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

Washington Court Apartments, located at 1717 E 103rd Street in Los Angeles, requested and is being recommended for a reservation of $1,472,406 in annual federal tax credits, to finance the acquisition and rehabilitation of 100 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 NFAHS Development, LLC and is located in Senate District 64 and Assembly District 35.

Washington Court Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Washington Court Apartments (CA-99-889). 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-20-611	
Project Name	Washington Court Apartments	
Site Address:	1717 E 103rd Street	
	Los Angeles, CA 90002	County: Los Angeles
Census Tract:	2422.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,472,406	$0
Recommended:	$1,472,406	$0

Applicant Information

Applicant:	Washington Court Renewal LP
Contact:	Todd Travis
Address:	11810 Grand Park Avenue, Suite 600 North Bethesda, MD 20852
Phone:	301-998-0401
Email:	todd@foundationhousing.com

General Partner(s) or Principal Owner(s):	Redwood Housing, Inc. Pennant Housing Group
General Partner Type:	Joint Venture
Parent Company(ies):	Redwood Housing, Inc. Foundation Housing
Developer:	NFAHS Development, LLC
Investor/Consultant:	AEGON Real Assets US
Management Agent:	Barker Management, Incorporated

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	29
Total # of Units:	102
No. / % of Low Income Units:	100 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt/HUD Section 8 Project-based Contract (102 units - 100%)

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	December 1, 2020
Credit Enhancement:	Greystone Servicing Corporation

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	27	27%
60% AMI:	73	73%

Unit Mix

60	2-Bedroom Units
28	3-Bedroom Units
14	4-Bedroom Units
102	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
41	2 Bedrooms	60%	60%	$1,521
18	2 Bedrooms	50%	50%	$1,267
19	3 Bedrooms	60%	60%	$1,757
9	3 Bedrooms	50%	50%	$1,464
10	4 Bedrooms	60%	60%	$1,960
3	4 Bedrooms	60%	50%	$1,633
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	4 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$34,000,000
Construction Costs	$0
Rehabilitation Costs	$7,236,483
Construction Hard Cost Contingency	$707,699
Soft Cost Contingency	$50,000
Relocation	$127,500
Architectural/Engineering	$171,400
Const. Interest, Perm. Financing	$1,439,336
Legal Fees	$290,000
Reserves	$894,613
Other Costs	$383,141
Developer Fee	$5,351,252
Commercial Costs	$0
Total	**$50,651,425**

Residential

Construction Cost Per Square Foot:	$64
Per Unit Cost:	$496,583
True Cash Per Unit Cost*:	$467,095

Construction Financing

Source	Amount
CSCDA Tax-Exempt Bonds	$25,000,000
EB Affordable Housing Financing, LLC	$4,900,000

Permanent Financing

Source	Amount
Greystone Servicing Corporation	$34,392,000
Deferred Developer Fee	$3,007,771
Tax Credit Equity	$13,251,654
TOTAL	**$50,651,425**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,919,165
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$35,070,989
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,894,914
Qualified Basis (Acquisition):	$35,070,989
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$336,106
Maximum Annual Federal Credit, Acquisition:	$1,136,300
Total Maximum Annual Federal Credit:	$1,472,406
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,351,252
Investor/Consultant:	AEGON Real Assets US
Federal Tax Credit Factor:	$0.90000

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:	$44,990,154
Actual Eligible Basis:	$44,990,154
Unadjusted Threshold Basis Limit:	$47,248,032
Total Adjusted Threshold Basis Limit:	$60,005,001

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: 27%

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 3.24% 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 reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

General Partner TCAC Compliance Training Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. Specifically, the general partners, Redwood Housing, Inc. and Pennant Housing Group shall complete training as prescribed by TCAC prior to the project's placing in service.

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-99-889). 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-99-889) 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 without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).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 $229,850 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.