

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

January 20, 2016

Sycamore Village Apartments, located at 523 South Rampart Blvd. in Los Angeles, requested and is being recommended for a reservation of \$225,286 in annual federal tax credits to finance the acquisition and rehabilitation of 29 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Western Pacific Housing, LLC and is located in Senate District 24 and Assembly District 53.

Sycamore Village Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sycamore Village (CA-98-096). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-805

Project Name Sycamore Village Apartments
Site Address: 523 South Rampart Blvd.
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2087.200

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$225,286	\$0
Recommended:	\$225,286	\$0

Applicant Information

Applicant: Sycamore Village Rehab, LP.
Contact: Fariba Atighehchi
Address: 31238 Via Colins, #3
Westlake Village, CA 91362
Phone: 310-864-6004
Email: fatighehchi@aol.com

General Partner(s) or Principal Owner(s): Sycamore Village Rehab GP, LLC
American Affordable Housing Incorporated

General Partner Type: Joint Venture

Parent Company(ies): Western Pacific Housing, LLC
Western Pacific Housing, LLC

Developer: Western Pacific Housing, LLC

Investor/Consultant: WNC & Associates

Management Agent: Genessy Management & Development

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 29

Bond Information

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

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Zhuo Chen

Unit Mix

15 3-Bedroom Units
 15 4-Bedroom Units

 30 Total Units

<u>Unit Type & 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>
14 3 Bedrooms	40%	39%	\$843
15 4 Bedrooms	40%	39%	\$943
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$843

Project Cost Summary at Application

Land and Acquisition	\$4,600,000
Construction Costs	\$0
Rehabilitation Costs	\$1,159,950
Construction Contingency	\$0
Relocation	\$30,000
Architectural/Engineering	\$30,000
Construction Interest, Perm Financing	\$302,392
Legal Fees, Appraisals	\$31,500
Reserves	\$69,280
Other Costs	\$164,203
Developer Fee	\$847,935
Commercial Costs	\$0
Total	\$7,235,260

Project Financing

Estimated Total Project Cost:	\$7,235,260
Estimated Residential Project Cost:	\$7,235,260

Residential

Construction Cost Per Square Foot:	\$26
Per Unit Cost:	\$241,175

Construction Financing

Source	Amount
Oak Grove Capital - TE Bonds	\$5,122,872
Deferred Developer Fee	\$847,935
Tax Credit Equity	\$1,264,453

Permanent Financing

Source	Amount
Oak Grove Capital - TE Bonds	\$2,216,646
Universal Housing - Owner Loan	\$1,699,929
Deferred Developer Fee	\$716,632
Tax Credit Equity	\$2,602,053
TOTAL	\$7,235,260

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$1,739,835
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,761,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,261,786
Qualified Basis (Acquisition):	\$4,761,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$68,173
Maximum Annual Federal Credit, Acquisition:	\$157,113
Total Maximum Annual Federal Credit:	\$225,286
Approved Developer Fee (in Project Cost & Eligible Basis):	\$847,935
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$1.15500

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:	\$6,500,835
Actual Eligible Basis:	\$6,500,835
Unadjusted Threshold Basis Limit:	\$11,397,675
Total Adjusted Threshold Basis Limit:	\$24,163,072

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.

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The sole member of the general partners, Western Pacific Housing, LLC, shall complete training as prescribed by TCAC prior to a project's placing in service.

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 12/31/2029. The existing regulatory agreement income targeting is 29 units at or below 40% AMI.

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
\$225,286	\$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