CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2019

Royals I & II Apartments, located at 717 & 721 W. El Segundo Blvd., 772 & 776 N. Van Ness Ave., 1327 S. Catalina St., and 3817 S. Wisconsin St. in Los Angeles, requested and is being recommended for a reservation of $1,694,656 in annual federal tax credits to finance the acquisition and rehabilitation of 111 units of housing serving tenants with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Royals 4 Developer Limited Partnership and is located in Senate District 35 and Assembly District 64.

Royals I & II Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Royals Apartments (CA-2004-140). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-19-573	
Project Name	Royals I & II Apartments	
Site Addresses:	717 & 721 W. El Segundo Blvd. Los Angeles, CA 90044	772 & 776 N. Van Ness Ave. Los Angeles, CA 90038
Census Tracts:	2312.20	2911.20
Site Addresses:	1327 S. Catalina St. Los Angeles, CA 90005	3817 S. Wisconsin St. Los Angeles, CA 90037
Census Tracts:	1917.10	2212.20
County:	Los Angeles	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,694,656	$0
Recommended:	$1,694,656	$0

Applicant Information

Applicant:	Royals 4 Preservation Limited Partnership
Contact:	Chuck Treatch
Address:	21515 Hawthorne Blvd., Suite 150 Torrance, CA 90503
Phone:	(310) 802-6681
Email:	chuck@preservationpartners.org

General Partner(s) or Principal Owner(s):	Royals 4 Preservation Partners LLC JHC-Royals II LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Royals 4 Preservation Partners LLC Jamboree Housing Corporation
Developer:	Royals 4 Developer Limited Partnership
Investor/Consultant:	CREA, LLC
Management Agent:	Preservation Partners Management Group, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	5
Total # of Units:	115
No. / % of Low Income Units:	111 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (111 Units/100%)

Bond Information

Issuer:	California Public Finance Authority
Expected Date of Issuance:	January 2, 2020

Information

Housing Type:	Non-Targeted
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:	12	11%
40% AMI:	12	11%
50% AMI:	87	78%

Unit Mix

59	SRO/Studio Units
31	1-Bedroom Units
21	2-Bedroom Units
4	3-Bedroom Units
115	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	SRO/Studio	30%	30%	$548
3	SRO/Studio	40%	40%	$731
9	SRO/Studio	50%	50%	$913
40	SRO/Studio	50%	50%	$913
3	SRO/Studio	50%	50%	$913
2	1 Bedroom	30%	30%	$587
2	1 Bedroom	40%	40%	$783
7	1 Bedroom	50%	50%	$979
6	1 Bedroom	50%	50%	$979
4	1 Bedroom	50%	50%	$979
8	1 Bedroom	50%	50%	$979
6	2 Bedrooms	30%	30%	$705
6	2 Bedrooms	40%	40%	$940
4	2 Bedrooms	50%	50%	$1,175
4	2 Bedrooms	50%	50%	$1,175
1	3 Bedrooms	30%	30%	$814
1	3 Bedrooms	40%	40%	$1,086
2	3 Bedrooms	50%	50%	$1,357
1	SRO/Studio	Manager’s Unit	Manager’s Unit	$0
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$27,200,000
Construction Costs	$0
Rehabilitation Costs	$11,916,990
Construction Hard Cost Contingency	$1,179,900
Soft Cost Contingency	$100,000
Relocation	$749,440
Architectural/Engineering	$401,500
Const. Interest, Perm. Financing	$1,802,585
Legal Fees	$280,000
Reserves	$440,000
Other Costs	$626,498
Developer Fee	$6,298,371
Commercial Costs	$0
Total	**$50,995,284**

Residential	
Construction Cost Per Square Foot:	$201
Per Unit Cost:	$443,437
True Cash Per Unit Cost*:	$338,907

Construction Financing

Source	Amount
Citi Community Capital	$21,740,000
Citi Community Capital	$10,260,000
Seller Note	$14,500,000
Deferred Developer Fee	$3,798,371
General Partner Equity	$626,683
Tax Credit Equity	$70,230

Permanent Financing

Source	Amount
Citi Community Capital	$21,740,000
Seller Note	$8,332,601
Deferred Develolper Fee	$3,688,371
General Partner Equity	$626,683
Tax Credit Equity	$16,607,629
TOTAL	**$50,995,284**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$17,253,416
130% High Cost Adjustment:	Yes **
Requested Eligible Basis (Acquisition):	$28,899,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$24,564,036
Qualified Basis (Acquisition):	$28,899,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$740,972
Maximum Annual Federal Credit, Acquisition:	$953,684
Total Maximum Annual Federal Credit:	$1,694,656
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,298,371
Investor/Consultant:	CREA, LLC
Federal Tax Credit Factor:	$0.98000

** The 1327 S. Catalina Street site is not in a DDA/QCT is it is not eligible for the 130% adjuster. The Qualified Basis (Rehabilitation) of $24,564,036 has been calculated accordingly.

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:	$48,287,511
Actual Eligible Basis:	$48,287,511
Unadjusted Threshold Basis Limit:	$32,493,934
Total Adjusted Threshold Basis Limit:	$67,912,322

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: 89%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 20%

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 180 days of the date of reservation.

This project is the resyndication of an existing tax credit project, CA-2004-140, which consists of 4 scattered sites, in the city of Los Angeles.

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-2004-140). 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-2004-140) 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

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 $626,683. There is general partner equity contribution of at least $626,683 , allowing the applicant to receive eligible basis for the entire Short Term Work.

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.