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

Villa Del Sol Apartments, located at 9158 Telfair Avenue in Los Angeles, requested and is being recommended for a reservation of $1,178,846 in annual federal tax credits to finance the acquisition and rehabilitation of 102 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Spira Villa Del Sol, LP and is located in Senate District 18 and Assembly District 39.

Villa Del Sol Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Villa del Sol Apartments (CA-2005-905). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-20-605

Project Name Villa Del Sol Apartments
Site Address: 9158 Telfair Avenue
Los Angeles, CA 91352 County: Los Angeles
Census Tract: 1212.22

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,178,846	$0
Recommended:	$1,178,846	$0

Applicant Information

Applicant:	Villa Del Sol Apartments, LP
Contact:	Stephen Ho
Address:	1015 Fillmore St. PMB 31735 San Francisco, CA 94115
Phone:	778-373-5505
Email:	stephen@spiraequitypartners.com

General Partner(s) or Principal Owner(s):	Spira Villa Del Sol, LP FFAH V Villa Del Sol, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Spira Equity Partners Foundation for Affordable Housing V, Inc.
Developer:	Spira Villa Del Sol, LP
Investor/Consultant:	CREA, LLC
Management Agent:	Aperto Property Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	17
Total # of Units:	103
No. / % of Low Income Units:	102 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	January 1, 2021

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	31	30%
60% AMI:	71	70%

Unit Mix

7	1-Bedroom Units
24	2-Bedroom Units
72	3-Bedroom Units
103	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	50%	$1,056
4	1 Bedroom	60%	60%	$1,267
7	2 Bedrooms	50%	50%	$1,267
17	2 Bedrooms	60%	60%	$1,521
7	3 Bedrooms	50%	48%	$1,407
14	3 Bedrooms	50%	50%	$1,464
50	3 Bedrooms	60%	60%	$1,757
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$22,701,000
Construction Costs	$0
Rehabilitation Costs	$7,499,687
Construction Hard Cost Contingency	$733,875
Soft Cost Contingency	$100,256
Relocation	$135,000
Architectural/Engineering	$212,050
Const. Interest, Perm. Financing	$891,450
Legal Fees	$153,500
Reserves	$373,386
Other Costs	$614,011
Developer Fee	$3,950,876
Commercial Costs	$0
Total	**$37,365,091**

Residential

Construction Cost Per Square Foot:	$73
Per Unit Cost:	$362,768
True Cash Per Unit Cost*:	$348,412

Construction Financing

Source	Amount
Capital One - Tax Exempt	$15,750,000
Capital One - Taxable	$3,750,000
Capital One - Taxable	$3,250,000
Cash Flow From Operations	$944,440
Short Term Work Reserve	$97,295
General Partner Equity	$847,237
General Partner Note	$3,176,340
Deferred Developer Fee	$3,950,876
Tax Credit Equity	$5,598,903

Permanent Financing

Source	Amount
Capital One - Tax Exempt	$15,750,000
Capital One - Taxable	$7,000,000
Cash Flow From Operations	$944,440
Short Term Work Reserve	$97,295
General Partner Equity	$847,237
Deferred Developer Fee	$1,478,618
Solar Tax Credit Equity	$49,696
Tax Credit Equity	$11,197,805
TOTAL	**$37,365,091**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,645,544
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$22,544,930
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,839,207
Qualified Basis (Acquisition):	$22,544,930
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$448,390
Maximum Annual Federal Credit, Acquisition:	$730,456
Total Maximum Annual Federal Credit:	$1,178,846
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,950,876
Investor/Consultant:	CREA, LLC
Federal Tax Credit Factor:	$0.94990

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:	$33,190,474
Actual Eligible Basis:	$33,190,474
Unadjusted Threshold Basis Limit:	$49,760,904
Total Adjusted Threshold Basis Limit:	$64,689,175

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: 30%

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). 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

The applicant's estimate for annual operating expenses per unit is below the $5,500 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of $4,778 in agreement with the permanent lender and equity investor.

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-2005-905). 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-05-905) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a capitalized replacement reserve in the amount of $97,295 which will continue to stay with the project. This Subsequent Transfer Event does not trigger any requirement of either a seller carryback note or a general partner equity contribution.

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.