

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 19, 2011**

Project Number CA-2011-908

Project Name Chinatown Metro Apartments
Site Address: 808 N. Spring Street
Los Angeles, CA 90012 County: Los Angeles
Census Tract: 2107.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,406,419	\$0
Recommended:	\$1,406,419	\$0

Applicant Information

Applicant: Chinatown Metro Apartments, LP
Contact: Tim Soule
Address: 1640 S. Sepulveda Blvd., #425
Los Angeles CA 90025
Phone: 310-575-3543 Fax: 310-575-3563
Email: tsoule@metahousing.com

General partner(s) or principal owner(s): WCH Affordable V, LLC
Chinatown Metro Apartments, LLC
General Partner Type: Joint Venture
Developer: Meta Housing Corporation
Investor/Consultant: Bank of America
Management Agent: Western Seniors Housing, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 123
No. & % of Tax Credit Units: 122 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / NSP
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 31
Number of Units @ or below 50% of area median income: 72
Number of Units @ or below 60% of area median income: 19

Bond Information

Issuer: Los Angeles Housing Department
 Expected Date of Issuance: 12/27/11
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

62 SRO/Studio Units
 52 1-Bedroom Units
 9 2-Bedroom Units

 123 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
23 SRO/Studio	35%	35%	\$523
39 SRO/Studio	50%	50%	\$748
8 1 Bedroom	35%	35%	\$561
33 1 Bedroom	50%	50%	\$801
11 1 Bedroom	60%	60%	\$961
1 2 Bedrooms	60%	50%	\$961
7 2 Bedrooms	60%	60%	\$1,153
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,922

Project Financing

Estimated Total Project Cost: \$41,696,604
 Estimated Residential Project Cost: \$41,696,604

Residential

Construction Cost Per Square Foot: \$171
 Per Unit Cost: \$338,997

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America	\$23,000,000
Los Angeles Housing Department	\$12,600,000
Deferred Costs	\$1,424,673
Tax Credit Equity	\$4,671,931

Permanent Financing

<u>Source</u>	<u>Amount</u>
CCRC	\$3,320,774
Los Angeles Housing Department	\$12,600,000
HCD - TOD	\$10,518,465
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$14,157,365
TOTAL	\$41,696,604

Determination of Credit Amount(s)

Requested Eligible Basis:	\$33,273,469
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$43,255,510
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$1,406,419
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$1.00663

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$33,273,469
Actual Eligible Basis:	\$33,273,469
Unadjusted Threshold Basis Limit:	\$22,663,244
Total Adjusted Threshold Basis Limit:	\$54,165,153

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 59%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 50%

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 3.40% 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.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, City of Los Angeles, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,406,419	\$0

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 an 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 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.

Additional Conditions: None