

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 15, 2019

Park Western Apartments, located at 1301 West Park Western Drive in Los Angeles, requested and is being recommended for a reservation of \$2,932,369 in annual federal tax credits to finance the acquisition and rehabilitation of 214 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by SDG Housing Partners and /is located in Senate District 35 and Assembly District 70.

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

Project Number CA-19-473

Project Name Park Western Apartments
Site Address: 1301 West Park Western Drive
Los Angeles, CA 90732 County: Los Angeles
Census Tract: 2963.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,932,369	\$0
Recommended:	\$2,932,369	\$0

Applicant Information

Applicant: Park Western Housing, LP
Contact: June Park
Address: 1600 Rosecrans Avenue, Media Center 4th Floor
Manhattan Beach, CA 90266
Phone: 310-321-7862
Email: June@sdghousing.com

General Partner(s) or Principal Owner(s): Park Western Housing, LLC
AHA Los Angeles MGP, LLC

General Partner Type: Joint Venture
Parent Company(ies): SDG Housing Partners
Affordable Housing Access, Inc

Developer: SDG Housing Partners
Investor/Consultant: Raymond James
Management Agent: Aperto Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 14
Total # of Units: 216
No. / % of Low Income Units: 214 100.00%

Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / Section 8 Project-based Contract (104 units - 48%)

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: June 15, 2019

Information

Housing Type: Large Family
 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:	24	11%
60% AMI:	190	89%

Unit Mix

32 1-Bedroom Units
128 2-Bedroom Units
32 3-Bedroom Units
24 4-Bedroom Units
216 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4 1 Bedroom	50%	50%	\$909
19 1 Bedroom	60%	60%	\$1,091
8 1 Bedroom	60%	60%	\$1,091
13 2 Bedrooms	50%	50%	\$1,091
44 2 Bedrooms	60%	60%	\$1,309
70 2 Bedrooms	60%	60%	\$1,309
4 3 Bedrooms	50%	50%	\$1,260
11 3 Bedrooms	60%	60%	\$1,512
17 3 Bedrooms	60%	60%	\$1,512
3 4 Bedrooms	50%	50%	\$1,406
6 4 Bedrooms	60%	60%	\$1,687
15 4 Bedrooms	60%	60%	\$1,687
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$66,246,500
Rehabilitation Costs	\$10,423,039
Construction Hard Cost Contingency	\$1,344,600
Soft Cost Contingency	\$284,600
Relocation	\$964,000
Architectural/Engineering	\$530,000
Const. Interest, Perm. Financing	\$5,468,944
Legal Fees	\$345,000
Reserves	\$1,096,803
Other Costs	\$1,169,560
Developer Fee	\$10,817,771
Commercial Costs	\$0
Total	\$98,690,817

Residential

Construction Cost Per Square Foot:	\$56
Per Unit Cost:	\$456,902

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Hunt Mortgage Capital, LLC	\$58,937,200	Hunt Mortgage Capital, LLC	\$58,937,200
Net Operating Income	\$1,500,000	Net Operating Income	\$2,883,463
Deferred Costs	\$1,566,000	Deferred Developer Fee	\$8,426,079
Deferred Developer Fee	\$8,426,079	General Partner Equity	\$100
General Partner Equity	\$100	Tax Credit Equity	\$28,443,975
Tax Credit Equity	\$14,222,038	TOTAL	\$98,690,817

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$19,775,260
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$63,160,987
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$25,707,838
Qualified Basis (Acquisition):	\$63,160,987
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$848,056
Maximum Annual Federal Credit, Acquisition:	\$2,084,313
Total Maximum Annual Federal Credit:	\$2,932,369
Approved Developer Fee (in Project Cost & Eligible Basis):	\$10,817,771
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.97000

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:	\$82,936,246
Actual Eligible Basis:	\$82,936,246
Unadjusted Threshold Basis Limit:	\$79,204,696
Total Adjusted Threshold Basis Limit:	\$87,917,213

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: 11%

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 or 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

Pursuant to TCAC Regulation Section 10326(g)(5), management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The management company, Aperto Property Management, Inc., shall complete training as prescribed by TCAC prior to the project's placing in service.

The project is anticipated to be 100% income-restricted, but potentially has over-income tenants that do not meet income limit requirements and will not qualify for the AMI targeting above. If tenants are over income, the applicant will endeavor to have these tenants relocated. However, if any of these tenants do not relocate, the actual applicable fraction will be determined at the placed-in-service review.

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement of TCAC Regulation Section 10325(f)(7)(K). A waiver has been granted to reduce the 10% mobility feature requirement to 5% with the exception that the bathrooms will not be fully compliant with 11(B) standards. The project shall provide 5% of units meeting the Chapter 11(B) mobility standards except for requirements to switch locations of the toilet and sink in each of the units’ bathroom, relocate the existing bathtubs, and any requirement that necessitates the movement of load-bearing walls. The project shall continue to provide 4% of units with communications accessible features in compliance with Chapter 11(B).

Resyndication and Resyndication Transfer Event: None

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