CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

Pierce Park Apartments, located at 12700 Van Nuys Blvd. & 12601 Pierce Street in Pacoima, requested and is being recommended for a reservation of $5,027,821 in annual federal tax credits to finance the acquisition and rehabilitation of 426 units of housing serving tenants with rents affordable to households earning 50-60% AMI of area median income (AMI). The project will be developed by DeSola Development Associates and is located in Senate District 18 and Assembly District 39.

Pierce Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Van Nuys Pierce Park Apartments (CA-1999-820). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-Based Contract.

Project Number	CA-16-864
Project Name	Pierce Park Apartments
Site Address:	12700 Van Nuys Blvd. & 12601 Pierce Street
	Pacoima, CA 91331 County: Los Angeles
Census Tract:	1041.050

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$5,027,821	$0
Recommended:	$5,027,821	$0

Applicant Information

Applicant:	Pierce Park Apartment Associates, L.P.
Contact:	Gary Grant
Address:	19800 MacArthur Blvd., Suite 300
	Irvine, CA 92612
Phone:	(949) 440-2330
Email:	ggrant@desolacap.com

General Partner(s) or Principal Owner(s):	Pierce Park Co-GP, LLC
	AOF Pierce Park, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	DeSola Capital Group, LLC
	AOF/Pacific Affordable Housing Corp.
Developer:	DeSola Development Associates, LLC
Investor/Consultant:	PNC Bank, N.A.
Management Agent:	Sage Apartment Communities, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	77
Total # of Units:	430
No. & % of Tax Credit Units:	426 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Contract (426 units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 43
Number of Units @ or below 60% of area median income: 383

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	June, 2016
Credit Enhancement:	JLL Capital Markets

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Marisol Parks

Unit Mix

32	1-Bedroom Units
262	2-Bedroom Units
132	3-Bedroom Units
4	4-Bedroom Units
430	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	50%	$778
29	1 Bedroom	60%	60%	$933
26	2 Bedrooms	50%	50%	$933
234	2 Bedrooms	60%	60%	$1,120
13	3 Bedrooms	50%	50%	$1,079
117	3 Bedrooms	60%	60%	$1,295
1	4 Bedrooms	50%	50%	$1,203
3	4 Bedrooms	60%	60%	$1,444
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$98,000,000
Construction Costs	$0
Rehabilitation Costs	$27,164,117
Construction Contingency	$2,794,815
Relocation	$1,040,500
Architectural/Engineering	$125,000
Construction Interest, Perm Financing	$8,003,979
Legal Fees, Appraisals	$130,000
Reserves	$6,805,126
Other Costs	$927,939
Developer Fee	$18,500,000
Commercial Costs	$0
Total	**$163,491,476**

Project Financing

Estimated Total Project Cost:	$163,491,476
Estimated Residential Project Cost:	$163,491,476
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$76
Per Unit Cost:	$380,213
Effective Per Unit Cost:	$350,439

Construction Financing

Source	Amount
JLL Capital Markets - TE Bonds	$92,500,000
NOI through Perm Loan Conversion	$5,150,585
Deferred Developer Fee	$17,545,537
Tax Credit Equity	$48,295,354

Permanent Financing

Source	Amount
JLL Capital Markets - TE Bonds	$92,500,000
NOI through Perm Loan Conversion	$5,150,585
Deferred Developer Fee	$12,802,684
Tax Credit Equity	$53,038,207
TOTAL	**$163,491,476**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$41,871,760
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$100,268,901
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$54,433,288
Qualified Basis (Acquisition):	$100,268,901
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$1,769,082
Maximum Annual Federal Credit, Acquisition:	$3,258,739
Total Maximum Annual Federal Credit:	$5,027,821
Approved Developer Fee (in Project Cost & Eligible Basis):	$18,500,000
Investor/Consultant:	PNC Bank, N.A.
Federal Tax Credit Factor:	$1.05489

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:	$142,140,661
Actual Eligible Basis:	$142,140,661
Unadjusted Threshold Basis Limit:	$124,135,456
Total Adjusted Threshold Basis Limit:	$142,755,774

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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

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 12/31/2030. The existing regulatory agreement income targeting is 426 units at or below 60% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event that qualified for an exemption because the sale of the property was entered between the project owner and an unrelated third party prior to October 9, 2015.

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
$5,027,821	$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