$0
Total	\$10,584,112

Project Financing

Estimated Total Project Cost:	\$10,584,112
Estimated Residential Project Cost:	\$10,584,112

Residential

Construction Cost Per Square Foot:	\$219
Per Unit Cost:	\$294,003

Construction Financing

Source	Amount
US Bank	\$7,600,000
CDC* - Homeless Service Center Funds	\$500,000
Deferred Fee and Cost	\$1,654,857
Tax Credit Equity	\$829,254

Permanent Financing

Source	Amount
CCRC- Tranche B	\$1,532,471
CDC* - Homeless Service Center Funds	\$500,000
Deferred Developer Fee/Costs	\$277,354
Tax Credit Equity	\$8,274,286
TOTAL	\$10,584,112

*Community Development Commission of the County of Los Angeles

Determination of Credit Amount(s)

Requested Eligible Basis (New Construction/Rehabilitation):	\$6,810,670
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$629,763
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (1%)	\$94,837
Qualified Basis (New Construction/Rehabilitation):	\$8,765,332
Applicable Rate:	7.69%
Qualified Basis (Acquisition):	\$623,465
Applicable Rate:	3.30%
Maximum Annual Federal Credit (New Construction/Rehabilitation):	\$674,054
Maximum Annual Federal Credit, Acquisition:	\$20,574
Total Maximum Annual Federal Credit:	\$694,628
Total State Credit:	\$2,043,080
Approved Developer Fee in Project Cost:	\$1,165,848
Approved Developer Fee in Eligible Basis:	\$980,848
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,165,848
Investor/Consultant:	Hamilton Investments, LLC
Federal Tax Credit Factor:	\$1.00000
State Tax Credit Factor:	\$0.65000

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:	\$7,440,433
Actual Eligible Basis:	\$8,753,170
Unadjusted Threshold Basis Limit:	\$7,165,528
Total Adjusted Threshold Basis Limit:	\$7,440,449

Adjustments to Basis Limit:

- 100% of Units for Special Needs Population
- Local Development Impact Fees

Tie-Breaker Information

First:	Special Needs
Second:	33.904%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 consists of both a rehabilitation of two existing buildings and the construction of a new building. The rehabilitation of the existing buildings involves renovation of an existing vacant motel and an existing apartment complex. The new construction will take place on vacant land adjacent to the vacant motel building and will include the construction of 4 new apartment units with a stand alone office and recreation space.

Staff noted the developer fee included is acquisition eligible basis was in excess of the limit required by regulation. The basis was adjusted accordingly and reduced by \$185,000 in order to meet the limits required by regulation. The change did not affect the amount of credits recommended.

The project will receive rental assistance from the Los Angeles County Department of Health Services (DHS) for 35 of the 36 units in the project. DHS also intends to provide in-kind clinical services on-site and through referral to primary care homes to ensure that each tenant receives the high quality medical care.

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 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
\$694,628

State Tax Credits/Total
\$2,043,080

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 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	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Credit Reduction	20	1	1
Public Funds	20	19	19
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 a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs/SRO project within 1 mile of facility serving tenant pop.	2	2	0
Within ½ mile of medical clinic or hospital	3	3	2
Within ¼ 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
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: GreenPoint Rated Program	5	5	5
Energy efficiency beyond CA Building Code Title 24 requirements: 40.0%	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 30%	10	10	10
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.