CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Village Pointe Apartments, located at 43650 Challenger Way in Lancaster, requested and is being recommended for a reservation of $2,729,495 in annual federal tax credits to finance the acquisition and rehabilitation of 208 units of housing serving large families with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by Community Preservation Partners LLC and is located in Senate District 21 and Assembly District 36.

Village Pointe Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Village Pointe Partners (CA-2000-250). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-20-485
Project Name	Village Pointe Apartments
Site Address:	43650 Challenger Way
	Lancaster, CA 93535 County: Los Angeles
Census Tract:	9005.05

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,729,495	$0
Recommended:	$2,729,495	$0

Applicant Information

Applicant:	Village Pointe Community Partners, LP
Contact:	Anand Kannan
Address:	17782 Sky Park Circle
	Irvine, CA 92614
Phone:	949.236.8278
Email:	akannan@cpp-housing.com

General Partner(s) or Principal Owner(s):	AHA High Desert MGP, LLC
	WNC - Village Pointe LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Affordable Housing Access
	WNC Development Partners LLC
Developer:	Community Preservation Partners LLC
Investor/Consultant:	Citi Community Capital
Management Agent:	FPI Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	29
Total # of Units:	210
No. / % of Low Income Units:	208 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (75% / 155 Units)

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	April 30, 2020

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
35% AMI:	20	10%
45% AMI:	75	36%
50% AMI:	113	54%

Unit Mix

56	1-Bedroom Units
92	2-Bedroom Units
42	3-Bedroom Units
20	4-Bedroom Units
210	Total Units

	Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	35%	35%	$685
29	1 Bedroom	45%	45%	$881
23	1 Bedroom	50%	50%	$979
11	2 Bedrooms	35%	35%	$822
35	2 Bedrooms	45%	45%	$1,057
44	2 Bedrooms	50%	50%	$1,175
4	3 Bedrooms	35%	35%	$950
8	3 Bedrooms	45%	45%	$1,221
30	3 Bedrooms	50%	50%	$1,357
1	4 Bedrooms	35%	35%	$1,060
3	4 Bedrooms	45%	45%	$1,363
16	4 Bedrooms	50%	50%	$1,515
2	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$54,350,000
Construction Costs	$0
Rehabilitation Costs	$12,732,720
Construction Hard Cost Contingency	$1,273,272
Soft Cost Contingency	$75,000
Relocation	$157,500
Architectural/Engineering	$287,660
Const. Interest, Perm. Financing	$4,736,771
Legal Fees	$165,000
Reserves	$912,000
Other Costs	$294,398
Developer Fee	$9,440,589
Commercial Costs	$0
Total	**$84,424,910**

Residential

Construction Cost Per Square Foot:	$66
Per Unit Cost:	$402,023
True Cash Per Unit Cost*:	$374,116

Construction Financing

Source	Amount
Citi - Tax Exempt Bonds	$47,622,526
Citi - Taxable Bonds	$7,377,474
Seller Credit	$1,350,000
Income from Operations	$3,902,065
Deferred Developer Fee	$8,693,506
Tax Credit Equity	$15,394,354

Permanent Financing

Source	Amount
Citi Perm Loan - Tax Exempt	$32,658,136
Citi Perm Loan - Taxable	$14,996,864
Seller Credit	$1,350,000
Income from Operations	$3,902,065
Deferred Developer Fee	$5,860,589
Tax Credit Equity	$25,657,256
TOTAL	**$84,424,910**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$21,180,876
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$58,190,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$27,535,139
Qualified Basis (Acquisition):	$58,190,000
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$844,139
Maximum Annual Federal Credit, Acquisition:	$1,885,356
Total Maximum Annual Federal Credit:	$2,729,495
Approved Developer Fee (in Project Cost & Eligible Basis):	$9,440,589
Investor/Consultant:	Citi Community Capital
Federal Tax Credit Factor:	$0.94000

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:	$79,370,876
Actual Eligible Basis:	$79,370,876
Unadjusted Threshold Basis Limit:	$90,047,232
Total Adjusted Threshold Basis Limit:	$187,298,243

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: 90%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 18%

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 (See **"Significant Information / Additional Conditions"** Section below), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.24% 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

Within 180 days of the reservation the applicant must provide TCAC the commitment from HUD for the Section 8 HAP contracts with the contract rents consistent with the rents shown in the TCAC application as required under regulation section 10322(h)(22).

The applicant's estimated operating expenses were at $4,465 per unit per year were below TCAC's allowed absolute minimum of $4,675 (15% below the TCAC's base minimum of $5,500) under regulation section 10327(g)(1). TCAC adjusted accordingly up to TCAC's absolute minimum of $4,675 per unit. The project continues to meet TCAC underwriting requirements under regulation section 10327.

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-2000-250). 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 except for the 10 units that were not prat of the original 199 unit regulatory agreement. As a result, any household covered in the original 199 unit regulatory agreement, determined to be income qualified at the time of move-in under the existing 199 unit regulatory agreement (CA-2000-250) 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 in the amount of $1,176,802. In consideration of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least $1,350,000. As a result, the project is allowed to receive eligible basis for the entire Short Term Work amount.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.