

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2016 Waiting List Project**  
**November 16, 2016**

Santa Ana Arts Collective, located at 1666 North Main Street in Santa Ana, requested and is being recommended for a reservation of \$1,790,841 in annual federal tax credits to finance the new construction of 57 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 34 and Assembly District 69.

**Project Number** CA-16-117

**Project Name** Santa Ana Arts Collective  
**Site Address:** 1666 North Main Street  
Santa Ana, CA 92701 County: Orange  
**Census Tract:** 750.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,790,841	\$0
Recommended:	\$1,790,841	\$0

**Applicant Information**

**Applicant:** Santa Ana Arts Collective, L.P.  
**Contact:** Chris Maffris  
**Address:** 1640 South Sepulveda Boulevard, Suite 425  
Los Angeles, CA 90025  
**Phone:** (310) 575-3543 **Fax:** (310) 575-3563  
**Email:** cmaffris@metahousing.com

**General Partner(s) / Principal Owner(s):** Santa Ana Arts Collective, LLC  
WCH Affordable XVIII, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Meta Housing Corporation  
Western Community Housing, Inc.

**Developer:** Meta Housing Corporation

**Investor/Consultant:** Redstone Equity Partners

**Management Agent(s):** WSH Management

**Project Information**

Construction Type: New Construction / Adaptive Reuse  
 Total # Residential Buildings: 4  
 Total # of Units: 58  
 No. & % of Tax Credit Units: 57 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HOME / CDBG  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 6 10 %  
 35% AMI: 6 10 %  
 40% AMI: 6 10 %  
 45% AMI: 6 10 %  
 50% AMI: 6 10 %

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Orange County  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

26 1-Bedroom Units  
 15 2-Bedroom Units  
 17 3-Bedroom Units  


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 58 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 1 Bedroom	30%	30%	\$548
1 1 Bedroom	30%	30%	\$548
6 1 Bedroom	35%	35%	\$640
6 1 Bedroom	40%	40%	\$731
6 1 Bedroom	45%	45%	\$822
1 1 Bedroom	50%	50%	\$914
3 1 Bedroom	50%	50%	\$914
1 1 Bedroom	60%	60%	\$1,097
1 1 Bedroom	60%	60%	\$1,097
2 2 Bedrooms	30%	30%	\$658
10 2 Bedrooms	60%	60%	\$1,317
2 2 Bedrooms	60%	60%	\$1,317
2 3 Bedrooms	30%	30%	\$760
2 3 Bedrooms	50%	50%	\$1,267
8 3 Bedrooms	60%	60%	\$1,521
5 3 Bedrooms	60%	60%	\$1,521
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$8,098,719
Construction Costs	\$2,484,603
Rehabilitation Costs	\$6,880,297
Construction Contingency	\$991,028
Relocation	\$0
Architectural/Engineering	\$1,556,500
Const. Interest, Perm. Financing	\$1,170,841
Legal Fees, Appraisals	\$185,600
Reserves	\$209,091
Other Costs	\$3,798,282
Developer Fee	\$2,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$27,374,961</b>

**Project Financing**

Estimated Total Project Cost:	\$27,374,961
Estimated Residential Project Cost:	\$27,374,961
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$128
Per Unit Cost:	\$471,982
True Cash Per Unit Cost*:	\$466,253

**Construction Financing**

Source	Amount
Wells Fargo Bank, N.A.	\$17,900,000
City of Santa Ana	\$4,635,000
Deferred Costs	\$1,079,194
Tax Credit Equity	\$3,760,767

**Permanent Financing**

Source	Amount
CCRC	\$3,603,831
City of Santa Ana	\$4,635,000
Deferred Developer Fee	\$332,294
Tax Credit Equity	\$18,803,836
<b>TOTAL</b>	<b>\$27,374,961</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$15,944,101
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (4%)	\$829,094
Qualified Basis:	\$19,898,237
Applicable Rate:	9.00%
Applicable Rate:	3.21%
Total Maximum Annual Federal Credit:	\$1,790,841
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Redstone Equity Partners
Federal Tax Credit Factor:	\$1.05000
State Tax Credit Factor:	\$0.00000

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:	\$15,944,101
Actual Eligible Basis:	\$16,400,539
Unadjusted Threshold Basis Limit:	\$11,429,544
Total Adjusted Threshold Basis Limit:	\$15,944,101

**Adjustments to Basis Limit**

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:

- New construction: project buildings are at least 15% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Seismic Upgrading

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>30.182%</b>

**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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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 an adaptive reuse of an existing office building constructed in 1968. After construction, the ground floor will contain seven one-bedroom units and five two-bedroom units, a community room with kitchen, offices for property management and tenant services, a lobby, a media lab for homework completion, gallery, maker space, art garden, music and performing arts rooms, and a laundry room. The upper levels will contain residential units and a laundry room on each level. A total of 48 units will be located in the building. Two existing elevators in this building will remain.

**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 Santa Ana, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,790,841</b>	<b>\$0</b>

**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 fifteen 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Credit Reduction	20	4	4
Public Funds	20	16	16
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>25</b>	<b>15</b>
Within 1/3 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/4 mile of a public elementary school	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>138</b>	<b>148</b>	<b>138</b>

**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.**