

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

August 19, 2015

REVISED

Sylmar Court, located at 12415 San Fernando Road in Sylmar, CA, requested and is being recommended for a reservation of \$1,378,122 in annual federal tax credits to finance the new construction of 100 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 20 and Assembly District 39.

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 IIG and AHSC programs of HCD and MHSA through CalHFA.

Project Number CA-15-845

Project Name Sylmar Court
Site Address: 12415 San Fernando Road
Sylmar, CA 91342 County: Los Angeles
Census Tract: 1066.480

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,378,122	\$0
Recommended:	\$1,378,122	\$0

Applicant Information

Applicant: 12415 San Fernando Apartments, LP
Contact: Tim Soule
Address: 1640 S. Sepulveda Blvd., Suite 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 IX, LLC
12415 San Fernando Apartments, LLC

General Partner Type: Joint Venture

Parent Company(ies): Western Community Housing
Meta Housing Corporation

Developer: Meta Housing Corporation

Investor/Consultant: Hamilton Investments, LLC

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 101
 No. & % of Tax Credit Units: 100 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / CDBG
 HUD Project-Based Section 8 Vouchers (25 Units - 25%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 25
 Number of Units @ or below 50% of area median income: 37
 Number of Units @ or below 60% of area median income: 38

Bond Information

Issuer: City of Los Angeles Housing and Community Investment Department
 Expected Date of Issuance: December 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: DC Navarrette

Unit Mix

25 1-Bedroom Units
 38 2-Bedroom Units
 38 3-Bedroom Units

 101 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
25 1 Bedroom	30%	30%	\$467
5 2 Bedrooms	40%	40%	\$746
32 2 Bedrooms	50%	50%	\$933
38 3 Bedrooms	60%	60%	\$1,295
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,834

Project Cost Summary at Application

Land and Acquisition	\$3,358,850
Construction Costs	\$23,244,620
Rehabilitation Costs	\$0
Construction Contingency	\$1,179,293
Relocation	\$0
Architectural/Engineering	\$1,425,548
Construction Interest/Perm Financing	\$1,862,141
Legal Fees, Appraisals	\$249,113
Reserves	\$563,352
Other Costs	\$3,671,094
Developer Fee	\$2,500,000
Commercial Costs	\$880,229
Total	\$38,934,239

Project Financing

Estimated Total Project Cost:	\$38,934,239
Estimated Residential Project Cost:	\$38,054,010
Estimated Commercial Project Cost:	\$880,229

Residential

Construction Cost Per Square Foot:	\$210
Per Unit Cost:	\$376,772

Construction Financing

Source	Amount
Citibank	\$25,000,000
HCID-LA	\$4,350,000
City of Los Angeles EWDD-CDBG	\$665,000
HCD-IIG	\$2,500,000
MHSA	\$600,000
AHP	\$1,000,000
Deferred Reserves	\$563,352
Deferred Developer Fee	\$1,219,529
Tax Credit Equity	\$3,169,681

Permanent Financing

Source	Amount
Citibank Tranche A	\$5,460,127
Citibank Tranche B	\$2,923,406
Citibank Subordinate Loan	\$2,000,000
HCID-LA	\$4,350,000
City of Los Angeles EWDD-CDBG	\$665,000
HCD-IIG	\$2,500,000
HCD-AHSC	\$2,500,000
MHSA	\$600,000
AHP	\$1,000,000
Deferred Developer Fee	\$1,087,303
Tax Credit Equity	\$15,848,403
TOTAL	\$38,934,239

Determination of Credit Amount(s)

Requested Eligible Basis:	\$33,127,937
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$43,066,318
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$1,378,122
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Hamilton Investments, LLC
Federal Tax Credit Factor:	\$1.15000

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:	\$33,127,937
Actual Eligible Basis:	\$33,127,937
Unadjusted Threshold Basis Limit:	\$28,258,473
Total Adjusted Threshold Basis Limit:	\$60,307,484

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 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: 37%
- 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 3.36% 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, Los Angeles Housing & Community Investment Department, 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
\$1,378,122	\$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 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.

Additional Conditions: None.