

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 14, 2020**

Bell Creek Apartments, located at 6940-6958 Owensmouth Avenue and 21616 Hart Street in Los Angeles, requested and is being recommended for a reservation of \$1,781,475 in annual federal tax credits to finance the new construction of 38 units of housing serving large families and 41 units of housing serving special needs tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 27 and

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 NPLH program of HCD.

Project Number CA-20-532

Project Name Bell Creek Apartments
Site Address: 6940-6958 Owensmouth Avenue and 21616 Hart Street
Los Angeles, CA 91303 County: Los Angeles
Census Tract: 1345.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,781,475	\$0
Recommended:	\$1,781,475	\$0

Applicant Information

Applicant: Owensmouth 6940, 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): Owensmouth 6940, LLC
WCH Affordable XLVI, LLC

General Partner Type: Joint Venture

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

Developer: Meta Housing Corporation

Investor/Consultant: Red Stone Equity Partners

Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. / % of Low Income Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (51% / 41 Units)

Bond Information

Issuer: Los Angeles Housing and Community Investment Department
 Expected Date of Issuance: September 14, 2020

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 41	52%
60% AMI: 18	23%
80% AMI: 20	25%

Unit Mix

40 1-Bedroom Units
20 2-Bedroom Units
20 3-Bedroom Units
<u>80 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
37 1 Bedroom	30%	30%	\$587
2 2 Bedrooms	30%	30%	\$705
2 3 Bedrooms	30%	30%	\$814
18 3 Bedrooms	60%	60%	\$1,628
3 1 Bedroom	80%	80%	\$1,566
17 2 Bedrooms	80%	80%	\$1,880
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,350

Project Cost Summary at Application

Land and Acquisition	\$5,251,638
Construction Costs	\$30,424,702
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,577,798
Soft Cost Contingency	\$450,000
Relocation	\$307,000
Architectural/Engineering	\$2,477,424
Const. Interest, Perm. Financing	\$2,917,582
Legal Fees	\$313,500
Reserves	\$804,038
Other Costs	\$2,702,529
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$49,726,211

Residential

Construction Cost Per Square Foot:	\$331
Per Unit Cost:	\$621,578
True Cash Per Unit Cost*:	\$621,578

Construction Financing

Source	Amount
Citibank	\$28,150,000
HCD / LACDA - NPLH Loan	\$5,975,500
City of Los Angeles - HHH Loan	\$5,292,564
LACDA - AHTF & MHHP	\$4,750,000
Deferred Reserves	\$804,038
Deferred Developer Fee & Costs	\$1,298,048
Tax Credit Equity	\$3,456,061

Permanent Financing

Source	Amount
Citibank	\$14,929,362
HCD / LACDA - NPLH Loan	\$6,290,000
City of Los Angeles - HHH Loan	\$6,226,546
LACDA - AHTF & MHHP	\$5,000,000
Tax Credit Equity	\$17,280,303
TOTAL	\$49,726,211

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$42,295,216
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$54,983,781
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,781,475
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.97000

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:	\$42,295,216
Actual Eligible Basis:	\$42,295,216
Unadjusted Threshold Basis Limit:	\$32,134,080
Total Adjusted Threshold Basis Limit:	\$78,755,150

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: 102%

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 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 3.24% 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 is \$621,578. This project will be located on an very tight infill site which will require additional costs for cranes, lifts, staging, and parking during construction which slows construction and adds costs. The project will also require prevailing wages, and the Los Angeles area has been experiencing significant increase in labor and material costs. In addition, the building will have one level of elevated podium Type I concrete construction, with four levels of Type V (1 hour fire rated lumber) construction. The project will also be built to meet GreenPoint Rated requirements.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.