

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 28, 2021**

619 Westlake, located at 619, 623, 627, and 629 South Westlake Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,497,429 in annual federal tax credits and \$4,884,046 in total state tax credits to finance the new construction of 77 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 Meta 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/IIG/AHSC programs of HCD.

Project Number CA-21-529

Project Name 619 Westlake
Site Address: 619, 623, 627, and 629 South Westlake Avenue
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2089.03

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,497,429	\$4,884,046
Recommended:	\$2,497,429	\$4,884,046

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: 619 Westlake, LP
Contact: Chris Maffris
Address: 11150 West Olympic Boulevard, Suite 620
Los Angeles, CA 90064
Phone: 310-575-3543
Email: cmaffris@metahousing.com

General Partner(s) or Principal Owner(s): 619 Westlake, LLC
Westlake Affordable Housing, LLC

General Partner Type: Joint Venture
Parent Company(ies): Meta Housing Corporation
Ceasar Chavez Foundation

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: 78
 No. / % of Low Income Units: 77 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (39 Units - 50%)

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: September 1, 2021

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 39	51%
60% AMI: 38	49%

Unit Mix

38 1-Bedroom Units
20 2-Bedroom Units
20 3-Bedroom Units
<u>78 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>
8 1 Bedroom	30%	22%	\$464
27 1 Bedroom	30%	30%	\$633
3 1 Bedroom	60%	60%	\$1,267
2 2 Bedrooms	30%	30%	\$760
17 2 Bedrooms	60%	60%	\$1,520
2 3 Bedrooms	30%	29%	\$845
18 3 Bedrooms	60%	58%	\$1,689
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$314,250
Construction Costs	\$34,046,287
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,404,629
Soft Cost Contingency	\$315,898
Relocation	\$0
Architectural/Engineering	\$2,287,110
Const. Interest, Perm. Financing	\$3,211,999
Legal Fees	\$418,500
Reserves	\$1,057,842
Other Costs	\$2,288,772
Developer Fee	\$3,500,000
Commercial Costs	\$0
Total	\$50,845,286

Residential

Construction Cost Per Square Foot:	\$410
Per Unit Cost:	\$651,863
True Cash Per Unit Cost*:	\$634,297

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo - Tax Exempt	\$26,300,000	CCRC	\$9,689,000
Wells Fargo Taxable Tail	\$9,700,000	HCD - AHSC	\$9,000,000
LACDA - NPLH	\$4,600,000	LACDA - NPLH	\$4,600,000
HCD - IIG	\$1,800,000	HCD - IIG	\$1,800,000
Deferred Operating Reserve	\$320,028	Deferred Developer Fee	\$1,370,132
Deferred Developer Fee	\$3,248,027	Tax Credit Equity	\$24,386,155
State Tax Credit Equity	\$781,857	TOTAL	\$50,845,286
Federal Tax Credit Equity	\$4,095,374		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$48,027,484
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$62,435,729
Applicable Rate:	4.00%
Maximum Annual Federal Credit:	\$2,497,429
Total Maximum Annual Federal Credit:	\$2,497,429
Total State Credit:	\$4,884,046
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,500,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.82000
State Tax Credit Factor:	\$0.80000

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:	\$48,027,484
Actual Eligible Basis:	\$48,027,484
Unadjusted Threshold Basis Limit:	\$35,096,838
Total Adjusted Threshold Basis Limit:	\$82,038,183

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
- One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
 - Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- 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 4.00% 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:

Staff noted a per unit development cost of \$634,297 per unit. The applicant noted that the per unit cost is attributed to the project paying prevailing wage, the project incorporating Green Point Rated Gold energy efficiency features, and escalating material and labor costs.

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.