CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2018

LA78, located at 831 Lucile Avenue, 135 South Reno Street, 4131 West Normal Avenue, 4215 Burns Avenue, 825 Forest Avenue, and 1951 West 22nd Street in Los Angeles, requested and is being recommended for a reservation of $753,666 in annual federal tax credits to finance the acquisition and rehabilitation of 78 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Development Partners and is located in Senate District 24 and Assembly District 51.

LA78 is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, LA 78 Preservation Project (CA-2003-807). See **Resyndication and Resyndication Transfer Event** below for additional. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-18-713

Project Name LA78

Site Addresses:

831 Lucile Avenue Los Angeles, CA 90026 Census Tract: 1951.01	135 South Reno Street Los Angeles, CA 90057 Census Tract: 2086.10
4131 West Normal Avenue Los Angeles, CA 90029 Census Tract: 1914.10	4215 Burns Avenue Los Angeles, CA 90029 Census Tract: 1914.10
825 Forest Avenue Los Angeles, CA 90033 Census Tract: 2037.10	1951 West 22nd Street Los Angeles, CA 90018 Census Tract: 2215.00

County: Los Angeles

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$753,666	$0
Recommended:	$753,666	$0

Applicant Information

Applicant:	LA78, LP
Contact:	Kyle Paine
Address:	3416 Via Oporto, Ste. 301 Newport Beach, CA 92663
Phone:	949-922-3578
Email:	kyle@communitydevpartners.com

General Partner(s) or Principal Owner(s):	LA78 GP, LLC Affordable Housing Alliance II, Inc. dba Integrity Housing
General Partner Type:	Joint Venture
Parent Company(ies):	Community Development Partners Affordable Housing Alliance II, Inc. dba Integrity Housing
Developer:	Community Development Partners
Investor/Consultant:	AEGON Realty Advisors LLC
Management Agent:	John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	78
No. / % of Low Income Units:	78 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (74 Units / 95%)

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	April 2, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	15	19%
60% AMI:	63	81%

Unit Mix

19	SRO/Studio Units
41	1-Bedroom Units
12	2-Bedroom Units
6	3-Bedroom Units
78	Total Units

	Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	SRO/Studio	50%	50%	$788
15	SRO/Studio	60%	60%	$946
8	1 Bedroom	50%	50%	$845
25	1 Bedroom	60%	60%	$1,014
2	1 Bedroom	60%	59%	$997
4	1 Bedroom	60%	59%	$997
2	2 Bedrooms	50%	50%	$1,013
10	2 Bedrooms	60%	60%	$1,216
1	3 Bedrooms	50%	50%	$1,171
5	3 Bedrooms	60%	60%	$1,406
2	1 Bedroom **	60%	60%	$1,014

**Two of the affordable one bedroom units will be occupied by a tax-credit qualified property manager. See the Special Issues section of the staff report.

TCAC-confirmed Projected Lifetime Rent Benefit: $43,530,300

Project Cost Summary at Application	
Land and Acquisition	$15,599,883
Construction Costs	$0
Rehabilitation Costs	$3,418,040
Construction Contingency	$338,168
Relocation	$195,000
Architectural/Engineering	$257,500
Const. Interest, Perm. Financing	$998,533
Legal Fees, Appraisals	$227,250
Reserves	$487,331
Other Costs	$600,586
Developer Fee	$2,888,342
Commercial Costs	$0
Total	**$25,010,633**

Residential

Construction Cost Per Square Foot:	$73
Per Unit Cost:	$320,649
True Cash Per Unit Cost*:	$303,008

Construction Financing

Source	Amount
Citibank	$20,580,255
Seller Note	$795,995
Deferred Developer Fee	$1,531,655
Tax Credit Equity	$2,102,728

Permanent Financing

Source	Amount
Citibank	$16,625,513
Seller Note	$795,995
Deferred Developer Fee	$580,031
Tax Credit Equity	$7,009,094
TOTAL	**$25,010,633**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,064,911
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$16,079,165
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,884,384
Qualified Basis (Acquisition):	$16,079,165
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$227,877
Maximum Annual Federal Credit, Acquisition:	$525,789
Total Maximum Annual Federal Credit:	$753,666
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,888,342
Investor/Consultant:	AEGON Realty Advisors LLC
Federal Tax Credit Factor:	$0.93000

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$22,144,076
Actual Eligible Basis:	$22,144,076
Unadjusted Threshold Basis Limit:	$20,845,344
Total Adjusted Threshold Basis Limit:	$24,805,959

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 19%

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 3.27% 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.

Significant Information / Additional Conditions

This is a scattered site project comprised of 6 sites. It received a waiver from TCAC for exceeding the 5 site limit as these 6 sites are already in a single existing tax credit project, CA-2003-807. In addition, 4 of the 6 sites are in Qualified Census Tracts (QCT), 1951 W. 22nd Street, 825 Forest Avenue, 4131 W. Normal Avenue, and 4215 Burns Avenue, and 2 sites, 831 Lucile Avenue and 135 S. Reno Street, are not in a QCT or a Difficult to Develop Area (DDA). The project's overall qualified basis has been derived taking the QCT/DDA status of the different sites into account.

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

This scattered site project will meet the on-site manager unit requirement of regulation section 10326(g)(6), as set forth in section 10325(f)(7)(J), by having a property manager in the office at the 20-unit site located at 1951 W. 22nd Street who will travel to the other sites throughout the week, and a qualified low-income housing property manager living at this site. In addition, the 20-unit site at 831 Lucile Avenue will have a qualified low-income housing property manager living at this site. Also, the project will have a maintenance supervisor that will travel to all of the sites throughout the week.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2003-807). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2003-807) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Even with distribution of Net Project Equity. The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. This Subsequent Transfer Event requires either a seller carryback note or a general partner equity contribution in the amount of $795,995. There is a seller carryback note in the amount of $795,995 satisfying such requirement as well as seller credit in the purchase and sale agreement of $400,117.

Local Reviewing Agency
The Local Reviewing Agency, the City of Los Angeles Housing Department, has completed a site review of this project and supports this project.

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.

CDLAC Additional Conditions
The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.