

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 18, 2017

La Villa Puente Apartments, located at 17351 Main Street in La Puente, requested and is being recommended for a reservation of \$1,695,829 in annual federal tax credits to finance the acquisition and rehabilitation of 120 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by SDG Housing Partners LLC and is located in Senate District 22 and Assembly District 57.

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

Project Number CA-17-783

Project Name La Villa Puente Apartments
Site Address: 17351 Main Street
La Puente, CA 91744 County: Los Angeles
Census Tract: 4077.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,695,829	\$0
Recommended:	\$1,695,829	\$0

Applicant Information

Applicant: La Villa Puente Housing, L.P.
Contact: June Park
Address: 1600 Rosecrans Avenue, Media Center 4th Floor
Manhattan Beach, CA 90266
Phone: 310-321-7862
Email: June@sdghousing.com

General Partner(s) or Principal Owner(s): La Villa Puente Housing, LLC
AHA Los Angeles MGP, LLC

General Partner Type: Joint Venture

Parent Company(ies): La Villa Puente Housing, LLC
Affordable Housing Access, Inc.

Developer: SDG Housing Partners LLC

Investor/Consultant: R4 Capital LLC

Management Agent: US Residential

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 9
 Total # of Units: 121
 No. & % of Tax Credit Units: 120 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (119 units / 99%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 46
 Number of Units @ or below 60% of area median income: 74

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: November 15, 2017
 Credit Enhancement: N/A

Information

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

Unit Mix

16 1-Bedroom Units
 60 2-Bedroom Units
 37 3-Bedroom Units
 8 4-Bedroom Units

 121 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 1 Bedroom	50%	50%	\$845
10 1 Bedroom	60%	60%	\$1,014
23 2 Bedrooms	50%	50%	\$1,013
37 2 Bedrooms	60%	60%	\$1,216
14 3 Bedrooms	50%	50%	\$1,171
21 3 Bedrooms	60%	60%	\$1,406
3 4 Bedrooms	50%	50%	\$1,307
5 4 Bedrooms	60%	60%	\$1,569
1 3 Bedrooms	60%	60%	\$1,406
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$67,287,000

Project Cost Summary at Application

Land and Acquisition	\$34,000,000
Construction Costs	\$0
Rehabilitation Costs	\$8,421,600
Construction Contingency	\$1,263,240
Relocation	\$0
Architectural/Engineering	\$500,000
Const. Interest, Perm. Financing	\$3,080,799
Legal Fees, Appraisals	\$160,000
Reserves	\$673,813
Other Costs	\$1,091,906
Developer Fee	\$6,190,772
Commercial Costs	\$0
Total	\$55,382,130

Project Financing

Estimated Total Project Cost:	\$55,382,130
Estimated Residential Project Cost:	\$55,382,130
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$75
Per Unit Cost:	\$457,704
True Cash Per Unit Cost*:	\$423,781

Construction Financing

Source	Amount
Citibank - Tranche A	\$33,397,200
Citibank - Tranche B	\$7,000,000
Costs Deferred Until Completion	\$810,423
General Partner Equity	\$100
Deferred Developer Fee	\$5,200,928
Tax Credit Equity	\$8,973,479

Permanent Financing

Source	Amount
Citibank - Tranche A	\$33,397,200
Income from Operations	\$1,769,767
General Partner Equity	\$100
Deferred Developer Fee	\$4,104,687
Tax Credit Equity	\$16,110,376
TOTAL	\$55,382,130

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$15,722,588
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$31,740,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$20,439,365
Qualified Basis (Acquisition):	\$31,740,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$664,279
Maximum Annual Federal Credit, Acquisition:	\$1,031,550
Total Maximum Annual Federal Credit:	\$1,695,829
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,190,772
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:	\$47,462,588
Actual Eligible Basis:	\$47,462,588
Unadjusted Threshold Basis Limit:	\$37,285,840
Total Adjusted Threshold Basis Limit:	\$51,454,459

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: 38%

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 3.25% 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

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% of the units that are fully mobility accessible in accordance with California Building Code Chapter 11(B) with the exception of requirements that would necessitate switching the current location of the bathroom toilet and sink in each unit's bathroom, relocating the existing bath tub, or moving load-bearing walls. However, the project must continue to provide at least 4% of the units with communications features that meet the requirements of Chapter 11(B).

The project is currently under a 5-year Section 8 HAP contract that expires in 2019. The applicant has submitted a request to HUD for a HAP contract preservation Mark Up to Market Renewal for a 20-year term.

Local Reviewing Agency

The Local Reviewing Agency, the City of La Puente, has completed a site review of this project and strongly 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
\$1,695,829	\$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: None.