CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Casa Bonita Apartments, located at 6512 Rugby Avenue in Huntington Park, requested and is being recommended for a reservation of $672,885 in annual federal tax credits to finance the acquisition and rehabilitation of 79 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Western Community Housing, Inc. and is located in Senate District 33 and Assembly District 53.

Casa Bonita Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Casa Bonita Senior Apartments (CA-2001-846). 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 Vouchers.

Project Number CA-20-604

Project Name Casa Bonita Senior Apartments

Site Address:	6512 Rugby Avenue	
	Huntington Park, CA 90255	County: Los Angeles
Census Tract:	5326.05	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$672,885	$0
Recommended:	$672,885	$0

Applicant Information

Applicant:	6512 Rugby Avenue, LP
Contact:	Graham Espley-Jones
Address:	151 Kalmus Drive, Suite J-5 Costa Mesa, CA 92626
Phone:	714-597-8301
Email:	graham@wchousing.org

General Partner(s) or Principal Owner(s):	WCH Affordable XLIV, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Western Community Housing Inc.
Developer:	Western Community Housing Inc.
Investor/Consultant:	RBC Community Investments, LLC
Management Agent:	WSH Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	80
No. / % of Low Income Units:	79 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (20 Units / 25%)

Bond Information

Issuer:	Los Angeles County Development Authority (LACDA)
Expected Date of Issuance:	March 15, 2021

Information

Housing Type:	Seniors
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
50% AMI:	79	100%

Unit Mix

64	1-Bedroom Units
16	2-Bedroom Units
80	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
18	1 Bedroom	50%	50%	$1,056
46	1 Bedroom	50%	50%	$1,056
2	2 Bedrooms	50%	50%	$1,267
13	2 Bedrooms	50%	50%	$1,267
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$11,500,000
Construction Costs	$0
Rehabilitation Costs	$5,753,858
Construction Hard Cost Contingency	$489,142
Soft Cost Contingency	$89,969
Relocation	$617,221
Architectural/Engineering	$285,000
Const. Interest, Perm. Financing	$759,800
Legal Fees	$50,000
Reserves	$816,915
Other Costs	$468,213
Developer Fee	$2,164,221
Commercial Costs	$0
Total	**$22,994,339**

Residential	
Construction Cost Per Square Foot:	$70
Per Unit Cost:	$287,429
True Cash Per Unit Cost*:	$279,475

Construction Financing

Source	Amount
HREC[1] - Tax Exempt	$6,056,503
LACDA AHTF Loan	$1,000,000
LA County Recast Loan	$2,280,800
Seller Carryback - Tax Exempt	$5,294,009
Seller Carryback - Taxable	$202,727
Purchased Reserves	$370,000
Deferred Reserves	$446,915
Deferred Developer Fee	$2,164,221
Tax Credit Equity	$5,179,164

Permanent Financing

Source	Amount
HREC[1] - Tax Exempt	$7,296,991
LACDA AHTF Loan	$1,000,000
LA County Recast Loan	$2,280,800
Seller Carryback - Tax Exempt	$5,294,009
Seller Carryback - Taxable	$202,727
Purchased Reserves	$370,000
Deferred Developer Fee	$636,347
Tax Credit Equity	$5,913,465
TOTAL	**$22,994,339**

[1]Hunt Real Estate Capital

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,604,740
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,590,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$11,186,162
Qualified Basis (Acquisition):	$9,590,750
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$362,145
Maximum Annual Federal Credit, Acquisition:	$310,740
Total Maximum Annual Federal Credit:	$672,885
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,164,221
Investor/Consultant:	RBC Community Investments, LLC
Federal Tax Credit Factor:	$0.87882

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:	$18,195,490
Actual Eligible Basis:	$18,195,490
Unadjusted Threshold Basis Limit:	$28,174,848
Total Adjusted Threshold Basis Limit:	$64,802,151

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

95% of Upper Floor Units are Elevator-Serviced

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 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 3.24% 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: None.

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-2001-846). 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-2001-846) 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 distribution of Net Project Equity, and thus is waived from setting aside a Short Term Capitalized Replacement Reserve that is otherwise required.

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.