CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 8, 2016

West Angeles Homes, located at 4080 and 4100 South Vermont Avenue in Los Angeles, requested and is being recommended for a reservation of $308,457 in annual federal tax credits to finance the acquisition and rehabilitation of 43 units of housing serving large families with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by Valued Housing II LLC and is located in Senate District 30 and Assembly District 59.

West Angeles Homes is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, West "A" Homes (CA-1996-251). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-883

Project Name West Angeles Homes

Site Address:	4080 and 4100 South Vermont Ave.	
	Los Angeles, CA 90037	County: Los Angeles
Census Tract:	2317.100	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$308,457	$0
Recommended:	$308,457	$0

Applicant Information

Applicant:	West Angeles Homes II, LP	
Contact:	Peter Barker	
Address:	1101 E. Orangewood Ave.	
	Anaheim, CA 92815	
Phone:	714-533-3450	Fax: N/A
Email:	pbarker@barkermgt.com	

General Partner(s) or Principal Owner(s):	West A Homes MGP, LLC
	VHJS West A GP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	West Angeles Community Development Corp.
	Valued Housing II, LLC / John Stanley, Inc.
Developer:	Valued Housing II, LLC
Investor/Consultant:	R4 Capital
Management Agent:	Barker Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	6	
Total # of Units:	44	
No. & % of Tax Credit Units:	43	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 35% of area median income: 8

Number of Units @ or below 50% of area median income: 35

Bond Information

Issuer:	City of Los Angeles Housing and Community Investment Department
Expected Date of Issuance:	November 1, 2016
Credit Enhancement:	Chase Bank - Private Placement

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

Unit Mix

19	2-Bedroom Units
25	3-Bedroom Units
44	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	3 Bedrooms	35%	35%	$755
9	2 Bedrooms	46%	46%	$859
8	3 Bedrooms	46%	46%	$993
10	2 Bedrooms	50%	50%	$933
8	3 Bedrooms	50%	50%	$1,079
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$4,527,602
Construction Costs	$0
Rehabilitation Costs	$2,947,328
Construction Contingency	$25,000
Relocation	$132,000
Architectural/Engineering	$160,000
Const. Interest, Perm. Financing	$394,265
Legal Fees, Appraisals	$109,400
Reserves	$199,754
Other Costs	$171,388
Developer Fee	$1,102,317
Commercial Costs	$0
Total	**$9,769,054**

Project Financing

Estimated Total Project Cost:	$9,769,054
Estimated Residential Project Cost:	$9,769,054
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$55
Per Unit Cost:	$222,024
Effective Per Unit Cost*:	$217,150

Construction Financing

Source	Amount
Chase Bank - TE Bonds	$5,000,000
HCIDLA (Assumed)	$4,145,030
AHP (Pre-existing)	$177,000
Tax Credit Equity	$447,024

Permanent Financing

Source	Amount
Chase Bank - TE Bonds	$1,880,000
HCIDLA (Assumed)	$4,145,030
AHP (Pre-existing)	$177,000
NOI During Construction	$113,784
Deferred Developer Fee	$214,441
Tax Credit Equity	$3,238,799
TOTAL	**$9,769,054**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,256,355
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,194,742
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,533,262
Qualified Basis (Acquisition):	$4,194,742
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$172,128
Maximum Annual Federal Credit, Acquisition:	$136,329
Total Maximum Annual Federal Credit:	$308,457
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,102,317
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$1.05000

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:	$8,451,097
Actual Eligible Basis:	$8,451,097
Unadjusted Threshold Basis Limit:	$13,668,000
Total Adjusted Threshold Basis Limit:	$29,659,560

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: 81%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 36%

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 3.25% 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

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 initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/2053. The existing regulatory agreement income targeting is restricted to at or below 60% AMI such that average income of all low-income tenants of the project does not exceed 46% AMI.

The project is a re-syndication that is subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA). The applicant requested and is approved to underwrite the project at the hold harmless rent limits. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge hold harmless rents for 43 units (i.e. 8 units targeted at 35% AMI and 35 units targeted at 50% AMI) only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus received a waiver from setting aside a Short Term Work Capitalized Replacement Reserve.

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 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
$308,457	**$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 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.
- The rehabilitation project will implement the following sustainable building management practices:

    (i) Develop a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).