

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Juniper Grove Apartments, located at 150 E. Avenue R in Palmdale, requested and is being recommended for a reservation of \$2,054,336 in annual federal tax credits and \$3,801,934 in total state tax credits to finance the new construction of 99 units of housing serving special needs tenants and large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 21 and Assembly District 36.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project funding includes state funding from the NPLH program of HCD.

Project Number CA-20-907

Project Name Juniper Grove Apartments
Site Address: 150 E. Avenue R
Palmdale, CA 93550 County: Los Angeles
Census Tract: 9104.040

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,054,336	\$3,801,934
Recommended:	\$2,054,336	\$3,801,934

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Juniper Grove Apartments, LP
Contact: Aaron Mandel
Address: 11150 W. Olympic Boulevard, Suite 620
Los Angeles, CA 90064
Phone: (310) 575-3543
Email: amandel@metahousing.com

General Partner(s) / Principal Owner(s): Juniper Grove Apartments, LLC
WCH Affordable XLV, LLC

General Partner Type: Joint Venture

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

Developer: Meta Housing Corporation

Investor/Consultant: Red Stone Equity Partners

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 101
 No. / % of Low Income Units: 99 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-based Vouchers
 (50 Units / 51%)

Bond Information

Issuer: County of Los Angeles
 Expected Date of Issuance: September 20, 2020

Information

Set-Aside: N/A
 Housing Type: Special Needs / Large Family
 Type of Special Needs: Homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.00%
 % of Special Need Units: 50 units 51%
 Geographic Area: 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>
At or Below 30% AMI: 55	55%
At or Below 60% AMI: 44	45%

Unit Mix

49 1-Bedroom Units
 27 2-Bedroom Units
25 3-Bedroom Units
 101 Total Units

<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>
49 1 Bedroom	30%	30%	\$587
1 2 Bedrooms	30%	30%	\$705
2 2 Bedrooms	30%	30%	\$705
22 2 Bedrooms	60%	60%	\$1,410
3 3 Bedrooms	30%	30%	\$814
22 3 Bedrooms	60%	60%	\$1,629
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,350

Project Cost Summary at Application

Land and Acquisition	\$1,516,380
Construction Costs	\$32,229,497
Rehabilitation Costs	\$0
Contingency Costs	\$2,127,294
Relocation	\$0
Architectural/Engineering	\$2,314,350
Const. Interest, Perm. Financing	\$3,113,546
Legal Fees	\$170,000
Reserves	\$613,704
Other Costs	\$4,371,535
Developer Fee	\$5,801,242
Commercial Costs	\$0
Total	\$52,257,547

Residential

Construction Cost Per Square Foot:	\$326
Per Unit Cost:	\$517,401
True Cash Per Unit Cost*:	\$481,375

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Pacific Western Bank - Tax-exempt	\$28,500,000	Pacific Western Bank	\$12,415,200
Pacific Western Bank - Taxable	\$4,500,000	City of Palmdale - HOME	\$376,812
City of Palmdale HOME	\$339,131	HCD / LACDA - NPLH	\$5,080,000
LACDA - Loan	\$7,740,000	LACDA - Loan	\$8,600,000
Deferred Developer Fee	\$5,641,698	Deferred Developer Fee	\$3,638,663
Tax Credit Equity	\$5,536,718	Tax Credit Equity	\$22,146,872
		TOTAL	\$52,257,547

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$48,773,404
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$63,405,425
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$2,054,336
Total State Credit:	\$3,801,934
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,801,242
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.93000
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:	\$48,773,404
Actual Eligible Basis:	\$48,773,404
Unadjusted Threshold Basis Limit:	\$40,645,368
Total Adjusted Threshold Basis Limit:	\$100,263,968

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
- 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: 110%

Tie-Breaker Information

Final: **31.174%**

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 \$517,401. The project's costs are due in part to the prevailing wage requirement which increases the construction cost by approximately 25%, the more stringent 2019 CBC energy code the project is required to meet, and the extensive design requirements of the city of Palmdale that include higher quality materials, unit balconies, pitched roofs, now block walls and other items. In addition, the project will have a solar photovoltaic system.

The DDA/QCT status for this project's site was set to expire on January 1, 2019. The applicant successfully submitted its application for an allocation of tax-exempt bonds to CDLAC on December 14, 2018, prior to the expiration of its 2018 DDA/QCT status. As a result, the applicant was able to preserve this project's QCT status through the first three rounds of 2020. The project received its tax-exempt bond allocation from CDLAC on April 14, 2020.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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.

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.

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 ½ mile of transit station or public bus stop	3	3	3
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
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	3
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	0
Service Amenities	10	10	10
LARGE FAMILY HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
After school program for school age children, minimum of 10 hours/week	5	5	5
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
Lowest Income	32	32	32
Basic Targeting	30	30	30
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Total Points	86	86	86

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.