

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

433 Vermont Apartments, located at 433 S. Vermont Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$2,396,870 in total state tax credits to finance the new construction of 71 units of housing serving seniors and special needs tenants 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 53.

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

Project Number CA-18-136

Project Name 433 Vermont Apartments
Site Address: 433 S. Vermont Avenue
Los Angeles, CA 90020 County: Los Angeles
Census Tract: 2119.21

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$2,396,870
Recommended:	\$2,500,000	\$2,396,870

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: 433 Vermont LP
Contact: Aaron Mandel
Address: 11150 W. Olympic Blvd., Suite 620
Los Angeles, CA 90064
Phone: 310-575-3543
Email: amandel@metahousing.com

General Partner(s) / Principal Owner(s): 433 Vermont LLC
WCH Affordable XXIV, LLC
General Partner Type: Joint Venture
Parent Company(ies): Meta Housing Corporation
Western Community Housing
Developer: Meta Housing Corporation
Investor/Consultant: Redstone Equity Partners
Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 72
 No. & % of Tax Credit Units: 71 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Utility Allowance: CUAC

Information

Set-Aside: Special Needs
 Housing Type: Special Needs / Seniors
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.0%
 % of Special Need Units: 36 units 50%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 36	50%
At or Below 50% AMI: 24	30%
At or Below 60% AMI: 11	15%

Unit Mix

57 1-Bedroom Units
 15 2-Bedroom Units

 72 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
34 1 Bedroom	30%	30%	\$545
23 1 Bedroom	50%	50%	\$909
2 2 Bedrooms	30%	30%	\$654
1 2 Bedrooms	50%	50%	\$1,091
11 2 Bedrooms	60%	60%	\$1,309
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,182

TCAC-confirmed Projected Lifetime Rent Benefit: \$57,893,880

Project Cost Summary at Application

Land and Acquisition	\$5,968,696
Construction Costs	\$24,317,049
Rehabilitation Costs	\$0
Construction Contingency	\$1,221,833
Relocation	\$2,000
Architectural/Engineering	\$1,318,177
Const. Interest, Perm. Financing	\$2,522,988
Legal Fees, Appraisals	\$209,864
Reserves	\$1,028,599
Other Costs	\$1,909,322
Developer Fee	\$1,763,083
Commercial Costs	\$9,468,248
Total	\$49,729,859

Residential

Construction Cost Per Square Foot:	\$468
Per Unit Cost:	\$554,146
True Cash Per Unit Cost*:	\$457,961

Construction Financing

Source	Amount
Citibank	\$20,800,000
CalHFA/LA County - SNHP	\$2,520,000
LA County - Donated Land	\$6,850,000
LA County CDC - Loan	\$1,500,000
City of LA - HHH Loan	\$7,200,000
HCIDLA - Loan	\$1,500,000
FHLB - AHP	\$816,500
Accrued Interest (SNHP, CDC)	\$188,400
Deferred Fees and Costs	\$3,972,522
Tax Credit Equity	\$4,382,437

Permanent Financing

Source	Amount
Citibank	\$4,037,102
CalHFA/LA County - SNHP	\$2,520,000
LA County - Donated Land	\$6,850,000
LA County CDC - Loan	\$1,500,000
City of LA - HHH Loan	\$7,200,000
HCIDLA - Loan	\$1,500,000
FHLB - AHP	\$816,500
Accrued Interest (SNHP, CDC)	\$188,400
Deferred Developer Fee	\$75,361
Tax Credit Equity	\$25,042,496
TOTAL	\$49,729,859

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$24,681,201
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,085,562
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$2,396,870
Approved Developer Fee in Project Cost:	\$1,763,083
Approved Developer Fee in Project Cost (Residential):	\$1,400,000
Approved Developer Fee in Project Cost (Commercial):	\$363,083
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Redstone Equity Partners
Federal Tax Credit Factor:	\$0.92500
State Tax Credit Factor:	\$0.80000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$24,681,201
Actual Eligible Basis:	\$31,595,306
Unadjusted Threshold Basis Limit:	\$17,032,398
Total Adjusted Threshold Basis Limit:	\$24,681,202

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

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

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:

- Install bamboo, stained concrete, 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, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Final:	58.438%

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. 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.

Significant Information / Additional Conditions

The project will have a project-based rental subsidy for the 36 special needs units, 34 one-bedroom units and 2 two-bedroom units targeted at 30% AMI, from the County of Los Angeles Department of Health Services Flexible Housing Subsidy Pool (FHSP) program.

The project will have 36 special needs units (50%) for homeless seniors with the balance of the affordable units (35 units) for senior tenants.

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 Los Angeles Housing and Community Investment Department, has completed a site review of this project and strongly supports this project.

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)(5) 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
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, 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 ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
SPECIAL NEEDS HOUSING TYPE			
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: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
Enhanced Accessibility and Visitability	2	2	2
Total Points	113	113	113

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.