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

Pavilion Court Apartments, located at 8371 & 8405 Telegraph Road in Pico Rivera, requested and is being recommended for a reservation of $1,479,129 in annual federal tax credits to finance the acquisition and rehabilitation of 130 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Jeff Damavandi and is located in Senate District 32 and Assembly District 58.

Pavilion Court Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Pavilion Apartments (CA-2001-805). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-485

Project Name Pavilion Court Apartments
Site Address: 8371 & 8405 Telegraph Road
Pico Rivera, CA 90660 County: Los Angeles
Census Tract: 5025.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,479,129	$0
Recommended:	$1,479,129	$0

Applicant Information
Applicant: Pavilion Affordable Housing, LP
Contact: Jeff Damavandi
Address: 9229 Sunset Blvd. Ste 618
West Hollywood, CA 90069
Phone: 310-395-9030
Email: jeff@dylaninvestments.com

General Partner(s) or Principal Owner(s): Pavilion Court, LLC
Kingdom Pavilion, LLC
General Partner Type: Joint Venture
Parent Company(ies): Jeff Damavandi
Kingdom Development, Inc.
Developer: Jeff Damavandi
Investor/Consultant: Boston Capital
Management Agent: Hyder Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	5	
Total # of Units:	132	
No. / % of Low Income Units:	130	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	November 15, 2019

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	14	11%
60% AMI:	116	89%

Unit Mix

47	1-Bedroom Units
66	2-Bedroom Units
19	3-Bedroom Units
132	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	1 Bedroom	50%	50%	$909
42	1 Bedroom	60%	60%	$1,091
7	2 Bedrooms	50%	50%	$1,091
57	2 Bedrooms	60%	60%	$1,309
2	3 Bedrooms	50%	50%	$1,260
17	3 Bedrooms	60%	60%	$1,512
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$32,800,000
Construction Costs	$0
Rehabilitation Costs	$7,990,716
Construction Hard Cost Contingency	$799,072
Soft Cost Contingency	$300,000
Relocation	$396,000
Architectural/Engineering	$200,000
Const. Interest, Perm. Financing	$2,532,044
Legal Fees	$105,000
Reserves	$802,536
Other Costs	$434,916
Developer Fee	$5,846,359
Commercial Costs	$0
Total	**$52,206,643**

Residential	
Construction Cost Per Square Foot:	$77
Per Unit Cost:	$395,505
True Cash Per Unit Cost*:	$257,023

Construction Financing

Source	Amount
Walker & Dunlop - Freddie Mac**	$17,481,765
Walker & Dunlop - Bridge Loan**	$8,518,235
Seller Carryback	$14,341,650
Seller Reserves Credit	$400,000
Operating Income	$934,553
Deferred Costs	$7,017,862
Tax Credit Equity	$3,512,578

Permanent Financing

Source	Amount
Walker & Dunlop - Freddie Mac**	$17,481,765
Seller Carryback	$14,341,650
Seller Reserves Credit	$400,000
Operating Income	$1,167,649
Deferred Developer Fee	$3,938,018
General Partner Equity	$827,250
Tax Credit Equity	$14,050,311
TOTAL	**$52,206,643**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Tax-Exempt Bond Financing

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,932,085
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$32,890,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$11,932,085
Qualified Basis (Acquisition):	$32,890,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$393,759
Maximum Annual Federal Credit, Acquisition:	$1,085,370
Total Maximum Annual Federal Credit:	$1,479,129
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,846,359
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	$0.94990

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:	$44,822,085
Actual Eligible Basis:	$44,822,085
Unadjusted Threshold Basis Limit:	$44,576,769
Total Adjusted Threshold Basis Limit:	$49,034,446

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: 10%

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 2018 minimum operating expenses established in the Regulations (see **Significant Information / Additional Conditions** below for additional information), 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 applicant has demonstrated impractically and/or undue financial burden of full compliance to the requirements of Section 10325(f)(7)(K) and has been granted a partial waiver such that the project shall provide 5% of units (7 units) meeting the Chapter 11(B) mobility standards. The project shall continue to provide 4% of units with communications accessible features in compliance with Chapter 11(B).

The existing tax credit project (CA-2001-805) known as Pavilion Apartments has 129 low income units and 3 manager units. The applicant plans to convert one of the managers' unit into a low income unit.

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-2001-805). 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-01-805) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication concurrent 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 $827,250. There is a general partner equity contribution of at least $827,250 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.