

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 17, 2019**

Whittier Place Apartments Phase II, located at 4101-4117 Whittier Boulevard in unincorporated Los Angeles County, requested and is being recommended for a reservation of \$803,410 in annual federal tax credits to finance the new construction of 33 units of housing serving special needs tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by East LA Community 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 and VASH project-based vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-19-434

Project Name Whittier Place Apartments Phase II
Site Address: 4101-4117 Whittier Boulevard
Los Angeles, CA 90023 County: Los Angeles
Census Tract: 5312.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$803,410	\$0
Recommended:	\$803,410	\$0

Applicant Information

Applicant: Whittier PSH Phase II, LP
Contact: Ernesto Espinoza
Address: 2917 East 1st Street
Los Angeles, CA 90033
Phone: (323)604-1986
Email: eespinoza@elacc.org

General Partner(s) or Principal Owner(s): Whittier PSH Phase II, LLC
New Directions Housing, LLC
General Partner Type: Nonprofit
Parent Company(ies): East LA Community Corporation
New Directions Housing, LLC
Developer: East LA Community Corporation
Investor/Consultant: Enterprise Community Partners
Management Agent: John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 34
 No. / % of Low Income Units: 33 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (17 Units - 51%)
 and HUD VASH Project-based Vouchers (16 Units - 49%)

Bond Information

Issuer: Los Angeles County Development Authority
 Expected Date of Issuance: October 1, 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>
50% AMI: 33	100%

Unit Mix

13 SRO/Studio Units
20 1-Bedroom Units
1 2-Bedroom Units
<u>34 Total Units</u>

<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>
7 SRO/Studio	50%	50%	\$848
6 SRO/Studio	50%	50%	\$848
9 1 Bedroom	50%	50%	\$909
11 1 Bedroom	50%	50%	\$909
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,366,610
Construction Costs	\$13,656,950
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$698,116
Soft Cost Contingency	\$50,607
Relocation	\$0
Architectural/Engineering	\$650,625
Const. Interest, Perm. Financing	\$1,436,019
Legal Fees	\$150,000
Reserves	\$311,170
Other Costs	\$1,330,388
Developer Fee	\$2,442,000
Commercial Costs	\$0
Total	\$23,092,485

Residential

Construction Cost Per Square Foot:	\$373
Per Unit Cost:	\$679,191
True Cash Per Unit Cost*:	\$663,176

Construction Financing

Source	Amount
JP Morgan Chase	\$13,550,000
LA County Development Authority	\$5,227,984
LA County Impact Fee Waiver	\$126,140
HOME Depot Foundation	\$250,000
LA County/Irwindale HAS	\$495,000
Deferred Costs	\$1,956,049
General Partner Equity	\$100
Tax Credit Equity	\$1,487,212

Permanent Financing

Source	Amount
JP Morgan Chase	\$1,703,663
LA County Development Authority	\$6,250,000
HCD-VHHP	\$3,926,388
FHLB-AHP	\$546,984
LA County Impact Fee Waiver	\$126,140
LA County/Irwindale HAS	\$495,000
Home Depot Foundation	\$250,000
Deferred Developer Fee	\$544,500
General Partner Capital Contribution	\$1,304,791
Tax Credit Equity	\$7,945,019
TOTAL	\$23,092,485

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,727,714
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,346,028
Total Maximum Annual Federal Credit:	\$803,410
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,442,000
Investor/Consultant:	Enterprise Community Partners
Federal Tax Credit Factor:	\$0.98891

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:	\$18,727,714
Actual Eligible Basis:	\$18,727,714
Unadjusted Threshold Basis Limit:	\$9,284,423
Total Adjusted Threshold Basis Limit:	\$22,143,296

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
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 is \$679,171 per unit. The project site sits atop a storm drain tunnel which will require the use of additional pilings to support the building's foundation while protecting the storm drain. Additionally the project has significant off-site improvements required by the Department of Public Works for repaving, alley improvements and access control lines, and the removal and relocation of power lines. The project will be built to LEED for Homes green building and energy standards, include a parking structure beneath the residential units, and pay Davis-Bacon prevailing wages.

The project's tax-exempt bond allocation request was submitted to CDLAC in December 2018 to maintain its DDA eligibility for the 130% adjuster in determining project's qualified eligible basis for the tax credits.

Resyndication and Resyndication Transfer Event: None

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.