

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 6, 2024**

The project, 910 Wetherly Drive, located at 910-916 Wetherly Drive in West Hollywood on a 0.33 acre site, requested and is being recommended for a reservation of \$2,856,287 in annual federal tax credits and \$34,351,295 of tax-exempt bond cap to finance the new construction of 89 units of housing, consisting of 86 restricted rental units, 2 market-rate units, and 1 unrestricted manager's unit. The project will have 62 studio units, 20 one-bedroom units, 6 two-bedroom units, and 1 three-bedroom unit, serving tenants with rents affordable to households earning 20%-80% of area median income (AMI). The building will be 6 stories and Type III construction modified wood-frame construction over 2 levels Type I concrete podium. Common amenities include lobby, community room, laundry facilities, management offices, fitness center, resident services offices and automotive & bicycle parking. Each unit will have refrigerator, range/oven, garbage disposal, blinds, laminate flooring, central air conditioning, exterior storage, and ceiling fans. The construction is expected to begin in October 2024 and be completed in October 2026. The project will be developed by West Hollywood Community Housing Corporation and will be located in Senate District 24 and Assembly District 51.

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 Multifamily Housing Program (MHP) and Infill Infrastructure Grant (IIG) programs of HCD.

Project Number CA-24-527

Project Name 910 Wetherly Drive
Site Address: 910-916 Wetherly Drive
West Hollywood, CA 90069

County: Los Angeles
Census Tract: 7005.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,856,287	\$0
Recommended:	\$2,856,287	\$0

Tax-Exempt Bond Allocation
Recommended: \$34,351,295

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: WHCHC Wetherly L.P.
Contact: Jesse Slansky
Address: 7530 Santa Monica Boulevard
West Hollywood, CA 90046
Phone: 323-650-8771
Email: jesse@whchc.org

Bond Financing Information
CDLAC Applicant/Bond Issuer: California Municipal Finance Authority
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Citi Community Capital

Development Team

General Partner(s) or Principal Owner(s): Wetherly Palms, LLC
 General Partner Type: Nonprofit
 Parent Company(ies): WHCHC
 Developer: West Hollywood Community Housing Corporation
 Investor/Consultant: National Equity Fund (NEF)
 Management Agent: Barker Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 89
 No. / % of Low Income Units: 86 100.00%
 Average Targeted Affordability: 57.92%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Project-based Vouchers (9 Units - 10%)

Information

Housing Type: Non-Targeted
 Geographic Area: Balance of Los Angeles County
 State Ceiling Pool: New Construction
 CDLAC Project Analyst: Erin Deblaquiere
 CTCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	23	27%
50% AMI:	2	2%
60% AMI:	30	35%
80% AMI*:	31	36%

*CTCAC restricted only

Unit Mix

62 SRO/Studio Units
 20 1-Bedroom Units
 6 2-Bedroom Units
 1 3-Bedroom Units

 89 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 SRO/Studio	20%	\$441
13 SRO/Studio	30%	\$662
30 SRO/Studio	60%	\$1,324
1 1 Bedroom	30%	\$709
10 SRO/Studio	80%	\$1,766
2 1 Bedroom	50%	\$1,182
16 1 Bedroom	80%	\$1,891
5 2 Bedrooms	80%	\$2,270
1 2 Bedrooms	Manager's Unit	\$0
1 1 Bedroom	Market Rate Unit	\$0
1 3 Bedrooms	Market Rate Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,255,000
Construction Costs	\$40,505,500
Construction Hard Cost Contingency	\$4,000,000
Soft Cost Contingency	\$615,220
Architectural/Engineering	\$2,415,500
Const. Interest, Perm. Financing	\$7,103,216
Legal Fees	\$225,000
Reserves	\$330,488
Other Costs	\$3,328,497
Developer Fee	\$7,721,987
Total	\$69,500,408

Residential

Construction Cost Per Square Foot:	\$844
Per Unit Cost:	\$780,903
Estimated Hard Per Unit Cost:	\$405,680
True Cash Per Unit Cost*:	\$769,668
Bond Allocation Per Unit:	\$385,970
Bond Allocation Per Restricted Rental Unit:	\$624,569

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi: Tax-Exempt	\$34,351,295
Citi: Taxable	\$11,414,400
HCD: IIG	\$4,334,400
City of West Hollywood	\$10,000,000
Deferred Costs	\$5,579,655
Deferred Developer Fee	\$1,250,000
Tax Credit Equity	\$2,570,658

Permanent Financing

<u>Source</u>	<u>Amount</u>
JLL Real Estate: Tax-Exempt	\$6,557,861
HCD: IIG	\$4,334,400
HCD: MHP	\$17,679,580
City of West Hollywood	\$10,000,000
General Partner Equity	\$4,221,987
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$25,706,580
TOTAL	\$69,500,408

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$60,954,010
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$79,240,213
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,856,287
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,721,987
Investor/Consultant:	National Equity Fund (NEF)
Federal Tax Credit Factor:	\$0.90000
State Tax Credit Factor:	\$0.87000

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions:

This Project’s annual per unit operating expense total is below the CTCAC published per unit operating minimums of \$6,300. As allowed by CTCAC Regulation Section 10327(g)(1), CTCAC approves an annual per unit operating expense total of \$5,520 on agreement of the permanent lender and equity investor.

Staff noted a per-unit cost of \$769,668. The applicant noted factors for this cost include increased land costs in West Hollywood location, comparatively high developer fees, increased interest rates, increased construction material costs, subterranean parking elements, and prevailing wages & sustainability features.

CDLAC Analyst Comments

None

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	119

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 60.690%