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

Villa Valley Apartments, located at 15950 Sherman Way in Van Nuys, requested and is being recommended for a reservation of $2,162,448 in annual federal tax credits to finance the acquisition and rehabilitation of 145 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by DeSola Development Associates, LLC and is located in Senate District 18 and Assembly District 46.

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

Project Number CA-19-533

Project Name Villa Valley Apartments
Site Address: 15950 Sherman Way
Van Nuys, CA 91406 County: Los Angeles
Census Tract: 1276.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,162,448	$0
Recommended:	$2,162,448	$0

Applicant Information
Applicant: Villa Valley Apartments, LP
Contact: Gary C Grant
Address: 136 Heber Ave., Ste. 308
Park City, UT 84060
Phone: 435-631-2135
Email: ggrant@thedesolagroup.com

General Partner(s) or Principal Owner(s): Villa Valley Apartments GP, LLC
AOF Pacific CA-1 LLC
General Partner Type: Joint Venture
Parent Companies: Desola Capital Group, LLC
AOF/Pacific Affordable Housing Corp.
Developer: DeSola Development Associates, LLC
Investor/Consultant: PNC Bank
Management Agent: Sage Apartment Communities, Inc.

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 146
No. / % of Low Income Units: 145 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (145 units, 100%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	January 2020

Information

Housing Type:	Seniors
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	65	45%
60% AMI:	80	55%

Unit Mix

145	1-Bedroom Units
1	2-Bedroom Units
146	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	1 Bedroom	50%	50%	$979
50	1 Bedroom	50%	50%	$979
80	1 Bedroom	60%	60%	$1,175
7	1 Bedroom	50%	50%	$979
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$50,035,000
Rehabilitation Costs	$5,383,098
Construction Hard Cost Contingency	$463,000
Soft Cost Contingency	$50,000
Relocation	$500,000
Architectural/Engineering	$133,500
Const. Interest, Perm. Financing	$4,145,434
Legal Fees	$350,000
Reserves	$661,836
Other Costs	$405,816
Developer Fee	$8,144,038
Total	**$70,271,722**

Residential

Construction Cost Per Square Foot:	$60
Per Unit Cost:	$481,313
True Cash Per Unit Cost*:	$437,636

Construction Financing

Source	Amount
Jones Lang LaSalle	$40,570,734
PNC-Tax Exempt	$3,000,000
PNC	$12,715,095
Operating Income	$1,346,415
Deferred Costs	$9,528,419
Tax Credit Equity	$3,111,059

Permanent Financing

Source	Amount
Jones Lang LaSalle	$40,570,734
Operating Income	$2,583,729
Deferred Developer Fee	$6,376,869
Tax Credit Equity	$20,740,390
TOTAL	**$70,271,722**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,303,692
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$52,133,934
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,394,800
Qualified Basis (Acquisition):	$52,133,934
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$442,028
Maximum Annual Federal Credit, Acquisition:	$1,720,420
Total Maximum Annual Federal Credit:	$2,162,448
Approved Developer Fee (in Project Cost & Eligible Basis):	$8,144,038
Investor/Consultant:	PNC Bank
Federal Tax Credit Factor:	$0.95912

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:	$62,437,626
Actual Eligible Basis:	$62,437,626
Unadjusted Threshold Basis Limit:	$41,791,455
Total Adjusted Threshold Basis Limit:	$64,358,841

Adjustments to Basis Limit

- 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: 44%

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 applicant's estimate for annual operating expenses per unit is below the $5,000 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of $4,564 in agreement with the permanent lender and equity investor.

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

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and 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. Specifically, Villa Valley Apartments GP, LLC or DeSola Capital Group, LLC, shall complete training as prescribed by TCAC prior to the project's placing in service.

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.

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.