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

Apple Tree Village, located at 9229 N. Sepulveda Boulevard in Los Angeles, requested and is being recommended for a reservation of $1,528,119 in annual federal tax credits to finance the acquisition and rehabilitation of 122 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by ABS Properties, Inc. and is located in Senate District Number 18 and Assembly District 46.

Apple Tree Village is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Apple Tree Village (CA-2002-005). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-567

Project Name Apple Tree Village
Site Address: 9229 N. Sepulveda Boulevard
Los Angeles, CA 91343 County: Los Angeles
Census Tract: 1172.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,528,119	$0
Recommended:	$1,528,119	$0

Applicant Information
Applicant: ABS Sepulveda, LP
Contact: Samir Srivastava
Address: 5500 Hollywood Blvd., 4th Floor
Los Angeles, CA 90028
Phone: (323) 464-7853
Email: samir@absllc.org

General Partner(s) or Principal Owner(s): ABS Properties, Inc.
Affordable Housing USA
General Partner Type: Joint Venture
Parent Company(ies): ABS Properties, Inc.
Affordable Housing USA
Developer: ABS Properties, Inc.
Investor/Consultant: Hunt Capital Partners
Management Agent: Genessy Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	125
No. / % of Low Income Units:	122 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	December 15, 2019

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	4	3%
40% AMI:	28	23%
45% AMI:	59	48%
50% AMI:	31	25%

Unit Mix

48	2-Bedroom Units
77	3-Bedroom Units
125	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	2 Bedrooms	30%	30%	$705
28	2 Bedrooms	40%	40%	$940
17	2 Bedrooms	45%	45%	$1,057
2	3 Bedrooms	30%	30%	$814
42	3 Bedrooms	45%	45%	$1,221
31	3 Bedrooms	50%	50%	$1,357
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$5,354
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$2,318

Project Cost Summary at Application	
Land and Acquisition	$23,572,567
Construction Costs	$0
Rehabilitation Costs	$6,104,620
Construction Hard Cost Contingency	$305,231
Soft Cost Contingency	$125,000
Relocation	$1,100,000
Architectural/Engineering	$323,000
Const. Interest, Perm. Financing	$5,230,349
Legal Fees	$130,000
Reserves	$460,105
Other Costs	$832,074
Developer Fee	$5,442,304
Commercial Costs	$0
Total	**$43,625,250**

Residential	
Construction Cost Per Square Foot:	$44
Per Unit Cost:	$349,002
True Cash Per Unit Cost*:	$306,506

Construction Financing

Source	Amount
Walker Dunlop	$25,000,000
Seller Carryback Note	$2,562,003
Income from Operations	$2,112,971
Capital Needs Agreement - Reserve	$276,104
Deferred Reserves	$460,105
Deferred Developer Fee	$3,314,992
General Partner Equity	$462,941
Tax Credit Equity	$9,436,134

Permanent Financing

Source	Amount
Walker Dunlop	$20,944,102
Seller Carryback Note	$2,562,003
Income from Operations	$2,112,971
Capital Needs Agreement - Reserve	$276,104
Deferred Developer Fee	$2,750,000
General Partner Equity	$462,941
Tax Credit Equity	$14,517,129
TOTAL	**$43,625,250**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$15,274,332
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$26,450,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$19,856,632
Qualified Basis (Acquisition):	$26,450,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$655,269
Maximum Annual Federal Credit, Acquisition:	$872,850
Total Maximum Annual Federal Credit:	$1,528,119
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,442,304
Investor/Consultant:	Hunt Capital Partners
Federal Tax Credit Factor:	$0.95000

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:	$41,724,332
Actual Eligible Basis:	$41,724,332
Unadjusted Threshold Basis Limit:	$50,533,888
Total Adjusted Threshold Basis Limit:	$102,078,454

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: 96%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 6%

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 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

Pursuant to regulation section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards of section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to the project placing in service. Specifically, at least one of the co-general partners, ABS Properties, Inc. or Affordable Housing USA, shall complete training as prescribed by TCAC prior to the project placing in service.

The applicant's estimated annual operating expenses per unit is below TCAC's $5,700 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 $4,846 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-2002-005). 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-2002-005) 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 of $739,045. There is a general partner equity contribution of $462,941, allowing the applicant to receive eligible basis on this portion of the Short Term Work. The balance of the Short Term Work of $276,104 is the Short Term Work Reserve from the existing Capital Needs Covenant from the prior Transfer Event, and it 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.