

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Arminta Square Apartments, located at 11050, 11060, and 11064 West Arminta Street in Los Angeles, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$12,190,913 in total state tax credits to finance the new construction of 109 units of housing serving large families with rents affordable to households earning 20-80% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 18 and Assembly District 39.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers & Los Angeles County Department of Health Services Flexible Housing Subsidy Pool (FHSP).

Project Number CA-19-018

Project Name Arminta Square Apartments
Site Address: 11050, 11060, and 11064 West Arminta Street
Los Angeles, CA 91352 County: Los Angeles
Census Tract: 1221.200

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$12,190,913
Recommended:	\$2,500,000	\$12,190,913

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

Applicant Information

Applicant: Arminta Meta, LP
Contact: Chris Maffris
Address: 11150 West Olympic Blvd. Suite 620
Los Angeles, CA 90064
Phone: 310-575-3543
Email: cmaffris@metahousing.com

General Partner(s) / Principal Owner(s): WCH Affordable XL, LLC
Arminta Meta, LLC

General Partner Type: Joint Venture

Parent Company(ies): Western Community Housing
Meta Housing Corporation

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:	110
No. & % of Tax Credit Units:	109 100%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	HUD Section 8 Project-based Vouchers (7% / 8 Units)

Information

Set-Aside:	N/A
Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units	
At or Below 20% AMI:	45
At or Below 50% AMI:	1
At or Below 60% AMI:	15
At or Below 70% AMI:	24
At or Below 80% AMI:	24

Average Income Project (70% and/or 80% AMI Units): 50% AMI targeted average or less

Unit Mix

5	1-Bedroom Units
59	2-Bedroom Units
39	3-BedroomUnits
7	4-Bedroom Units
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110	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>
5 1 Bedroom	20%	20%	\$363
23 2 Bedrooms	20%	20%	\$436
8 2 Bedrooms	20%	20%	\$436
3 2 Bedrooms	60%	60%	\$1,309
11 2 Bedrooms	70%	70%	\$1,527
13 2 Bedrooms	80%	80%	\$1,746
8 3 Bedrooms	20%	20%	\$504
11 3 Bedrooms	60%	60%	\$1,512
11 3 Bedrooms	70%	70%	\$1,764
9 3 Bedrooms	80%	80%	\$2,016
1 4 Bedrooms	20%	20%	\$562
1 4 Bedrooms	50%	50%	\$1,406
1 4 Bedrooms	60%	60%	\$1,687
2 4 Bedrooms	70%	70%	\$1,968
2 4 Bedrooms	80%	80%	\$2,250
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,182

Project Cost Summary at Application

Land and Acquisition	\$9,715,886
Construction Costs	\$29,571,227
Rehabilitation Costs	\$0
Construction Contingency	\$2,484,141
Relocation	\$0
Architectural/Engineering	\$2,007,019
Const. Interest, Perm. Financing	\$4,030,657
Legal Fees	\$225,000
Reserves	\$504,838
Other Costs	\$2,528,813
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$53,267,581

Residential

Construction Cost Per Square Foot:	\$234
Per Unit Cost:	\$484,251
True Cash Per Unit Cost*:	\$483,848

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$41,000,000
Deferred Developer Fee	\$2,066,762
Tax Credit Equity	\$10,200,819

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank - 1st Trust Deed	\$9,988,694
Citibank - Tranche B	\$9,231,894
Deferred Developer Fee	\$44,263
Tax Credit Equity	\$34,002,730
TOTAL	\$53,267,581

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$40,636,377
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$40,636,377
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$12,190,913
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	RedStone Equity Partners
Federal Tax Credit Factor:	\$0.97000
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:	\$40,636,377
Actual Eligible Basis:	\$40,636,377
Unadjusted Threshold Basis Limit:	\$37,307,850
Total Adjusted Threshold Basis Limit:	\$44,389,320

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Large Family
Final:	18.677%

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 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's Section 8 project-based voucher units will serve homeless tenants and the 37 units with the County Department of Health Services FHSP subsidy will serve homeless tenants with physical and behavioral health conditions.

Resyndication and Resyndication Transfer Event: None.

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 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 1/4 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 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 1/4 mile of a public elementary school project children may attend	3	3	0
Within 1 mile of a public high school project children may attend	3	3	0
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Energy efficiency beyond CA Building Code Title 24 requirements: 12%	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
State Credit Substitution	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.