

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

Plaza de Cabrillo, located at 2111 W. Williams Street in Long Beach, requested and is being recommended for a reservation of \$1,292,067 in annual federal tax credits to finance the acquisition and rehabilitation of 200 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Century Affordable Developments, Inc. and is located in Senate District 35 and Assembly District 70.

Plaza de Cabrillo is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Casa de Cabrillo (CA-02-226). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Continuum of Care Permanent Housing for the Disabled and HUD Shelter Plus Care.

<b>Project Number</b>	CA-19-596		
<b>Project Name</b>	Plaza de Cabrillo		
Site Address:	2111 W. Williams Street		
	Long Beach, CA 90810	County:	Los Angeles
Census Tract:	5728.00		

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,292,067	\$0
Recommended:	\$1,292,067	\$0

**Applicant Information**

Applicant:	Plaza de Cabrillo, LP
Contact:	Oscar Alvarado
Address:	1000 Corporate Pointe Culver City, CA 90230
Phone:	310-642-2079
Email:	oalvarado@centuryhousing.org

General Partner(s) or Principal Owner(s):	CVC Phase II, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Century Villages at Cabrillo, Inc.
Developer:	Century Affordable Developments, Inc.
Investor/Consultant:	Wells Fargo Bank, N.A.
Management Agent:	Century Villages Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 1  
Total # of Units: 204  
No. / % of Low Income Units: 200 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / HUD Continuum of Care Permanent Housing for the Disabled (36 Units / 18%) / HUD Shelter Plus Care (28 Units / 14%)

**Bond Information**

Issuer: California Municipal Financing Authority  
Expected Date of Issuance: March 1, 2020

**Information**

Housing Type: Non-Targeted  
Geographic Area: Balance of Los Angeles County  
TCAC Project Analyst: Jack Waegell

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 79	40%
40% AMI: 61	31%
50% AMI: 40	20%
60% AMI: 20	10%

**Unit Mix**204 SRO/Studio Units204 Total Units

<u>Unit Type &amp; 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>
33 SRO/Studio	30%	12%	\$228
21 SRO/Studio	30%	15%	\$273
1 SRO/Studio	30%	30%	\$548
9 SRO/Studio	30%	30%	\$548
15 SRO/Studio	30%	26%	\$480
3 SRO/Studio	40%	14%	\$259
3 SRO/Studio	40%	29%	\$533
17 SRO/Studio	40%	40%	\$730
38 SRO/Studio	40%	35%	\$638
4 SRO/Studio	50%	19%	\$356
1 SRO/Studio	50%	50%	\$913
16 SRO/Studio	50%	50%	\$913
19 SRO/Studio	50%	44%	\$800
13 SRO/Studio	60%	60%	\$1,096
7 SRO/Studio	60%	50%	\$911
4 SRO/Studio	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$17,150,000
Construction Costs	\$0
Rehabilitation Costs	\$10,226,675
Construction Hard Cost Contingency	\$1,022,668
Soft Cost Contingency	\$58,923
Relocation	\$0
Architectural/Engineering	\$415,000
Const. Interest, Perm. Financing	\$1,927,307
Legal Fees	\$75,000
Reserves	\$890,545
Other Costs	\$599,946
Developer Fee	\$4,521,879
Commercial Costs	\$0
<b>Total</b>	<b>\$36,887,943</b>

**Residential**

Construction Cost Per Square Foot:	\$115
Per Unit Cost:	\$180,823
True Cash Per Unit Cost*:	\$135,353

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$19,576,279	CCRC	\$2,866,000
Seller Carryback Loan**	\$8,013,003	Seller Carryback Loan**	\$8,013,003
Century Legacy Loan**	\$732,931	Century Legacy Loan**	\$732,931
Century Senior Loan**	\$1,215,371	Century Senior Loan**	\$2,457,371
Federal Home Loan Bank - AHP	\$1,500,000	Sponsor Loan	\$5,000,000
Acquired Project Reserves	\$500,000	Federal Home Loan Bank - AHP	\$1,500,000
Deferred Costs	\$1,227,729	GP Loan - Home Depot Funds	\$500,000
Deferred Developer Fee	\$1,262,919	Acquired Project Reserves	\$500,000
Capital Contribution-Developer Fee	\$1,758,960	Income From Operations	\$237,150
General Partner Equity	\$100	Deferred Developer Fee	\$1,262,919
Tax Credit Equity	\$1,100,651	Capital Contribution-Developer Fee	\$1,758,960
		General Partner Equity	\$100
		Tax Credit Equity	\$12,059,509
		<b>TOTAL</b>	<b>\$36,887,943</b>

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

\*\*Includes Accrued Interest

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$14,952,647
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$19,715,089
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$19,438,441
Qualified Basis (Acquisition):	\$19,715,089
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$641,469
Maximum Annual Federal Credit, Acquisition:	\$650,598
Total Maximum Annual Federal Credit:	\$1,292,067
Approved Developer Fee in Project Cost:	\$4,521,879
Approved Developer Fee in Eligible Basis:	\$4,521,878
Investor/Consultant:	Wells Fargo Bank, N.A.
Federal Tax Credit Factor:	\$0.93335

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:	\$34,667,736
Actual Eligible Basis:	\$34,667,736
Unadjusted Threshold Basis Limit:	\$50,573,844
Total Adjusted Threshold Basis Limit:	\$115,308,364

**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: 50%  
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 78%

**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 applicant is currently pursuing a lot-line adjustment to this existing project's site (Casa de Cabrillo, CA-02-226) with the city of Long Beach in order to split off the project's 11-space parking lot in order to use it, in conjunction with a portion of the land from the adjacent tax credit project (Long Beach Savannah House, CA-99-174) to create a parcel for the developer's future phase at The Villages at Cabrillo, currently referred to as "CVC Phase VI". This proposed change to the CA-02-226/CA-19-596 project site, and the proposed change to CA-99-174 requires TCAC approval, which has not been granted as of the date of this report. This request for TCAC's approval does not affect TCAC's evaluation of this application for this new reservation of tax credits as CA-19-596. TCAC will resolve this matter with the applicant prior to the placed-in-service/8609 review.

**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-2002-226). 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-2002-226) 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 without the distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

### **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.