CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 13, 2017

Cienega Gardens Apartments, located at 1211 North Lyman Avenue in Covina, requested and is being recommended for a reservation of $2,471,108 in annual federal tax credits to finance the acquisition and rehabilitation of 178 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 Cienega Gardens Developer Limited Partnership and is located in Senate District 22 and Assembly District 48.

Cienega Gardens Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Cienega Gardens Apartments (CA-2002-864). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-17-808

Project Name Cienega Gardens Apartments
Site Address: 1211 North Lyman Avenue
Covina, CA 91724 County: Los Angeles
Census Tract: 4038.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,471,108	$0
Recommended:	$2,471,108	$0

Applicant Information

Applicant:	Cienega Gardens Preservation Limited Partnership
Contact:	William E. Szymczak
Address:	21515 Hawthorne Blvd., Suite 150 Torrance, CA 90503
Phone:	310-802-6670 Fax: 310-802-6680
Email:	bill@preservationpartners.org

General Partner(s) or Principal Owner(s):	JHC-Cienega Gardens LLC Cienega Gardens Preservation Partners LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Jamboree Housing Corporation Cienega Gardens Preservation Partners LLC
Developer:	Cienega Gardens Developer Limited Partnership
Investor/Consultant:	CREA, LLC
Management Agent:	Preservation Partners Management Group

Project Information

Construction Type:	Acquistion & Rehabilitation
Total # Residential Buildings:	12
Total # of Units:	180
No. & % of Tax Credit Units:	178 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (82% / 147 Units)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	71
Number of Units @ or below 60% of area median income:	107

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	December 29, 2017
Credit Enhancement:	FHA Insurance

Information

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

Unit Mix

72	1-Bedroom Units
48	2-Bedroom Units
60	3-Bedroom Units
180	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	1 Bedroom	60%	60%	$1,014
8	2 Bedrooms	60%	60%	$1,216
16	3 Bedrooms	60%	60%	$1,406
35	1 Bedroom	60%	60%	$1,014
22	2 Bedrooms	60%	60%	$1,216
3	3 Bedrooms	60%	60%	$1,406
16	3 Bedrooms	60%	60%	$1,406
30	1 Bedroom	50%	50%	$845
18	2 Bedrooms	50%	50%	$1,013
9	3 Bedrooms	50%	50%	$1,171
14	3 Bedrooms	50%	50%	$1,171
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $77,647,020

Project Cost Summary at Application

Land and Acquisition	$44,300,000
Construction Costs	$0
Rehabilitation Costs	$13,816,663
Construction Contingency	$1,395,346
Relocation	$819,225
Architectural/Engineering	$345,000
Const. Interest, Perm. Financing	$6,516,089
Legal Fees, Appraisals	$254,000
Reserves	$778,794
Other Costs	$631,461
Developer Fee	$9,053,769
Commercial Costs	$0
Total	**$77,910,347**

Project Financing

Estimated Total Project Cost:	$77,910,347
Estimated Residential Project Cost:	$77,910,347
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$87
Per Unit Cost:	$432,835
True Cash Per Unit Cost*:	$332,892

Construction Financing

Source	Amount
Citi Community Capital	$34,342,000
Citi Community Capital	$18,658,000
Seller Carryback Note	$14,000,000
General Partner Equity	$128,675
Deferred Developer Fee	$6,553,769
Tax Credit Equity	$4,227,905

Permanent Financing

Source	Amount
Citi Community Capital	$34,342,000
Seller Carryback Note	$12,216,037
General Partner Equity Contribution	$128,675
Deferred Developer Fee	$5,773,769
Tax Credit Equity	$25,449,866
TOTAL	**$77,910,347**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$23,642,228
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$45,770,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$30,734,896
Qualified Basis (Acquisition):	$45,770,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$983,583
Maximum Annual Federal Credit, Acquisition:	$1,487,525
Total Maximum Annual Federal Credit:	$2,471,108
Approved Developer Fee (in Project Cost & Eligible Basis):	$9,053,769
Investor/Consultant:	CREA, LLC
Federal Tax Credit Factor:	$1.02990

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:	$69,412,228
Actual Eligible Basis:	$69,412,228
Unadjusted Threshold Basis Limit:	$52,099,440
Total Adjusted Threshold Basis Limit:	$72,418,222

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: 39%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2002-864). 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 1/1/2003 through 12/31/2017. The existing regulatory agreement expires 12/31/2032. The existing regulatory agreement income targeting is 71 units at or below 50% AM & 107 units at or below 60%% AMI. The new reservation of tax credits will result in the same rent/income targeting as the original award of tax credits by restricting 71 units at or below 50% AMI and 107 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication where the existing regulatory agreement requires service amenities of after-school programs and similar service amenities such as adult-education classes and programs and social services. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $80,064. There is a general partner equity contribution to the project of $128,675 allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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
$2,471,108	**$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

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:
  (i) Develop a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).