

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 First Round
June 7, 2017
REVISED

Metro @ Western, located at 3651-3675 S. Western Avenue in Los Angeles, requested a reservation of \$1,428,110 in annual federal tax credits and \$3,661,817 in total state tax credits, but is being recommended for \$1,428,110 in annual federal tax credits and \$3,433,298 in total state tax credits (see "**Special Issues/Other Significant Information**" section) to finance the new construction of 32 units of housing serving large families and special needs tenants 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 30 and Assembly District 54.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD Veterans Affairs Supportive Housing (VASH) Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-17-073

Project Name Metro @ Western
Site Address: 3651-3675 S. Western Avenue
 Los Angeles, CA 90018 County: Los Angeles
Census Tract: 2220.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,428,110	\$3,661,817
Recommended:	\$1,428,110	\$3,433,298

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: MAW, L.P.
Contact: Tim Soule
Address: 1640 S Sepulveda Blvd, Ste 425
 Los Angeles, CA 90025
Phone: (310) 575-3543 **Fax:** (310) 575-3563
Email: tsoule@metahousing.com

General Partner(s) / Principal Owner(s): WCH Affordable XVII, LLC
 MAW, LLC
General Partner Type: Joint Venture
Parent Company(ies): Western Community Housing, Inc.
Developer: Meta Housing Corporation
Investor/Consultant: U.S. Bancorp Community Development Corporation
Management Agent(s): John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 33
 No. & % of Tax Credit Units: 32 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (2 units / 6%) and HUD VASH Vouchers (14 units / 44%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.06%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 20 60 %
 50% AMI: 7 20 %

Information

Set-Aside: N/A
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 16 units 50%
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

Unit Mix

16 1-Bedroom Units
 9 2-Bedroom Units
8 3-Bedroom Units
 33 Total Units

<u>Unit Type & 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>
14 1 Bedroom	30%	30%	\$488
2 1 Bedroom	30%	30%	\$488
2 2 Bedrooms	30%	30%	\$586
6 2 Bedrooms	50%	50%	\$977
2 3 Bedrooms	30%	30%	\$677
1 3 Bedrooms	50%	50%	\$1,128
5 3 Bedrooms	60%	60%	\$1,354
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$19,491,120

Project Cost Summary at Application

Land and Acquisition	\$2,599,005
Construction Costs	\$10,553,172
Rehabilitation Costs	\$0
Construction Contingency	\$1,069,468
Relocation	\$0
Architectural/Engineering	\$935,625
Const. Interest, Perm. Financing	\$1,327,920
Legal Fees, Appraisals	\$104,000
Reserves	\$270,189
Other Costs	\$1,203,047
Developer Fee	\$1,541,463
Commercial Costs	\$0
Total	\$19,603,889

Project Financing

Estimated Total Project Cost:	\$19,603,889
Estimated Residential Project Cost:	\$19,603,889
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$360
Per Unit Cost:	\$598,558
True Cash Per Unit Cost*:	\$589,771

Construction Financing

Source	Amount
Citibank	\$13,250,000
County of Los Angeles (LACDC)	\$1,435,973
FHLB - AHP	\$480,000
Deferred Reserves	\$270,189
Deferred Developer Fee	\$732,057
Tax Credit Equity	\$3,584,207

Permanent Financing

Source	Amount
Citibank-Tranche C (Subsidy 1 Overhang)	\$92,565
Citibank-Tranche B (Subsidy 2 Overhang)	\$715,447
HCD - VHHP	\$1,850,000
County of Los Angeles (LACDC)	\$1,511,550
FHLB - AHP	\$480,000
Deferred Developer Fee	\$290,000
Tax Credit Equity	\$14,664,327
TOTAL	\$19,603,889

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,206,066
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,867,886
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,428,110
Total State Credit:	\$3,433,298
Approved Developer Fee in Project Cost:	\$1,541,463
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant: U.S. Bancorp Community Development Corporation	
Federal Tax Credit Factor:	\$0.87057
State Tax Credit Factor:	\$0.65000

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:	\$12,206,066
Actual Eligible Basis:	\$12,206,066
Unadjusted Threshold Basis Limit:	\$8,217,008
Total Adjusted Threshold Basis Limit:	\$12,206,068

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

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:

- Use no irrigation at all or irrigate only with reclaimed water, greywater, or rainwater (excepting water used for Community Gardens) or irrigate with reclaimed water, grey water, or rainwater in an amount that annually equals or exceeds 20,000 gallons or 300 gallons per unit, whichever is less.
- 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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Special Needs
Final:	33.542%

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. 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:

Staff noted that the developer fee in cost was in excess of the \$1,541,463 limit required by TCAC regulation section 10327(c)(2)(A). The cost was reduced accordingly resulting in a reduction to the total state tax credit amount recommended for this project.

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 Los Angeles Housing and 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
\$1,428,110	\$3,433,298

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

This project is required to provide at least four (4) units with mobility features under the provisions of California Building Code (CBC) Chapter 11(B) and TCAC regulation section 10325(f)(7)(K) in order to meet TCAC's 10% mobility requirement for this project with 32 low-income housing tax credit units.

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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ 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 project children may attend	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	1	1	1
Service Amenities	10	10	10
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION			
Develop project in accordance w/ requirements of LEED	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
Enhanced Accessibility and Visitability	2	2	2
Total Points	138	138	138

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.