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

Pioneer Gardens Apartments, located at 11011 Cultura Street in Santa Fe Springs, requested and is being recommended for a reservation of $2,449,907 in annual federal tax credits to finance the acquisition and rehabilitation of 140 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by MRK Partners and is located in Senate District 32 and Assembly District 57.

Pioneer Gardens Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Pioneer Gardens Apartments (CA-2000-900). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-18-720

Project Name Pioneer Gardens Apartments
Site Address: 11011 Cultura Street
Santa Fe Springs, CA 90670 County: Los Angeles
Census Tract: 5027.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,449,907	$0
Recommended:	$2,449,907	$0

Applicant Information
Applicant: Pioneer Gardens Venture LP
Contact: Cathy Coler
Address: 2711 N. Sepulveda Blvd #526
Manhattan Beach, CA 90266
Phone: (424) 999-4580
Email: ccoler@mrkpartners.com

General Partner(s) or Principal Owner(s): Pioneer Gardens DE GP LLC
AOF Pioneer LLC
General Partner Type: Joint Venture
Parent Company(ies): MRK Partners
AOF/Pacific Affordable Housing Corporation
Developer: MRK Partners
Investor/Consultant: R4 Capital LLC
Management Agent: Apartment Management Consultants, LLC

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	22
Total # of Units:	141
No. / % of Low Income Units:	140 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
	HUD Section 8 Project-based Contract (135 Units - 96%)

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	April 30, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Zhuo Chen

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	69	49%
60% AMI:	71	51%

Unit Mix

16	1-Bedroom Units
64	2-Bedroom Units
37	3-Bedroom Units
24	4-Bedroom Units
141	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	60%	60%	$1,014
32	2 Bedrooms	60%	60%	$1,216
19	3 Bedrooms	60%	60%	$1,406
12	4 Bedrooms	60%	60%	$1,569
8	1 Bedroom	50%	50%	$845
32	2 Bedrooms	50%	50%	$1,013
18	3 Bedrooms	50%	50%	$1,171
11	4 Bedrooms	50%	50%	$1,307
6	1 Bedroom	60%	60%	$1,014
1	4 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $55,141,020

Project Cost Summary at Application

Land and Acquisition	$56,668,902
Construction Costs	$0
Rehabilitation Costs	$9,100,506
Construction Contingency	$780,489
Relocation	$25,000
Architectural/Engineering	$180,000
Const. Interest, Perm. Financing	$2,628,459
Legal Fees, Appraisals	$480,000
Reserves	$1,383,422
Other Costs	$916,910
Developer Fee	$9,383,917
Commercial Costs	$0
Total	**$81,547,605**

Residential

Construction Cost Per Square Foot:	$66
Per Unit Cost:	$578,352
True Cash Per Unit Cost*:	$514,707

Construction Financing

Source	Amount
CBRE Capital Markets-T.E. Bonds	$48,430,666
Seller Carryback - T.E. Bonds	$2,500,000
Existing Replacement Reserve	$868,902
Deferred Developer Fee	$6,473,917
Tax Credit Equity	$23,274,120

Permanent Financing

Source	Amount
CBRE - T.E. Bonds	$48,430,666
Seller Carryback - T.E. Bonds	$2,500,000
Existing Replacement Reserve	$868,902
Deferred Developer Fee	$6,473,917
Tax Credit Equity	$23,274,120
TOTAL	**$81,547,605**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,497,794
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$59,475,572
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$16,247,132
Qualified Basis (Acquisition):	$59,475,572
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$505,056
Maximum Annual Federal Credit, Acquisition:	$1,944,851
Total Maximum Annual Federal Credit:	$2,449,907
Approved Developer Fee (in Project Cost & Eligible Basis):	$9,383,917
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	$0.95000

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:	$71,973,366
Actual Eligible Basis:	$71,973,366
Unadjusted Threshold Basis Limit:	$49,179,344
Total Adjusted Threshold Basis Limit:	$73,277,223

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: 49%

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 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: None.

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-2000-900). 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-2000-900) 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 Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $741,619. The purchase price of $55,800,000 is less than the appraised value of $56,800,000. The $1,000,000 difference between the purchase price and the appraisal value is deemed a seller discount. Since the seller discount is greater than the short term work amount, the project is allowed to receive eligible basis for the entire Short Term Work amount of $741,619.

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.