

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
May 15, 2019**

Whittier & Downey NW, located at 4161 & 4169 Whittier Blvd. in unincorporated Los Angeles county, requested and is being recommended for a reservation of \$918,026 in annual federal tax credits to finance the new construction of 41 units of housing serving special needs tenants with rents affordable to households earning 30% 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 in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the IIG & AHSC programs of HCD, and SNHP through CalHFA.

**Project Number** CA-19-430

**Project Name** Whittier & Downey NW  
**Site Address:** 4161 & 4169 Whittier Blvd.  
Los Angeles, CA 90023 County: Los Angeles  
**Census Tract:** 5312.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$918,026	\$0
Recommended:	\$918,026	\$0

**Applicant Information**

**Applicant:** WDNW, L.P.  
**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) or Principal Owner(s):** WDNW, LLC  
WCH Affordable XXV, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Meta Housing Corporation  
Western Community Housing, Inc.

**Developer:** Meta Housing Corporation

**Investor/Consultant:** Boston Financial Investment Management, LP

**Management Agent:** John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 42  
 No. / % of Low Income Units: 41 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (100% / 41 Units)

**Bond Information**

Issuer: Housing Authority of the County of Los Angeles  
 Expected Date of Issuance: July 31, 2019

**Information**

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

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
35% AMI: 41	100%

**Unit Mix**

24 SRO/Studio Units
13 1-Bedroom Units
<u>5 2-Bedroom Units</u>
42 Total Units

<u>Unit Type &amp; 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>
24 SRO/Studio	30%	30%	\$509
13 1 Bedroom	30%	30%	\$545
4 2 Bedrooms	30%	30%	\$654
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,981,947
Construction Costs	\$14,307,117
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$697,617
Soft Cost Contingency	\$212,462
Relocation	\$0
Architectural/Engineering	\$1,187,120
Const. Interest, Perm. Financing	\$1,603,793
Legal Fees	\$162,500
Reserves	\$382,005
Other Costs	\$1,273,535
Developer Fee	\$2,790,000
Commercial Costs	\$2,727,721
<b>Total</b>	<b>\$28,325,818</b>

**Residential**

Construction Cost Per Square Foot:	\$399
Per Unit Cost:	\$609,478

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Citibank	\$17,357,500	Citibank	\$1,550,205
Los Angeles County - MHHF	\$4,000,000	HCD - AHSC	\$5,000,000
Los Angeles County - AHTF	\$2,352,000	Los Angeles County - MHHF	\$5,000,000
HCD - Infill Infrastructure Grant	\$1,650,000	Los Angeles County - AHTF	\$2,940,000
Deferred Costs and Fee	\$2,534,846	CalHFA - SNHP	\$1,995,000
Tax Credit Equity	\$431,472	HCD - Infill Infrastructure Grant	\$1,650,000
		Federal Home Loan Bank - AHP	\$410,000
		Deferred Developer Fee	\$1,151,170
		Tax Credit Equity	\$8,629,443
		<b>TOTAL</b>	<b>\$28,325,818</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,399,204
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,818,965
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$918,026
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,790,000
Investor/Consultant:	Boston Financial Investment Management, LP
Federal Tax Credit Factor:	\$0.94000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$21,399,204
Actual Eligible Basis:	\$21,399,204
Unadjusted Threshold Basis Limit:	\$11,389,771
Total Adjusted Threshold Basis Limit:	\$38,904,265

**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
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- 100% of the Low Income Units for Special Needs Population
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

**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 meet or 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 3.30% 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**

This project's estimated cost per unit of \$609,478 is due in part because the project is relatively small, consisting of 41 one-bedroom units designed as permanent supportive housing and built under prevailing wage requirements. In addition, the energy efficient design and construction required under Los Angeles County's NOFA includes the Energy Star Rated Construction program's framing and mechanical efficiencies. The project also has LEED for Homes certification, installation of photovoltaic collectors and solar hot water, blown-in insulation in all exterior walls and roof cavities, and a grey water irrigation system. This project is a density infill project along Whittier Boulevard which will require significant electric utility relocation.

### **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.

### **CDLAC Additional Conditions**

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED).