CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Hawaiian Gardens Apartments, located at 11950 Centralia Road in Hawaiian Gardens, requested and is being recommended for a reservation of $3,790,173 in annual federal tax credits to finance the acquisition and rehabilitation of 241 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Islas Development, LLC and is located in Senate District 32 and Assembly District 63.

Hawaiian Gardens Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Hawaiian Gardens Apartments (CA-2004-852). 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-19-518		
Project Name	Hawaiian Gardens Apartments		
Site Address:	11950 Centralia Road		
	Hawaiian Gardens, CA 90716	County:	Los Angeles
Census Tract:	5551.02		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,790,173	$0
Recommended:	$3,790,173	$0

Applicant Information

Applicant:	Centralia Affordable Communities, L.P.
Contact:	Peter Lopez-Hodoyan
Address:	1927 Adams Ave, Suite 200 San Diego, CA 92116
Phone:	480-899-3545
Email:	peter@logancapitaladvisors.com

General Partner(s) or Principal Owner(s):	Centralia Communities, LLC Pacific Housing, Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	Centralia Communities, LLC Pacific Housing, Inc.
Developer:	Islas Development, LLC
Investor/Consultant:	Pioneer Development, LLC
Management Agent:	Logan Propety Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	32
Total # of Units:	264
No. / % of Low Income Units:	241 91.98%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (179 Units / 68%)

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	January 31, 2020

Information

Housing Type:	Non-Targeted
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:	80	33%
60% AMI:	161	67%

Unit Mix

212	2-Bedroom Units
52	3-Bedroom Units
264	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
30	2 Bedrooms	50%	50%	$1,175
34	2 Bedrooms	50%	50%	$1,175
16	3 Bedrooms	50%	50%	$1,357
56	2 Bedrooms	60%	60%	$1,410
30	2 Bedrooms	60%	60%	$1,410
13	3 Bedrooms	60%	60%	$1,629
14	2 Bedrooms	60%	60%	$1,410
39	2 Bedrooms	60%	60%	$1,410
9	3 Bedrooms	60%	60%	$1,629
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,410
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,629
8	2 Bedrooms	Market Rate Unit	Market Rate Unit	$1,900
13	3 Bedrooms	Market Rate Unit	Market Rate Unit	$2,100

Project Cost Summary at Application

Land and Acquisition	$98,614,400
Construction Costs	$0
Rehabilitation Costs	$14,871,337
Construction Hard Cost Contingency	$1,422,040
Soft Cost Contingency	$250,000
Relocation	$264,000
Architectural/Engineering	$100,000
Const. Interest, Perm. Financing	$4,145,102
Legal Fees	$325,000
Reserves	$1,447,971
Other Costs	$725,784
Developer Fee	$17,182,998
Commercial Costs	$0
Total	**$139,348,632**

Residential

Construction Cost Per Square Foot:	$65
Per Unit Cost:	$527,836
True Cash Per Unit Cost*:	$419,027

Construction Financing

Source	Amount
Logan Capital Advisors **	$72,500,000
Logan Capital Advisors ***	$33,100,000
Seller Loan - Tax Exempt	$15,800,000
Existing reserves	$221,508
Deferred Developer Fee	$17,182,998
Tax Credit Equity	$544,126

Permanent Financing

Source	Amount
Logan Capital Advisors **	$72,500,000
Seller Loan - Tax Exempt	$15,472,396
Deferred Developer Fee	$13,252,998
Existing reserves	$221,508
Tax Credit Equity	$37,901,730
TOTAL	**$139,348,632**

* Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
** Tax-Exempt Series A Loan
*** Tax-Exempt Bridge Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$16,170,173
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$108,691,560
Applicable Fraction:	91.98%
Qualified Basis (Rehabilitation):	$14,874,090
Qualified Basis (Acquisition):	$99,979,641
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$490,845
Maximum Annual Federal Credit, Acquisition:	$3,299,328

Total Maximum Annual Federal Credit:	$3,790,173
Approved Developer Fee (in Project Cost & Eligible Basis):	$17,182,998
Investor/Consultant:	Pioneer Development, LLC
Federal Tax Credit Factor:	$1.00000

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:	$124,861,733
Actual Eligible Basis:	$131,736,315
Unadjusted Threshold Basis Limit:	$96,047,488
Total Adjusted Threshold Basis Limit:	$124,861,734

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 are below the minimum operating expenses established in the Regulations, as allowed under regulation section 10327(g)(1). See the **Significant Information** section of this report below. 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 120 days of the date of reservation.

In order to meet the requirement of regulation section 10326(g)(6) as set forth in section 10325(f)(7)(J), in addition to the project's two on-site property manager units, the project will employ at least one full-time on-site property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working.

The applicant's estimated annual operating expenses per unit is below TCAC's $5,500 per unit minimum operating expense figure required for this type of project. As allowed by TCAC regulation section 10327(g)(1), TCAC approves the estimated annual operating expenses of $4,885 per unit as agreed to by the permanent lender and the equity investor.

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-2004-852). 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 (must be after December 31, 2019). 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-2004-852) 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 $1,365,600. In consideration of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least $1,365,600. As a result of the seller credit, the project is allowed to receive eligible basis on 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.