

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

Castle Argyle, located at 1919 North Argyle Avenue in Los Angeles, requested and is being recommended for a reservation of \$2,303,401 in annual federal tax credits to finance the acquisition and rehabilitation of 95 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by HumanGood Affordable Housing and is located in Senate District 26 and Assembly District 43.

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

Project Number CA-19-587

Project Name Castle Argyle
Site Address: 1919 North Argyle Avenue
 Los Angeles, CA 90068 County: Los Angeles
Census Tract: 1895.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,303,401	\$0
Recommended:	\$2,303,401	\$0

Applicant Information

Applicant: Castle Argyle, L.P.
Contact: Orest Dolyniuk
Address: 6120 Stoneridge Mall Rd. Suite 100
 Pleasanton, CA 94588
Phone: 818-638-4565
Email: Orestd@beacondevgroup.com

General Partner(s) or Principal Owner(s): Castle Argyle, L.L.C
General Partner Type: Nonprofit
Parent Company(ies): HumanGood Affordable Housing
Developer: HumanGood Affordable Housing
Investor/Consultant: California Housing Partnership
Management Agent: HumanGood Affordable Housing

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 96
No. / % of Low Income Units: 95 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (95 Units - 100%)

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: May 15, 2020

Information

Housing Type: Seniors
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 95	100%

Unit Mix

42 SRO/Studio Units
54 1-Bedroom Units
<u>96 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
42 SRO/Studio	50%	50%	\$913
53 1 Bedroom	50%	50%	\$979
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$27,700,000
Construction Costs	\$0
Rehabilitation Costs	\$22,100,000
Construction Hard Cost Contingency	\$3,315,000
Soft Cost Contingency	\$380,000
Relocation	\$2,016,000
Architectural/Engineering	\$984,550
Const. Interest, Perm. Financing	\$3,851,524
Legal Fees	\$235,000
Reserves	\$485,986
Other Costs	\$1,174,435
Developer Fee	\$8,096,141
Commercial Costs	\$0
Total	<u>\$70,338,636</u>

Residential

Construction Cost Per Square Foot:	\$324
Per Unit Cost:	\$732,694
True Cash Per Unit Cost*:	\$435,635

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank - T.E. Bonds	\$37,907,000	Citibank - T.E. Bonds	\$14,712,000
Seller Carryback	\$22,921,498	Seller Carryback	\$22,921,498
Replacement Reserves	\$374,794	HumanGood Affordable Housing	\$3,000,000
Deferred Costs	\$1,953,006	HumanGood Affordable Housing	\$1,000,000
Deferred Developer Fee	\$5,596,141	Replacement Reserves	\$374,794
Tax Credit Equity	\$1,586,197	Operating Income	\$1,124,242
		Deferred Developer Fee	\$5,596,141
		Tax Credit Equity	\$21,609,961
		TOTAL	\$70,338,636

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$34,517,582
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$24,927,167
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$44,872,857
Qualified Basis (Acquisition):	\$24,927,167
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$1,480,804
Maximum Annual Federal Credit, Acquisition:	\$822,597
Total Maximum Annual Federal Credit:	\$2,303,401
Approved Developer Fee (in Project Cost & Eligible Basis):	\$8,096,141
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.93818

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:	\$59,444,749
Actual Eligible Basis:	\$59,444,749
Unadjusted Threshold Basis Limit:	\$25,847,568
Total Adjusted Threshold Basis Limit:	\$59,444,750

Adjustments to Basis Limit

- Seismic Upgrading
- 95% of Upper Floor Units are Elevator-Serviced
- Highest or High Resource Opportunity Area
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 proposed rents do not include any utility allowance. The owner will pay for all utilities.

The reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 180 days of the date of reservation.

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.