CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 16, 2018

Harmony Gates, located at 5220 Harmony Avenue in North Hollywood, requested and is being recommended for a reservation of $588,646 in annual federal tax credits to finance the acquisition and rehabilitation of 70 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 InSite Development, LLC and is located in Senate District 18 and Assembly District 39.

Harmony Gates is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Harmony Gate (CA-90-149). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-18-761

Project Name Harmony Gates

Site Address: 5220 Harmony Avenue
North Hollywood, CA 91601 County: Los Angeles

Census Tract: 1253.20

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$588,646	$0
Recommended:	$588,646	$0

Applicant Information

Applicant: Wahmony Gates, LP
Contact: Wah Chen
Address: 6265 Variel Avenue
Woodland Hills, CA 91367
Phone: 818.789.5550
Email: wahchen@earthlink.net

General Partner(s) or Principal Owner(s): InSite Development, LLC
Housing Corporation of America, Inc.
General Partner Type: Joint Venture
Parent Company(ies): InSite Development, LLC
Housing Corporation of America, Inc.
Developer: InSite Development, LLC
Investor/Consultant: Alliant Capital
Management Agent: Ironwood Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	70
No. / % of Low Income Units:	70 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	May 16, 2018

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Anthony Zeto

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	9	13%
At or Below 60% AMI:	61	87%

Unit Mix

22	1-Bedroom Units
28	2-Bedroom Units
9	3-Bedroom Units
11	4-Bedroom Units
70	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	46%	$778
4	1 Bedroom	60%	46%	$778
15	1 Bedroom	60%	60%	$1,014
3	2 Bedrooms	50%	43%	$875
4	2 Bedrooms	60%	43%	$875
21	2 Bedrooms	60%	60%	$1,216
1	3 Bedrooms	50%	35%	$810
6	3 Bedrooms	60%	35%	$810
2	3 Bedrooms	60%	60%	$1,406
2	4 Bedrooms	50%	33%	$875
5	4 Bedrooms	60%	33%	$875
4	4 Bedrooms	60%	54%	$1,406

* For additional information regarding the on-site manager's unit, please see the "**Significant Information / Additional Conditions**" section of the staff report.

TCAC-confirmed Projected Lifetime Rent Benefit: $59,753,760

Project Cost Summary at Application	
Land and Acquisition	$11,165,000
Construction Costs	$0
Rehabilitation Costs	$2,736,000
Construction Contingency	$280,000
Relocation	$91,689
Architectural/Engineering	$54,500
Const. Interest, Perm. Financing	$720,541
Legal Fees, Appraisals	$12,000
Reserves	$210,156
Other Costs	$185,200
Developer Fee	$2,213,353
Commercial Costs	$0
Total	**$17,668,439**

Residential

Construction Cost Per Square Foot:	$37
Per Unit Cost:	$252,406
True Cash Per Unit Cost*:	$229,454

Construction Financing

Source	Amount
PNC / Freddie Mac	$9,000,000
HCIDLA	$4,001,384
Net Operating Income	$343,815
Deferred Developer Fee	$1,606,677
General Partner Equity	$353,200
Tax Credit Equity	$2,363,363

Permanent Financing

Source	Amount
PNC / Freddie Mac	$5,700,000
HCIDLA	$4,001,384
Net Operating Income	$343,815
Deferred Developer Fee	$1,606,677
General Partner Equity	$353,200
Tax Credit Equity	$5,663,363
TOTAL	**$17,668,439**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,129,292
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,839,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,368,080
Qualified Basis (Acquisition):	$12,839,750
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$168,786
Maximum Annual Federal Credit, Acquisition:	$419,860
Total Maximum Annual Federal Credit:	$588,646
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,213,353
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	$0.96210

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$16,969,042
Actual Eligible Basis:	$16,969,042
Unadjusted Threshold Basis Limit:	$22,738,258
Total Adjusted Threshold Basis Limit:	$25,466,849

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 12%

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 3.27% 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
The on-site manager's unit will be occupied by a qualified low income resident. The on-site manager's unit (Unit 123) is currently a 3-bedroom unit occupied by a qualified low income resident restricted at 60% AMI.

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-90-149). 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 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-90-149) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

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 $353,200. There is a general partner equity contribution of at least $353,200, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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 strongly 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