

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
October 19, 2016**

Park Paseo, located at 123 South Isabel Street in Glendale, requested and is being recommended for a reservation of \$935,751 in annual federal tax credits to finance the acquisition and rehabilitation of 96 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Southern California Presbyterian Homes and is located in Senate District 25 and Assembly District 43.

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

**Project Number** CA-16-935

**Project Name** Park Paseo  
Site Address: 123 S. Isabel Street  
Glendale, CA 91205 County: Los Angeles  
Census Tract: 3022.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$935,751	\$0
Recommended:	\$935,751	\$0

**Applicant Information**

Applicant: Park Paseo L.P.  
Contact: Orest Dolyniuk  
Address: 516 Burchett Street  
Glendale, CA 91203 CA 91203  
Phone: (818) 247-0420 Fax: (818) 265-0058  
Email: orest.dolyniuk@thebegroup.org

General Partner(s) or Principal Owner(s): Park Paseo, LLC  
General Partner Type: For Profit  
Parent Company(ies): Southern California Presbyterian Homes  
Developer: Southern California Presbyterian Homes  
Investor/Consultant: California Housing Partnership Corporation  
Management Agent: Southern California Presbyterian Homes

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 97  
 No. & % of Tax Credit Units: 96 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (96 Units - 100%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 29  
 Number of Units @ or below 60% of area median income: 67

**Bond Information**

Issuer: CMFA  
 Expected Date of Issuance: November 15, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: Balance of Los Angeles County  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

23 SRO/Studio Units  
 74 1-Bedroom Units  


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 97 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 SRO/Studio	50%	48%	\$726
22 1 Bedroom	50%	48%	\$778
16 SRO/Studio	60%	57%	\$871
51 1 Bedroom	60%	57%	\$933
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$22,300,000
Construction Costs	\$0
Rehabilitation Costs	\$4,500,000
Construction Contingency	\$450,000
Relocation	\$0
Architectural/Engineering	\$200,000
Const. Interest, Perm. Financing	\$1,420,900
Legal Fees, Appraisals	\$205,000
Reserves	\$528,100
Other Costs	\$543,300
Developer Fee	\$3,494,000
Commercial Costs	\$0
<b>Total</b>	<b>\$33,641,300</b>

**Project Financing**

Estimated Total Project Cost:	\$33,641,300
Estimated Residential Project Cost:	\$33,641,300
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$63
Per Unit Cost:	\$346,818
True Cash Per Unit Cost*:	\$267,805

**Construction Financing**

Source	Amount
Citi Community Capital	\$22,200,047
Seller Note	\$6,670,175
Existing Reserves	\$317,318
Income From Operations	\$1,162,000
Deferred Costs	\$1,436,360
Deferred Developer Fee	\$994,000
Tax Credit Investor Equity	\$861,400

**Permanent Financing**

Source	Amount
Citi Community Capital	\$14,985,000
Seller Note	\$6,670,175
Existing Reserves	\$317,318
Income From Operations	\$1,162,000
Deferred Developer Fee	\$994,000
Tax Credit Equity	\$9,512,807
<b>TOTAL</b>	<b>\$33,641,300</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$6,681,610
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$20,106,250
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$8,686,093
Qualified Basis (Acquisition):	\$20,106,250
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$282,298
Maximum Annual Federal Credit, Acquisition:	\$653,453
Total Maximum Annual Federal Credit:	\$935,751
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,494,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.01660

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:	\$26,787,860
Actual Eligible Basis:	\$26,787,860
Unadjusted Threshold Basis Limit:	\$20,872,644
Total Adjusted Threshold Basis Limit:	\$29,221,701

**Adjustments to Basis Limit**

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: 30%

**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:** None.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Glendale Community Development Corporation, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$935,751</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:** None.