

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 First Round

June 10, 2015

Project Number CA-15-029

Project Name Movietown Square
Site Address: 7302 Santa Monica Boulevard
West Hollywood, CA 90046 County: Los Angeles
Census Tract: 7001.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,769,298	\$0
Recommended:	\$1,769,298	\$0

Applicant Information

Applicant: West Hollywood Community Housing Corp.
Contact: Jesse Slansky
Address: 7530 Santa Monica Blvd.
West Hollywood, CA 90046
Phone: (323) 650-8771 Fax: (323) 650-4745
Email: jesse@whhc.org

General Partner(s) / Principal Owner(s): Movietown Seniors LLC
General Partner Type: Nonprofit
Parent Company(ies): West Hollywood Community Housing Corp.
Developer: AvalonBay Communities, Inc.
Investor/Consultant: Enterprise Community Partners
Management Agent(s): John Stewart Co.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 77
No. & % of Tax Credit Units: 76 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: None
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 9 10 %
40% AMI: 16 20 %
50% AMI: 38 40 %

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: Balance of Los Angeles County
TCAC Project Analyst: Jack Waegell

Unit Mix

72 1-Bedroom Units
5 2-Bedroom Units
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77 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 1 Bedroom	60%	60%	\$917
36 1 Bedroom	50%	50%	\$764
15 1 Bedroom	40%	40%	\$611
8 1 Bedroom	30%	30%	\$458
2 2 Bedrooms	50%	50%	\$917
1 2 Bedrooms	40%	40%	\$734
1 2 Bedrooms	30%	30%	\$550
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,200

Project Cost Summary at Application

Land and Acquisition	\$6,636,678
Construction Costs	\$11,324,907
Rehabilitation Costs	\$0
Construction Contingency	\$605,020
Relocation	\$0
Architectural/Engineering	\$335,670
Construction Interest, Perm Financing	\$2,114,973
Legal Fees, Appraisals	\$139,410
Reserves	\$195,447
Other Costs	\$2,761,444
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$26,113,549

Project Financing

Estimated Total Project Cost:	\$26,113,549
Estimated Residential Project Cost:	\$26,113,549

Residential

Construction Cost Per Square Foot:	\$262
Per Unit Cost:	\$339,137

Construction Financing

<u>Source</u>	<u>Amount</u>
AvalonBay Communities	\$18,920,734
Land Donation Value	\$6,546,107
Deferred Costs and Fees	\$646,708

Permanent Financing

<u>Source</u>	<u>Amount</u>
Bellwether Enterprise	\$1,590,000
Seller Carryback Note	\$1,169,111
Land Donation Value	\$6,546,107
Tax Credit Equity	\$16,808,331
TOTAL	\$26,113,549

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,698,290
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$23,007,777
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$1,769,298
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Enterprise Community Partners
Federal Tax Credit Factor:	\$0.95000

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:	\$17,698,290
Actual Eligible Basis:	\$17,998,958
Unadjusted Threshold Basis Limit:	\$15,369,840
Total Adjusted Threshold Basis Limit:	\$18,850,559

Adjustments to Basis Limit:

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

Tie-Breaker Information

First:	Seniors
Second:	35.680%

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 7.69% 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: This project is being developed by AvalonBay Communities, Inc. (Avalon West Hollywood, L.P.) as the inclusionary, affordable housing component of their larger Avalon West Hollywood development. The project is being constructed on a turn-key basis by Avalon West Hollywood and its affiliates at their own cost. AvalonBay Communities, Inc. is providing the necessary financing. At project completion the property will be sold/transferred to the to-be-formed tax credit ownership entity created by the applicant, West Hollywood Community Housing Corporation, at the current estimated project cost of \$26,113,589.

The project will be composed of the top 5 floors of a 6-story high-rise building located in the northeastern portion of the larger project site at the corner of Poinsettia Place and Santa Monica Boulevard. The ground floor will include retail space that will be subdivided out under a separate ownership entity from the 5 floors making up the tax credit project. A Trader Joe's market is currently anticipated as the retail tenant.

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, the City of West Hollywood, 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
\$1,769,298

State Tax Credits/Total
\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 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 ten 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)(6) 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.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Senior project within ¼ mile of daily operated senior center/facility	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.