CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 20, 2019

Simpson Arbor Apartments, located at 7507 Simpson Avenue in Los Angeles, requested and is being recommended for a reservation of $1,235,262 in annual federal tax credits to finance the acquisition and rehabilitation of 82 units of housing serving tenants with rents affordable to households earning 40-50% of area median income (AMI). The project will be developed by Brookmore Apartment Corporation and is located in Senate District 18 and Assembly District 39.

Simpson Arbor Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Simpson Arbor Apartments (CA-2000-053). 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-19-448

Project Name Simpson Arbor Apartments
Site Address: 7507 Simpson Avenue
Los Angeles, CA 91605 County: Los Angeles
Census Tract: 1224.10

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,235,262	$0
Recommended:	$1,235,262	$0

Applicant Information
Applicant: Simpson Arbor Preservation, L.P.
Contact: Joseph Miller
Address: 3204 Rosemead Blvd., Suite 100
El Monte, CA 91731
Phone: (626) 300-2448
Email: jomiller@frontporch.net

General Partner(s) or Principal Owner(s): Simpson Arbor Apartments, LLC
General Partner Type: Nonprofit
Parent Company(ies): Brookmore Apartment Corporation
Developer: Brookmore Apartment Corporation
Investor/Consultant: Hunt Capital
Management Agent: CARING Housing Ministries, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	83
No. / % of Low Income Units:	82 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Project-based Contract (82 units - 100%)

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	July 1, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	82	100%

Unit Mix

21	1-Bedroom Units
54	2-Bedroom Units
8	3-Bedroom Units
83	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	40%	40%	$727
7	1 Bedroom	45%	45%	$818
8	1 Bedroom	50%	50%	$909
12	2 Bedrooms	40%	40%	$873
19	2 Bedrooms	45%	45%	$982
5	2 Bedrooms	50%	50%	$1,091
18	2 Bedrooms	50%	50%	$1,091
3	3 Bedrooms	45%	45%	$1,134
4	3 Bedrooms	50%	50%	$1,260
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$19,800,000
Construction Costs	$0
Rehabilitation Costs	$8,950,118
Construction Hard Cost Contingency	$895,012
Soft Cost Contingency	$185,000
Relocation	$491,000
Architectural/Engineering	$1,046,512
Const. Interest, Perm. Financing	$2,424,449
Legal Fees	$90,000
Reserves	$497,334
Other Costs	$608,345
Developer Fee	$4,303,352
Commercial Costs	$0
Total	**$39,291,122**

Residential	
Construction Cost Per Square Foot:	$151
Per Unit Cost:	$473,387
True Cash Per Unit Cost*:	$252,507

Construction Financing

Source	Amount
Citibank - Tranche A	$8,584,495
Citibank - Tranche B	$11,415,505
Seller Note	$14,443,945
Transferred Reserves	$549,038
Deferred Costs	$3,103,685
Tax Credit Equity	$1,194,454

Permanent Financing

Source	Amount
Citibank	$8,584,495
Seller Note	$16,529,701
Transferred Reserves	$363,254
Deferred Developer Fee	$1,803,352
Tax Credit Equity	$12,010,320
TOTAL	**$39,291,122**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$14,799,368
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$18,193,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$19,239,178
Qualified Basis (Acquisition):	$18,193,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$634,893
Maximum Annual Federal Credit, Acquisition:	$600,369
Total Maximum Annual Federal Credit:	$1,235,262
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,303,352
Investor/Consultant:	Hunt Capital
Federal Tax Credit Factor:	$0.97229

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$32,992,368
Actual Eligible Basis:	$32,992,368
Unadjusted Threshold Basis Limit:	$28,152,571
Total Adjusted Threshold Basis Limit:	$56,305,142

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: 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 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 3.30% 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.

Significant Information / Additional Conditions: None.

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-2000-053). 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.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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-2000-053) 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 is a resyndication concurrent with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(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.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site