

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 6, 2016

El Segundo Boulevard Apartments, located at 535-611 West El Segundo Boulevard in Los Angeles, requested and is being recommended for a reservation of \$915,592 in annual federal tax credits to finance the new construction of 74 units of housing serving special needs tenants with rents affordable to households earning 20-50% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 35 and Assembly District 64.

The project will be receiving rental assistance in the form of HUD VASH Project-based Vouchers and the Los Angeles Department of Health Services. The project financing includes state funding from the IIG, MHP, and VHHP programs of HCD.

Project Number CA-16-863

Project Name El Segundo Boulevard Apartments
 Site Address: 535-611 West El Segundo Boulevard
 Los Angeles, CA 90044 County: Los Angeles
 Census Tract: 2911.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$915,592	\$0
Recommended:	\$915,592	\$0

Applicant Information

Applicant: El Segundo Apartments, LP
 Contact: Aaron Mandel
 Address: 1640 S. Sepulveda Blvd., Suite 425
 Los Angeles, CA 90025
 Phone: (310) 575-3543 Fax: (310) 575-3563
 Email: amandel@metahousing.com

General Partner(s) or Principal Owner(s): El Segundo Apartments, LLC
 WCH Affordable XVI, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Meta Housing Corporation
 Western Community Housing
 Developer: Meta Housing Corporation
 Investor/Consultant: Redstone Equity Partners, LLC
 Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 75
 No. & % of Tax Credit Units: 74 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD VASH Project-Based Vouchers (25 Units - 34%)
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 37
 Number of Units @ or below 50% of area median income: 37

Bond Information

Issuer: Los Angeles Housing Community and Investment Department
 Expected Date of Issuance: November 15, 2016
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: DC Navarrette

Unit Mix

24 SRO/Studio Units
 13 1-Bedroom Units
 15 2-Bedroom Units
 23 3-Bedroom Units

 75 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12 SRO/Studio	20%	20%	\$290
10 SRO/Studio	30%	30%	\$435
2 SRO/Studio	30%	30%	\$435
3 1 Bedroom	20%	20%	\$311
10 1 Bedroom	30%	30%	\$466
4 2 Bedrooms	45%	45%	\$840
10 2 Bedrooms	50%	50%	\$933
15 3 Bedrooms	45%	45%	\$971
8 3 Bedrooms	50%	50%	\$1,079
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,866

Project Cost Summary at Application

Land and Acquisition	\$2,655,998
Construction Costs	\$14,322,845
Rehabilitation Costs	\$0
Construction Contingency	\$702,751
Relocation	\$0
Architectural/Engineering	\$1,375,000
Const. Interest, Perm. Financing	\$1,900,891
Legal Fees, Appraisals	\$293,500
Reserves	\$725,297
Other Costs	\$2,130,000
Developer Fee	\$2,880,083
Commercial Costs	\$0
Total	\$26,986,364

Project Financing

Estimated Total Project Cost:	\$26,986,364
Estimated Residential Project Cost:	\$26,986,364
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$190
Per Unit Cost:	\$359,818
Effective Per Unit Cost*:	\$339,645

Construction Financing

Source	Amount
JP Morgan Chase	\$17,500,000
HCIDLA	\$2,500,000
HCD - IIG	\$1,300,000
Deferred Fees and Costs	\$2,894,265
Tax Credit Equity	\$2,792,099

Permanent Financing

Source	Amount
CCRC	\$2,001,529
HCIDLA	\$4,000,000
HCD - IIG	\$1,300,000
HCD - VHHP	\$3,275,000
HCD - MHP	\$3,200,000
HCD - AHSC	\$1,900,000
Deferred Developer Fee and Costs	\$1,513,000
Tax Credit Equity	\$9,796,835
TOTAL	\$26,986,364

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,080,634
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$28,704,824
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$915,592
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,880,083
Investor/Consultant:	Redstone Equity Partners, LLC
Federal Tax Credit Factor:	\$1.07000

Per Regulation Section 10322(h)(9)(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:	\$22,080,634
Actual Eligible Basis:	\$22,080,634
Unadjusted Threshold Basis Limit:	\$19,422,764
Total Adjusted Threshold Basis Limit:	\$54,900,782

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
- 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: 50%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income 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 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 3.25% 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 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.

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
\$915,592	\$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.