

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Mariposa Lily, located at 1055 S Mariposa Avenue in Los Angeles, requested and is being recommended for a reservation of \$1,001,222 in annual federal tax credits to finance the new construction of 40 units of housing serving special needs tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by West Hollywood Community Housing Corporation and will be located in Senate District 24 and Assembly District 53.

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-20-610

Project Name Mariposa Lily
 Site Address: 1055 S Mariposa Ave
 Los Angeles, CA 90006 County: Los Angeles
 Census Tract: 2133.10

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,001,222	\$0
Recommended:	\$1,001,222	\$0

Applicant Information

Applicant: Mariposa Lily, L.P.
 Contact: Matt Mason
 Address: 7530 Santa Monica Blvd
 West Hollywood, CA 90046
 Phone: 323-650-8771
 Email:

General Partner(s) or Principal Owner(s): West Hollywood Community Housing Corporation
 Mariposa Lily LLC
 General Partner Type: Nonprofit
 Parent Company(ies): West Hollywood Community Housing Corporation
 Developer: West Hollywood Community Housing Corporation
 Investor/Consultant: Bank of America
 Management Agent: Barker Management Incorporated

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 41
 No. / % of Low Income Units: 40 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (20 units - 50%)

Bond Information

Issuer: HCIDLA
 Expected Date of Issuance: February 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Noemy Iniguez

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
30% AMI: 20	50%
60% AMI: 20	50%

Unit Mix

10 SRO/Studio Units
15 1-Bedroom Units
11 2-Bedroom Units
<u>5 3-Bedroom Units</u>
41 Total Units

<u>Unit Type</u> <u>& Number</u>	<u>2020 Rents</u> <u>Targeted % of</u> <u>Area Median</u> <u>Income</u>	<u>2020 Rents Actual</u> <u>% of Area Median</u> <u>Income</u>	<u>Proposed Rent</u> <u>(including</u> <u>utilities)</u>
5 SRO/Studio	60%	60%	\$1,183
5 SRO/Studio	30%	30%	\$591
7 1 Bedroom	60%	60%	\$1,267
8 1 Bedroom	30%	30%	\$633
5 2 Bedrooms	60%	60%	\$1,521
5 2 Bedrooms	30%	30%	\$760
3 3 Bedrooms	60%	60%	\$1,757
2 3 Bedrooms	30%	30%	\$878
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$425,000
Construction Costs	\$15,842,410
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,584,246
Soft Cost Contingency	\$90,000
Relocation	\$0
Architectural/Engineering	\$980,000
Const. Interest, Perm. Financing	\$1,943,636
Legal Fees	\$150,000
Reserves	\$419,047
Other Costs	\$1,215,859
Developer Fee	\$2,827,350
Commercial Costs	\$0
Total	\$25,477,548

Residential

Construction Cost Per Square Foot:	\$436
Per Unit Cost:	\$621,404
True Cash Per Unit Cost*:	\$601,534

Construction Financing

Source	Amount
Bank of America	\$13,000,000
HCIDLA - HHH	\$3,800,000
HCD - NPLH	\$4,640,000
Deferred Costs	\$2,263,012
General Partner Equity	\$441,393
Tax Credit Equity	\$1,333,143

Permanent Financing

Source	Amount
Bank of America	\$4,400,000
HCIDLA - HHH	\$5,120,000
HCD - NPLH	\$4,690,000
AHP	\$600,000
Deferred Developer Fee	\$814,668
General Partner Equity	\$441,393
Tax Credit Equity	\$9,411,487
TOTAL	\$25,477,548

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,770,724
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$30,901,941
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,001,222
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,827,350
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.94000

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:	\$23,770,724
Actual Eligible Basis:	\$23,770,724
Unadjusted Threshold Basis Limit:	\$15,106,200
Total Adjusted Threshold Basis Limit:	\$35,959,644

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: 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 3.24% 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

The total development cost per unit is \$601,534. The applicant noted the cost is attributable to the high cost of construction in the Los Angeles market, partially below-grade parking, payment of prevailing wages, reserves, and providing furnished units.

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.