CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2018
REVISED

Curtis Johnson Apartments, located at 1213-1215 1/2 W. 39th Street, 831-833 1/2 W. 41st Street, 727-729 1/2 W. 47th Street, 860 & 866-870 1/2 W. 42nd Place, and 897 & 903 W. Vernon Avenue in Los Angeles, requested and is being recommended for a reservation of $418,022 in annual federal tax credits to finance the acquisition and rehabilitation of 48 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 30 and Assembly District 59.

Curtis Johnson Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Curtis Johnson Apartments (CA-2001-879). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-18-725	
Project Name	Curtis Johnson Apartments	
Site Addresses:	1213-1215 1/2 W. 39th St. Los Angeles, CA 90037 Census Tract: 2312.10	831-833 1/2 W. 41st St. Los Angeles, CA 90037 Census Tract: 2317.10
	727-729 1/2 W. 47th St. Los Angeles, CA 90037 Census Tract: 2321.20	860 & 866-870 1/2 W. 42nd Pl. Los Angeles, CA 90037 Census Tract: 2317.10
	897 & 903 W. Vernon Ave. Los Angeles, CA 90037 Census Tract: 2317.10	
County:	Los Angeles	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$418,022	$0
Recommended:	$418,022	$0

Applicant Information

Applicant:	Curtis Johnson Community Partners, LP
Contact:	Karen Buckland
Address:	17782 Sky Park Circle Irvine, CA 92614
Phone:	949.236.8135
Email:	kbuckland@cpp-housing.com

General Partner(s) or Principal Owner(s):	WNC - Curtis Johnson GP, LLC FFAH Curtis Johnson, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	WNC Development Partners, LLC Foundation for Affordable Housing
Developer:	Community Preservation Partners, LLC
Investor/Consultant:	WNC & Associates, Inc.
Management Agent:	FPI Management Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	48
No. / % of Low Income Units:	48 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt/HUD Section 8 Project-based Contract (48 Units / 100%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	April 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
35% AMI:	23	48%
50% AMI:	21	44%
60% AMI:	4	8%

Unit Mix

17	SRO/Studio Units
18	1-Bedroom Units
13	2-Bedroom Units
48	Total Units

	Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	SRO/Studio	35%	35%	$552
9	SRO/Studio	40%	40%	$631
9	1 Bedroom	35%	35%	$591
8	1 Bedroom	50%	50%	$845
6	2 Bedrooms	35%	35%	$709
4	2 Bedrooms	50%	50%	$1,013
3	2 Bedrooms	60%	60%	$1,216
1	1 Bedroom **	60%	60%	$1,014

** One of the affordable one-bedroom units at the 727 W. 47th Street site will be occupied by a tax-credit qualified property manager. See the Special Issues section of the staff report.

TCAC-confirmed Projected Lifetime Rent Benefit: $20,516,100

Project Cost Summary at Application	
Land and Acquisition	$4,555,000
Construction Costs	$0
Rehabilitation Costs	$3,431,624
Construction Contingency	$343,163
Relocation	$192,000
Architectural/Engineering	$180,650
Const. Interest, Perm. Financing	$1,044,913
Legal Fees, Appraisals	$242,500
Reserves	$177,000
Other Costs	$303,495
Developer Fee	$1,366,700
Commercial Costs	$0
Total	**$11,837,045**

Residential

Construction Cost Per Square Foot:	$111
Per Unit Cost:	$246,605
True Cash Per Unit Cost*:	$193,520

Construction Financing

Source	Amount
Citibank	$7,000,000
Seller Carryback Loan	$2,245,000
Deferred Developer Fee	$1,613,851
Tax Credit Equity	$984,194

Permanent Financing

Source	Amount
Citibank	$5,138,000
Seller Carryback Loan	$2,245,000
Deferred Developer Fee	$303,087
Tax Credit Equity	$4,150,958
TOTAL	**$11,837,045**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,221,300
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,766,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,087,690
Qualified Basis (Acquisition):	$4,766,750
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$262,149
Maximum Annual Federal Credit, Acquisition:	$155,873
Total Maximum Annual Federal Credit:	$418,022
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,366,700
Investor/Consultant:	WNC & Associates, Inc.
Federal Tax Credit Factor:	$0.99300

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:	$10,988,050
Actual Eligible Basis:	$10,988,050
Unadjusted Threshold Basis Limit:	$12,428,878
Total Adjusted Threshold Basis Limit:	$29,456,441

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: 43%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 94%

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 3.27% 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.

Significant Information / Additional Conditions

This is a scattered site project comprised of 5 sites (the buildings at 897 & 903 W. Vernon are on contiguous parcels and are considered a single site) with all of the units under the same HUD Section 8 project-based contract. All of the sites are in a Qualified Census Tract (QCT).

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 4.2% of the units (2 units) that are fully mobility accessible in accordance with California Building Code Chapter 11(B). In addition, in the event that the accessible units are located at 860 W.42nd Place, an accessible path of travel to the trash area is also waived. However, the project must continue to provide at least 4% of the units with communications features that meet the requirements of Chapter 11(B).

This scattered site project will meet the on-site manager unit requirement of regulation section 10326(g)(6), as set forth in section 10325(f)(7)(J), by having a management office and an on-site property manager living at the 727 W. 47th Street site. The property manager and maintenance staff will continue their current practice of visiting each site daily throughout the week. In addition, the 16-unit building at 903 W. Vernon Avenue will have an hourly-wage low-income tenant (porter/key-holder), who is capable of responding to emergencies after-hours when property management staff is not working, as a responsible person that is knowledgeable of how the property's fire system operates, and is trained in and has participated in fire evacuation drills for the tenants.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-879). 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

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). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-879) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication where the existing regulatory agreement requires service amenities. 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 deemed to have met this requirement based on TCAC staff’s review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission. The project will provide transportation to the off-site services, which is currently proposed to be accomplished by the service provider using a passenger van made available by the managing member of the co-general partner, WNC Development Partners, LLC, at no cost to the project or the tenants.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Capitalized Replacement Reserve that is otherwise required.

Local Reviewing Agency

The Local Reviewing Agency, the City of Los Angeles Housing and Community Investment Department, has completed a site review of this project and supports this project.

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.

CDLAC Additional Conditions: None.