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

Lakeview Terrace Apartments, located at 12500 Filmore Street in Los Angeles, requested and is being recommended for a reservation of $1,313,123 in annual federal tax credits to finance the acquisition and rehabilitation of 126 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 SDG Housing Partners and is located in Senate District 18 and Assembly District 39.

Lakeview Terrace Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Lakeview Terrace Apartments (CA-2001-823). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-19-484

Project Name Lakeview Terrace Apartments
Site Address: 12500 Filmore Street
Los Angeles, CA 91331 County: Los Angeles
Census Tract: 1042.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,313,123	$0
Recommended:	$1,313,123	$0

Applicant Information

Applicant:	Lakeview Terrace 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):	Lakeview Terrace Housing, LLC AHA Lakeview Terrace MGP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	SDG Housing Affordable Housing Access, Inc.
Developer:	SDG Housing Partners
Investor/Consultant:	WNC & Associates
Management Agent:	VPM Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	12
Total # of Units:	128
No. / % of Low Income Units:	126 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (74 units - 58%)

Bond Information

Issuer:	California Public Finance Authority
Expected Date of Issuance:	September 1, 2019

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	39	31%
60% AMI:	87	69%

Unit Mix

28	1-Bedroom Units
84	2-Bedroom Units
16	3-Bedroom Units
128	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20	1 Bedroom	50%	46%	$909
12	2 Bedrooms	50%	46%	$1,091
7	3 Bedrooms	50%	46%	$1,260
35	2 Bedrooms	60%	56%	$1,309
8	1 Bedroom	60%	56%	$1,091
37	2 Bedrooms	60%	56%	$1,309
7	3 Bedrooms	60%	56%	$1,512
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$28,020,000
Construction Costs	$0
Rehabilitation Costs	$5,946,368
Construction Hard Cost Contingency	$891,955
Soft Cost Contingency	$223,523
Relocation	$38,866
Architectural/Engineering	$315,000
Const. Interest, Perm. Financing	$3,052,120
Legal Fees	$245,000
Reserves	$537,934
Other Costs	$664,660
Developer Fee	$5,190,210
Commercial Costs	$0
Total	**$45,125,636**

Residential	
Construction Cost Per Square Foot:	$53
Per Unit Cost:	$352,544
True Cash Per Unit Cost*:	$331,375

Construction Financing

Source	Amount
CitiBank Tranche A	$28,000,000
CitiBank Tranche B	$7,000,000
Operating Income	$1,351,941
Replacement Reserves	$18,059
Deferred Costs	$530,000
Deferred Developer Fee	$4,000,000
General Partner Equity	$702,675
Tax Credit Equity	$3,520,132

Permanent Financing

Source	Amount
CitiBank	$28,000,000
Operating Income	$1,351,941
Replacement Reserves	$18,059
Deferred Developer Fee	$2,709,605
General Partner Equity	$702,675
Tax Credit Equity	$12,343,356
TOTAL	**$45,125,636**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,925,242
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$27,866,370
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$11,925,242
Qualified Basis (Acquisition):	$27,866,370
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$393,533
Maximum Annual Federal Credit, Acquisition:	$919,590
Total Maximum Annual Federal Credit:	$1,313,123
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,190,210
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	$0.94000

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:	$39,791,612
Actual Eligible Basis:	$39,791,612
Unadjusted Threshold Basis Limit:	$44,028,196
Total Adjusted Threshold Basis Limit:	$57,236,655

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: 30%

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 reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 90 days of the date of reservation.

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-2001-823). 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.

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-2001-823) 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 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 $702,675. There is a general partner equity contribution of at least $702,675, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.