

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Westmoreland Linden, located at 1250 S. Westmoreland Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,064,980 in annual federal tax credits and \$6,883,267 in total state tax credits to finance the new construction of 92 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by West Hollywood Community Housing Corporation and will be located in Senate District 24 and Assembly District 53.

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 SNHP through CalHFA.

Project Number CA-17-086

Project Name Westmore Linden
Site Address: 1250 S. Westmoreland Avenue
Los Angeles, CA 90006 County: Los Angeles
Census Tract: 2134.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,064,980	\$6,883,267
Recommended:	\$2,064,980	\$6,883,267

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

Applicant Information

Applicant: Westmore Linden, L.P.
Contact: Ben Creed
Address: 7530 Santa Monica Blvd.
West Hollywood, CA 90046
Phone: (323) 650-8771 **Fax:** (323) 650-4745
Email: ben@whhc.org

General Partner(s) / Principal Owner(s): Westmore Linden LLC
General Partner Type: Nonprofit
Parent Company(ies): West Hollywood Community Housing Corporation
Developer: West Hollywood Community Housing Corporation
Investor/Consultant: Union Bank
Management Agent(s): Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 93
 No. & % of Tax Credit Units: 92 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (8 units / 9%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 15 15 %
 40% AMI: 14 15 %
 50% AMI: 46 40 %

Information

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

Unit Mix

13 SRO/Studio Units
 79 1-Bedroom Units
 1 2-Bedroom Units

 93 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 SRO/Studio	30%	15%	\$236
7 SRO/Studio	50%	50%	\$788
1 SRO/Studio	60%	60%	\$946
8 1 Bedroom	30%	15%	\$253
2 1 Bedroom	30%	15%	\$253
14 1 Bedroom	40%	40%	\$676
39 1 Bedroom	50%	50%	\$845
16 1 Bedroom	60%	60%	\$1,014
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,200

Projected Lifetime Rent Benefit: \$37,850,340

Project Cost Summary at Application

Land and Acquisition	\$5,547,056
Construction Costs	\$15,830,534
Rehabilitation Costs	\$0
Construction Contingency	\$1,196,640
Relocation	\$50,000
Architectural/Engineering	\$652,000
Const. Interest, Perm. Financing	\$2,338,271
Legal Fees, Appraisals	\$175,000
Reserves	\$142,080
Other Costs	\$1,871,824
Developer Fee	\$2,254,307
Commercial Costs	\$0
Total	\$30,057,712

Project Financing

Estimated Total Project Cost:	\$30,057,712
Estimated Residential Project Cost:	\$30,057,712
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$212
Per Unit Cost:	\$323,201
True Cash Per Unit Cost*:	\$312,489

Construction Financing

Source	Amount
Union Bank	\$25,370,000
Deferred Costs and Fees	\$1,145,239
Tax Credit Equity	\$3,542,473

Permanent Financing

Source	Amount
Union Bank	\$3,100,000
CalHFA / LA County DMH - SNHP	\$1,425,000
AHP	\$920,000
Deferred Developer Fee	\$996,224
Tax Credit Equity	\$23,616,488
TOTAL	\$30,057,712

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,944,224
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$22,944,224
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,064,980
Total State Credit:	\$6,883,267
Approved Developer Fee in Project Cost:	\$2,254,307
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.94000
State Tax Credit Factor:	\$0.61100

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$22,944,224
Actual Eligible Basis:	\$22,944,224
Unadjusted Threshold Basis Limit:	\$19,171,828
Total Adjusted Threshold Basis Limit:	\$23,524,942

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 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Seniors
Final:	15.793%

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 meet 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

The project will have 15 units for formerly homeless or homeless seniors with disabilities under the CalHFA and Los Angeles County Department of Mental Health Special Needs Housing Program (SNHP) .

The project's 3-month operating reserve is less than the amount required under regulation section 10327(c)(7)(C) by \$23,781. Under regulation section 10327(a) initial application errors of \$50,000 or less shall be deemed covered by the contingency line item. However, at the submission of the next updated TCAC application required by TCAC, and all subsequent submissions to TCAC including the placed-in-service submission for the issuance of the IRS 8609 forms, the applicant shall include the 3-month operating reserve at a level that meets the requirement of regulation section 10327(c)(7)(C).

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
\$2,064,980	\$6,883,267

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	8	8
Cost Efficiency	20	2	2
Public Funds	20	6	6
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, 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 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ 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
Adult ed/health & wellness/skill bldg classes, min. 60 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
State Credit Substitution	2	2	2
Total Points	138	126	126

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.