

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2016

Buckingham Apartments, located at 4706 August Street, 4143 Buckingham Road, 3945 Gibraltar Avenue and 4050 Ursula Avenue in Los Angeles, requested and is being recommended for a reservation of \$733,290 in annual federal tax credits to finance the acquisition and rehabilitation of 83 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 Inc. and is located in Senate District 30 and Assembly District 54.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based contract.

Project Number CA-16-809

Project Name Buckingham Apartments
 Site Address: 4706 August Street, 4143 Buckingham Road, 3945 Gibraltar Avenue and 4050 Ursula Avenue
 Los Angeles, CA 90008 County: Los Angeles
 Census Tract: 2361.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$733,290	\$0
Recommended:	\$733,290	\$0

Applicant Information

Applicant: Buckingham Venture LP
 Contact: Sydne Garchik
 Address: 2711 N. Sepulveda Blvd #526
 Manhattan Beach, CA 90266
 Phone: 310.545.2587 Fax: 484.210.0671
 Email: sgarchik@mrkpartners.com

General Partner(s) or Principal Owner(s): Buckingham GP LLC
 Pacific Southwest Community Development Corp.
 General Partner Type: Joint Venture
 Parent Company(ies): Buckingham Venture LP
 Pacific Southwest Community Development Corp.
 Developer: MRK Partners Inc
 Investor/Consultant: RBC Capital Markets
 Management Agent: Apartment Management Consultants, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 84
 No. & % of Tax Credit Units: 83 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (83 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 10
 Number of Units @ or below 60% of area median income: 73

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: May 15, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

41 1-Bedroom Units
 41 2-Bedroom Units
 2 3-Bedroom Units

 84 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4 1 Bedroom	50%	50%	\$778
36 1 Bedroom	60%	60%	\$933
5 2 Bedrooms	50%	50%	\$933
36 2 Bedrooms	60%	60%	\$1,120
1 3 Bedrooms	50%	50%	\$1,079
1 3 Bedrooms	60%	60%	\$1,295
1 1 Bedroom	Manager's Unit	Manager's Unit	\$892

Project Cost Summary at Application

Land and Acquisition	\$15,805,100
Construction Costs	\$0
Rehabilitation Costs	\$4,125,678
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$150,000
Construction Interest, Perm Financing	\$1,229,550
Legal Fees, Appraisals	\$305,000
Reserves	\$336,835
Other Costs	\$328,249
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$24,780,412

Project Financing

Estimated Total Project Cost:	\$24,780,412
Estimated Residential Project Cost:	\$24,780,412

Residential

Construction Cost Per Square Foot:	\$37
Per Unit Cost:	\$295,005

Construction Financing

Source	Amount
JLL Capital Markets	\$16,400,000
Cash Flow During Construction	\$585,000
Deferred Developer Fee	\$59,207
Tax Credit Equity	\$7,736,205

Permanent Financing

Source	Amount
JLL Capital Markets	\$16,400,000
Cash Flow During Construction	\$585,000
Deferred Developer Fee	\$59,207
Tax Credit Equity	\$7,736,205
TOTAL	\$24,780,412

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,936,170
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$16,128,279
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,417,021
Qualified Basis (Acquisition):	\$16,128,279
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$211,057
Maximum Annual Federal Credit, Acquisition:	\$532,233
Total Maximum Annual Federal Credit:	\$733,290
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$1.05500

Per Regulation Section 10322(h)(9)(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:	\$21,064,448
Actual Eligible Basis:	\$21,064,448
Unadjusted Threshold Basis Limit:	\$21,775,751
Total Adjusted Threshold Basis Limit:	\$24,388,841

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: 12%

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 3.30% 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

This is a scattered site project made up of 4 sites. The 4706 August Street site has 20 units with 17 one-bedroom units, 2 two-bedroom units, and 1 three-bedroom unit. The 3945 Gibraltar Avenue site has 17 units with 1 one-bedroom unit and 16 two-bedroom units. The 4050 Ursula Avenue site has 22 units with 9 one-bedroom units (including a maintenance manager unit), 11 two-bedroom units, and 1 three-bedroom unit. These 3 sites are within approximately 1/3 mile of each other. The fourth site, 4143 Buckingham Road, has 24 units with 12 one-bedroom units and 12 two-bedroom units and is located within 1 mile of the other 3 sites.

The 3945 Gibraltar Avenue site has an office for the property manager and the maintenance manager. They will rotate around to the different sites as needed. The maintenance manager will live at the 4050 Ursula Avenue site and will be available to the tenants for any issues that arise during non-business hours when the property manager is not available. In addition, each site will have an hourly-wage tenant as a responsible person assisting the property management company with on-site after-hour coverage in case of an emergency.

TCAC received and has approved a partial waiver of the 10% accessibility requirement of TCAC Regulation Section 10326(g)(6) and 10325(f)(7)(K) to instead incorporate the required accessibility in only 5% (5 units) of the total units, the courtyard area, and 2 paths of egress, at the same site. The applicant will not be required to incorporate the related accessibility in the common laundry areas or the parking area at the accessible-unit site as these accessibility modifications would not be physically and/or economically feasible.

The project has an existing HUD Section 8 project-based contract covering all 83 affordable units.

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.

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
\$733,290	\$0

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.

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 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 (HERSII) post rehabilitation.