CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019
REVISED

El Monte Metro, located at 3650 Center Avenue in El Monte, requested and is being recommended for a reservation of $524,003 in annual federal tax credits to finance the new construction of 27 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 Cesar Chavez Foundation and will be located in Senate District 22 and Assembly District 48.

The project will be receiving rental assistance in the form of HUD Section 8 VASH Project-based Vouchers (PBVs).

Project Number CA-19-515

Project Name El Monte Metro
Site Address: 3650 Center Avenue
El Monte, CA 91731 County: Los Angeles
Census Tract: 4327.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$524,003	$0
Recommended:	$524,003	$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) or Principal Owner(s):	El Monte Metro Veterans 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:	Hyder & Company

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	28
No. / % of Low Income Units:	27 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / HUD Section 8 VASH-PBVs (27 units - 100%)

Bond Information

Issuer:	Community Development Authority of the County of Los Angeles
Expected Date of Issuance:	February 27, 2020

Information

Housing Type:	Special Needs
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	27	100%

Unit Mix

23	1-Bedroom Units
4	2-Bedroom Units
1	3-Bedroom Units
28	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
23	1 Bedroom	30%	14%	$273
4	2 Bedrooms	30%	12%	$273
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$1,729,504
Construction Costs	$7,252,296
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$514,368
Soft Cost Contingency	$311,834
Relocation	$0
Architectural/Engineering	$1,022,368
Const. Interest, Perm. Financing	$867,891
Legal Fees	$648,509
Reserves	$1,180,412
Other Costs	$1,316,468
Developer Fee	$1,617,709
Commercial Costs	$0
Total	**$16,461,359**

Residential	
Construction Cost Per Square Foot:	$312
Per Unit Cost:	$587,906
True Cash Per Unit Cost*:	$559,307

Construction Financing

Source	Amount
Citibank	$8,000,000
LACDA	$3,800,000
City of El Monte Land Loan	$1,170,400
Deferred Fees and Costs	$2,998,425
Tax Credit Equity	$492,534

Permanent Financing

Source	Amount
Citibank	$1,415,056
LACDA	$6,750,000
City of El Monte HOME Loan	$1,400,000
City of El Monte Land Loan	$1,170,400
Deferred Developer Fee	$800,777
Tax Credit Equity	$4,925,126
TOTAL	**$16,461,359**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$12,402,433
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$16,123,163
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$524,003
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,617,709
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	$0.93990

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:	$12,402,433
Actual Eligible Basis:	$12,402,433
Unadjusted Threshold Basis Limit:	$8,394,841
Total Adjusted Threshold Basis Limit:	$28,943,246

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 – 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
The project was submitted as a hybrid application comprised of this 4% component (CA-19-515) consisting of 28 units serving special needs and a 9% component (CA-19-131) consisting of 25 units serving large families. 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-19-515 must be completed as part of the placed in service package.

Staff noted the project's development cost is approximately $587,906 per unit. The applicant noted the primary contributors to the high cost amount are complexity in design/construction, capital structure, and Los Angeles County Development Authority requirements. 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 attributted to the project's high per unit cost. Further cost increases are due to the requirement of the Los Angeles County Development Authority NOFA 24-A to provide full furnishings for all of the units, which will serve the homeless persons of the project.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

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.