CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2019

Carson Terrace Senior Apartments, located at 632 E. 219th Street in Carson, requested and is being recommended for a reservation of $453,355 in annual federal tax credits to finance the acquisition and rehabilitation of 62 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by The Richman Group and is located in Senate District 35 and Assembly District 64.

Carson Terrace Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Carson Terrace Senior Apartments (CA-99-904). 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 Vouchers and a Carson Housing Authority project-based rental subsidy contract.

Project Number CA-19-422

Project Name Carson Terrace Senior Apartments
Site Address: 632 E. 219th Street
Carson, CA 90745 County: Los Angeles
Census Tract: 2982.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$453,355	$0
Recommended:	$453,355	$0

Applicant Information
Applicant: Carson Terrace Partners, L.P.
Contact: Rick Westberg
Address: 420 31st Street, Suite B1
Newport Beach, CA 92663
Phone: 949-612-7293
Email: westbergr@richmancapital.com

General Partner(s) or Principal Owner(s): Carson Terrace GP, LLC
Los Angeles Housing Partnership, Inc.
General Partner Type: Joint Venture
Parent Company(ies): TRG Carson Terrace Member, LLC
Los Angeles Housing Partnership, Inc.
Developer: The Richman Group
Investor/Consultant: The Richman Group Affordable Housing Corporation
Management Agent: Richman Property Services

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	63
No. / % of Low Income Units:	62 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt/HUD Section 8 Project-based Vouchers (20 Units - 32%)

Bond Information

Issuer:	Los Angeles County Development Authority
Expected Date of Issuance:	October 25, 2019

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	13	21%
60% AMI:	49	79%

Unit Mix

62 1-Bedroom Units
1 2-Bedroom Units
63 Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10	1 Bedroom	50%	31%	$572
3	1 Bedroom	50%	31%	$572
2	1 Bedroom	60%	31%	$572
5	1 Bedroom	60%	31%	$572
10	1 Bedroom	60%	35%	$635
32	1 Bedroom	60%	52%	$938
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$6,100,000
Construction Costs	$0
Rehabilitation Costs	$3,168,829
Construction Hard Cost Contingency	$351,689
Soft Cost Contingency	$150,000
Relocation	$150,000
Architectural/Engineering	$740,079
Const. Interest, Perm. Financing	$744,000
Legal Fees	$150,000
Reserves	$553,803
Other Costs	$364,500
Developer Fee	$1,576,878
Commercial Costs	$0
Total	**$14,049,778**

Residential

Construction Cost Per Square Foot:	$74
Per Unit Cost:	$223,012
True Cash Per Unit Cost*:	$223,012

Construction Financing

Source	Amount
Bank of America	$7,228,065
City of Carson Housing Authority	$4,098,438
Purchase Reserves	$514,000
Income from Operations	$90,000
Deferred Operating Deficit	$204,943
Deferred Developer Fee	$1,261,502
Tax Credit Equity	$652,831

Permanent Financing

Source	Amount
Century Housing Corp.-Tranche A	$1,744,000
Century Housing Corp.-Tranche B	$2,701,135
City of Carson Housing Authority	$4,098,438
FHLB - AHP	$550,000
Income from Operations	$90,000
Purchase Reserves	$513,999
Tax Credit Equity	$4,352,206
TOTAL	**$14,049,778**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,178,403
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$5,911,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$8,031,924
Qualified Basis (Acquisition):	$5,911,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$258,292
Maximum Annual Federal Credit, Acquisition:	$195,063
Total Maximum Annual Federal Credit:	$453,355
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,576,878
Investor/Consultant:	The Richman Group Affordable Housing Corporation
Federal Tax Credit Factor:	$0.96000

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:	$12,089,403
Actual Eligible Basis:	$12,089,403
Unadjusted Threshold Basis Limit:	$18,066,818
Total Adjusted Threshold Basis Limit:	$27,100,228

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 20%

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:

The project's tax-exempt bond allocation request was submitted to CDLAC in December 2018 to maintain its DDA eligibility for the 130% adjustment in determining project's qualified eligible basis for the tax

The project will have HUD Section 8 project-based vouchers for 20 units from the Los Angeles County Development Authority (formerly known as Community Development Commission/Housing Authority of the County of Los Angeles). In addition, the Carson Housing Authority will provide a project-based rental subsidy contract for 10 units.

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-99-904). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

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-99-904) 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 $348,850. The Short Term Work amount of $348,850 is excluded from eligible basis.

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.