

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2019 Second Round**

**September 25, 2019**

El Monte Metro, located at 3650 Center Avenue in El Monte, requested and is being recommended for a reservation of \$1,447,020 in annual federal tax credits to finance the new construction of 24 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Cesar Chavez Foundation and will be located in Senate District 22 and Assembly District 48.

**Project Number** CA-19-131

**Project Name** El Monte Metro  
Site Address: 3650 Center Avenue  
El Monte, CA 91731 County: Los Angeles  
Census Tract: 4327.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,447,020	\$0
Recommended:	\$1,447,020	\$0

**Applicant Information**

Applicant: Vista del Monte Affordable Housing, Inc.  
Contact: Alfredo Izmajtovich  
Address: 316 West 2nd St., Suite 600  
Los Angeles, CA 90012  
Phone: (213) 362-0260  
Email: alfredoi@chavezfoundation.org

General Partner(s) / Principal Owner(s):	El Monte Metro Family Housing, LLC Step Up on Second Street, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	Cesar Chavez Foundation Vista del Monte Affordable Housing, Inc.
Developer:	Cesar Chavez Foundation
Investor/Consultant:	Hudson Housing Capital
Management Agent(s):	Hyder & Company

**Project Information**

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	25
No. & % of Tax Credit Units:	24 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	HOME

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	3
At or Below 35% AMI:	3
At or Below 40% AMI:	3
At or Below 45% AMI:	3
At or Below 50% AMI:	3
At or Below 60% AMI:	9

**Unit Mix**

2 1-Bedroom Units
10 2-Bedroom Units
13 3-BedroomUnits
25 Total Units

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 1 Bedroom	35%	35%	\$685
1 1 Bedroom	40%	40%	\$783
1 2 Bedrooms	30%	30%	\$705
1 2 Bedrooms	35%	35%	\$822
1 2 Bedrooms	40%	40%	\$940
2 2 Bedrooms	45%	45%	\$1,057
2 2 Bedrooms	50%	50%	\$1,175
3 2 Bedrooms	60%	60%	\$1,410
2 3 Bedrooms	30%	30%	\$814
1 3 Bedrooms	35%	35%	\$950
1 3 Bedrooms	40%	40%	\$1,086
1 3 Bedrooms	45%	45%	\$1,221
1 3 Bedrooms	50%	50%	\$1,357
6 3 Bedrooms	60%	60%	\$1,629
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,206,642
Construction Costs	\$8,274,781
Rehabilitation Costs	\$0
Construction Contingency	\$892,817
Relocation	\$0
Architectural/Engineering	\$1,294,232
Const. Interest, Perm. Financing	\$1,328,732
Legal Fees	\$245,000
Reserves	\$510,153
Other Costs	\$1,061,871
Developer Fee	\$1,646,336
Commercial Costs	\$0
<b>Total</b>	<b>\$17,460,564</b>

**Residential**

Construction Cost Per Square Foot:	\$356
Per Unit Cost:	\$698,423
True Cash Per Unit Cost*:	\$674,060

**Construction Financing**

Source	Amount
Citibank	\$12,500,000
City of El Monte Land Loan	\$1,489,600
Deferred Fees and Costs	\$2,110,902
Tax Credit Equity	\$1,360,062

**Permanent Financing**

Source	Amount
Citibank	\$1,161,274
City of El Monte Land Loan	\$1,489,600
City of El Monte HOME Loan	\$600,000
Deferred Developer Fee	\$609,072
Tax Credit Equity	\$13,600,618
<b>TOTAL</b>	<b>\$17,460,564</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$12,367,692
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,078,000
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,447,020
Approved Developer Fee in Project Cost:	\$1,646,336
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.93991

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:	\$12,367,692
Actual Eligible Basis:	\$13,694,240
Unadjusted Threshold Basis Limit:	\$8,579,954
Total Adjusted Threshold Basis Limit:	\$12,367,692

**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

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>20.271%</b>

**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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 was submitted as a hybrid application comprised of this 9% component (CA-19-131) consisting of 25 units serving large families and a 4% component (CA-19-515) consisting of 28 units serving special needs. In addition, the 4% component of the application has been committed HUD-VASH Section 8 Project-based Vouchers whereas this 9% component does not have rental subsidy.

The current legal description is part of a larger site and the project site's parcel (legal description and APN) have not yet been finalized. The applicant has noted a condominium plan to divide the 53-unit project into a 28-unit Special Needs 4% Project and a 25-unit Large Family 9% Project will be recorded. The legal description and APN for CA-19-131 must be completed as part of the Readiness to Proceed 180/194-Day package.

Staff noted the project's development cost is approximately \$698,423 per unit. The applicant noted the primary contributors to the high cost amount are complexity in design, construction, and capital structure. Dividing the project into two separate buildings & merging 6 parcels into 2 will require additional engineering costs typical to a new construction multifamily. In addition, the construction of subterranean parking and meeting extensive architectural design needs are attributed to the project's high per unit cost.

The project will be individually metered by the water company and the units will be individually metered by a private submetering company. The water company will bill the project and the project's private submetering consultant will bill the tenants for their water/sewer usage. The individual meters for each unit will be at the minimum point of entry of the unit in a closet near the units front door. The private submetering company will install, maintain, and monitor the submeters, providing tenants a bill that reflects their actual consumption. The cost of the submetering company will be paid by the project as will the water usage for common areas.

**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, City of El Monte, 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of public high school	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**