

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project**

**August 19, 2015**

**REVISED**

Springdale West Apartments, located at 2095 West Spring Street in Long Beach, requested and is being recommended for a reservation of \$4,103,680 in annual federal tax credits to finance the acquisition and rehabilitation of 406 units of low-income housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Preservation Partners Development and will be located in Senate District 35 and Assembly District 70.

Springdale West Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Springdale West Apartments (CA-99-849). The project will be receiving rental assistance in the form of a HUD Section 8 Project-based contract.

**Project Number** CA-15-886

**Project Name** Springdale West Apartments  
Site Address: 2095 West Spring Street  
Long Beach, CA 90810 County: Los Angeles  
Census Tract: 5725.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$4,103,680	\$0
Recommended:	\$4,103,680	\$0

**Applicant Information**

Applicant: Springdale West Preservation Limited Partnership  
Contact: Bill Szymczak  
Address: 21515 Hawthorne Blvd., Suite 390  
Torrance, CA 90503  
Phone: (310) 802-6681 Fax: (310) 802-6680  
Email: bill@preservationpartners.org

General Partner(s) or Principal Owner(s): Springdale West Preservation Partners, LLC  
Springdale West Cornucopia, LLC  
General Partner Type: Joint Venture  
Parent Company(ies): Preservation Partners Development  
Cornucopia Services  
Developer: Preservation Partners Development III, LLC  
Investor/Consultant: Candeur Group, LLC  
Management Agent: Preservation Partners Management Group Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 109  
 Total # of Units: 410  
 No. & % of Tax Credit Units: 406 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (364 Units - 89%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 41  
 Number of Units @ or below 60% of area median income: 365

**Bond Information**

Issuer: California Statewide Community Development Authority (CSCDA)  
 Expected Date of Issuance: November 15, 2015  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

10 1-Bedroom Units  
 295 2-Bedroom Units  
 105 3-Bedroom Units  


---

 410 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 3 Bedrooms	60%	60%	\$1,295
82 3 Bedrooms	60%	60%	\$1,295
1 1 Bedroom	60%	60%	\$933
8 1 Bedroom	60%	60%	\$933
30 2 Bedrooms	60%	60%	\$1,120
233 2 Bedrooms	60%	60%	\$1,120
29 2 Bedrooms	50%	50%	\$933
1 1 Bedroom	50%	50%	\$778
11 3 Bedrooms	50%	50%	\$1,079
3 2 Bedrooms	Manager's Unit	Manager's Unit	\$950
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,225

**Project Cost Summary at Application**

Land and Acquisition	\$105,000,000
Rehabilitation Costs	\$20,946,344
Construction Contingency	\$2,104,634
Relocation	\$2,432,400
Architectural/Engineering	\$260,000
Construction Interest, Perm Financing	\$6,075,232
Legal Fees, Appraisals	\$115,000
Reserves	\$3,369,074
Other Costs	\$465,609
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$143,268,293</b>

**Project Financing**

Estimated Total Project Cost:	\$143,268,293
Estimated Residential Project Cost:	\$143,268,293

**Residential**

Construction Cost Per Square Foot:	\$57
Per Unit Cost:	\$349,435

**Construction Financing**

Source	Amount
RED Community Group - TE Bonds	\$75,000,000
RED Community Group - FHA 221(d)(4)	\$83,283,000
Seller Carryback Note	\$15,948,493
Income from Operations	\$3,000,000
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$38,536,800

**Permanent Financing**

Source	Amount
Red Capital Group	\$83,283,000
Seller Carryback Note	\$15,948,493
Income from Operations	\$3,000,000
Tax Credit Equity	\$41,036,800
<b>TOTAL</b>	<b>\$143,268,293</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$29,416,378
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$90,000,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$38,241,291
Qualified Basis (Acquisition):	\$90,000,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$1,133,680
Maximum Annual Federal Credit, Acquisition:	\$2,970,000
Total Maximum Annual Federal Credit:	\$4,103,680
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Candeur Group, LLC
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(i)(4)(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:	\$119,416,378
Actual Eligible Basis:	\$119,416,378
Unadjusted Threshold Basis Limit:	\$122,903,350
Total Adjusted Threshold Basis Limit:	\$135,193,685

**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: 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 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 3.30% 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:** The applicant requested and was granted a waiver to the manager unit requirement of TCAC Regulation Section 10325(f)(7)(J) and continue to operate the existing project with 4 manager 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$4,103,680</b>	<b>\$0</b>

**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 provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site