

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2016 First Round
June 8, 2016

Courson Arts Colony East, located at the southeast corner of East Avenue Q11 and 10th Street East in Palmdale, requested and is being recommended for a reservation of \$1,819,070 in annual federal tax credits to finance the new construction of 80 units of housing serving large families with rents affordable to households earning 30-50% 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 Department of Health Services (DHS) of Los Angeles County Rental Assistance.

Project Number CA-16-048

Project Name Courson Arts Colony East
Site Address: Southeast corner of East Avenue Q11 and 10th Street East
Palmdale, CA 93550 County: Los Angeles
Census Tract: 9105.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,819,070	\$0
Recommended:	\$1,819,070	\$0

Applicant Information

Applicant: CAC East, 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) / Principal Owner(s): CAC East, LLC
WCH Affordable XIX, LLC
General Partner Type: Joint Venture
Parent Company(ies): CAC East, LLC
Western Community Housing
Developer: Meta Housing Corporation
Investor/Consultant: Red Stone Equity Partners
Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 81
 No. & % of Tax Credit Units: 80 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 12 15 %
 45% AMI: 20 25 %
 50% AMI: 48 40 %

Information

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

Unit Mix

34 SRO/Studio Units
 8 1-Bedroom Units
 13 2-Bedroom Units
 26 3-Bedroom Units

 81 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>
6 SRO/Studio	30%	23%	\$340
10 SRO/Studio	45%	45%	\$653
16 SRO/Studio	50%	47%	\$680
2 SRO/Studio	50%	50%	\$726
1 1 Bedroom	30%	30%	\$467
7 1 Bedroom	45%	45%	\$700
2 2 Bedrooms	30%	30%	\$560
3 2 Bedrooms	45%	45%	\$840
7 2 Bedrooms	50%	50%	\$933
3 3 Bedrooms	30%	30%	\$647
23 3 Bedrooms	50%	50%	\$1,079
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,295

Project Cost Summary at Application

Land and Acquisition	\$1,303,825
Construction Costs	\$16,455,223
Rehabilitation Costs	\$0
Construction Contingency	\$843,302
Relocation	\$0
Architectural/Engineering	\$1,350,443
Construction Interest, Perm Financing	\$1,133,583
Legal Fees, Appraisals	\$164,000
Reserves	\$252,000
Other Costs	\$3,306,646
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$26,809,023

Project Financing

Estimated Total Project Cost:	\$26,809,023
Estimated Residential Project Cost:	\$26,809,023
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$141
Per Unit Cost:	\$330,976
Effective Per Unit Cost*:	\$325,031

Construction Financing

Source	Amount
Chase	\$17,500,000
City of Palmdale HA Loan**	\$2,043,000
City of Palmdale - HOME	\$457,000
Tax Credit Equity	\$5,620,926
Deferred Developer Fee & Costs	\$1,188,096

Permanent Financing

Source	Amount
CCRC	\$3,406,637
CCRC - Tranche B	\$884,413
City of Palmdale HA Loan**	\$2,043,000
City of Palmdale - HOME	\$457,000
AHP	\$800,000
Deferred Developer Fee	\$481,552
Tax Credit Equity	\$18,736,421
TOTAL	\$26,809,023

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,728,050
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (8%)	\$1,947,718
Qualified Basis:	\$22,398,747
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,819,070
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$1.03000

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:	\$18,728,050
Actual Eligible Basis:	\$24,428,050
Unadjusted Threshold Basis Limit:	\$18,008,934
Total Adjusted Threshold Basis Limit:	\$22,599,575

Adjustments to Basis Limit

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

- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Final:	19.770%

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, 3.21%. 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 applicant requested and was granted a waiver as allowed in TCAC Regulation Section 10325(g)(1)(D) since the applicant was able to demonstrate nearby, readily accessible, recreational facilities in the form of Courson Park, which is located across the street from the project.

The project receive rental subsidy from the Department of Health Services (DHS) of Los Angeles County to assist with 20 of the 81 total units in the project for DHS patients who are homeless, who have chronic illness or physical disability or are a high utilizer of DHS services.

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, the City of Palmdale, 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
\$1,819,070	\$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 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
Credit Reduction	20	8	8
Public Funds	20	12	12
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 ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ¾ mile of a public elementary school within the attendance area	2	2	2
Within 1 mile of medical clinic	2	0	0
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	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
State Credit Substitution	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.