

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 Second Round

October 14, 2020

Palmdale Terrace Apartments, located at SW Corner of 25th Street East and East Avenue Q12 in Palmdale, requested and is being recommended for a reservation of \$4,222,339 in annual federal tax credits to finance the new construction of 149 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 Meta Housing Corporation and will be located in Senate District 21 and Assembly District 36.

Project Number CA-20-140

Project Name Palmdale Terrace Apartments

Site Address: SW Corner of 25th Street East and East Avenue Q12
Palmdale, CA 93550 County: Los Angeles

Census Tract: 9106.020

Tax Credit Amounts	Federal/Annual *	State/Total
Requested:	\$4,222,339	\$0
Recommended:	\$4,222,339	\$0

* Further Consolidated Appropriations Act, 2020 (FCAA) Credits

Applicant Information

Applicant: Palmdale Terrace Apartments, L.P.

Contact: Aaron Mandel

Address: 11150 W. Olympic Blvd., Ste. 620
Los Angeles, CA 90064

Phone: (310) 575-3543

Email: amandel@metahousing.com

General Partner(s) / Principal Owner(s): Palmdale Terrace Apartments, LLC
WCH Affordable LIV, 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(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 151

Total # of Tax Credit Units: 151

No. & % of Low Income Units: 149 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: N/A

Information

County Allocation: Los Angeles
 Housing Type: Large Family
 TCAC Project Analyst: Jonghyun (Tommy) Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI:	15 10%
At or Below 40% AMI:	31 20%
At or Below 50% AMI:	45 30%
At or Below 60% AMI:	58 35%

Unit Mix

25 1-Bedroom Units
67 2-Bedroom Units
45 3-Bedroom Units
14 4-Bedroom Units
<u>151 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$633
24 1 Bedroom	40%	40%	\$844
7 2 Bedrooms	30%	30%	\$760
7 2 Bedrooms	40%	40%	\$1,013
45 2 Bedrooms	50%	50%	\$1,267
6 2 Bedrooms	60%	60%	\$1,520
5 3 Bedrooms	30%	30%	\$878
40 3 Bedrooms	60%	60%	\$1,756
2 4 Bedrooms	30%	30%	\$979
12 4 Bedrooms	60%	60%	\$1,959
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,534

Project Cost Summary at Application

Land and Acquisition	\$2,433,560
Construction Costs	\$38,156,869
Rehabilitation Costs	\$0
Construction Contingency	\$2,606,864
Relocation	\$0
Architectural/Engineering	\$1,851,851
Const. Interest, Perm. Financing	\$4,961,007
Legal Fees	\$205,000
Reserves	\$509,335
Other Costs	\$6,219,659
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$59,144,146

Residential

Construction Cost Per Square Foot:	\$195
Per Unit Cost:	\$391,683
True Cash Per Unit Cost*:	\$389,815

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$53,300,000	Pacific Western Bank	\$21,072,148
Deferred Developer Fee	\$2,065,153	Deferred Developer Fee	\$282,068
Tax Credit Equity	\$3,778,993	Tax Credit Equity	\$37,789,930
		TOTAL	\$59,144,146

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$36,091,973
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$46,919,565
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$4,222,761
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.89500

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:	\$36,091,973
Actual Eligible Basis:	\$54,771,928
Unadjusted Threshold Basis Limit:	\$58,446,186
Total Adjusted Threshold Basis Limit:	\$69,226,352

Adjustments to Basis Limit

Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Letter of Support
Second:	\$27,962.51

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, 3.24%. 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: 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

The applicant must submit all documentation required for a Carryover Allocation. 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 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 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.

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
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Total Points	81	81	81

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.