

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 18, 2016**

PATH Metro Villas, located at 345 N. Westmoreland Avenue in Los Angeles, requested and is being recommended for a reservation of \$993,731 in annual federal tax credits to finance the new construction of 64 units of housing serving special needs tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Affirmed Housing Group, Inc. and will be located in Senate District 26 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and Los Angeles County Dept. of Health Services rental assistance. The project financing includes state funding from the MHP program of HCD.

Project Number CA-16-860

Project Name PATH Metro Villas
Site Address: 345 N. Westmoreland Ave.
Los Angeles, CA 90004 County: Los Angeles
Census Tract: 1927.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$993,731	\$0
Recommended:	\$993,731	\$0

Applicant Information

Applicant: Metro Villas 345, L.P.
Contact: Jimmy Silverwood
Address: 13520 Evening Creek Dr. N, Suite 160
San Diego, CA 92128
Phone: 858.386.5178 Fax: 858.679.9076
Email: james@affirmedhousing.com

General Partner(s) or Principal Owner(s): AHG Metro 345, LLC
PATH Ventures Metro 345, LLC
General Partner Type: Joint Venture
Parent Company(ies): Affirmed Housing Group, Inc.
PATH Ventures
Developer: Affirmed Housing Group, Inc.
Investor/Consultant: Enterprise Community Investment
Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 65
 No. & % of Tax Credit Units: 64 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (36 units - 56%) / HOME
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 32
 Number of Units @ or below 60% of area median income: 32

Bond Information

Issuer: City of Los Angeles (HCIDLA)
 Expected Date of Issuance: November 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

33 SRO/Studio Units
 31 1-Bedroom Units
 1 2-Bedroom Units

 65 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 SRO/Studio	50%	40%	\$581
12 SRO/Studio	50%	45%	\$653
10 SRO/Studio	60%	45%	\$653
7 SRO/Studio	60%	45%	\$653
4 1 Bedroom	50%	40%	\$622
7 1 Bedroom	60%	45%	\$700
12 1 Bedroom	50%	45%	\$700
2 1 Bedroom	60%	45%	\$700
6 1 Bedroom	60%	45%	\$700
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,945,000
Construction Costs	\$15,170,810
Rehabilitation Costs	\$0
Construction Contingency	\$1,454,300
Relocation	\$0
Architectural/Engineering	\$1,110,000
Construction Interest, Perm Financing	\$1,158,200
Legal Fees, Appraisals	\$173,500
Reserves	\$1,018,000
Other Costs	\$1,974,400
Developer Fee	\$3,067,862
Commercial Costs	\$0
Total	\$28,072,072

Project Financing

Estimated Total Project Cost:	\$28,072,072
Estimated Residential Project Cost:	\$28,072,072
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$325
Per Unit Cost:	\$431,878
Effective Per Unit Cost:	\$401,380

Construction Financing

Source	Amount
JPMorgan Chase Bank, N.A.	\$17,500,000
HCIDLA - HOME	\$5,345,678
Partial Land Contribution	\$1,945,000
Deferred Developer Fee	\$839,100
Tax Credit Equity	\$2,442,294

Permanent Financing

Source	Amount
HCIDLA - HOME	\$8,472,548
HCD - MHP	\$5,581,877
Partial Land Contribution	\$1,945,000
Deferred Developer Fee/GP Equity	\$1,982,362
Tax Credit Equity	\$10,090,285
TOTAL	\$28,072,072

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,520,272
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$30,576,354
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$993,731
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,067,862
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$1.01539

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:	\$23,520,272
Actual Eligible Basis:	\$23,520,272
Unadjusted Threshold Basis Limit:	\$13,514,168
Total Adjusted Threshold Basis Limit:	\$24,795,503

Adjustments to Basis Limit

- Required to Pay 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: 50%

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 3.25% 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:

The project will have HUD Section 8 project-based vouchers for 36 units from the Housing Authority of the City of Los Angeles for 22 studio units and 14 one-bedroom units. The project also has a commitment of rental assistance for 15 units from the Los Angeles County Department of Health Services (DHS) for 4 studio units and 11 one-bedroom units.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles Housing and Community Investment 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
\$993,731	\$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: None.