CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2020 Second Round
October 14, 2020

Woodman Arleta Apartments, located at 9135 Woodman Avenue and 14104 Van Nuys Boulevard in Los Angeles, requested and is being recommended for a reservation of $2,295,626 in annual federal tax credits acquisition and rehabilitation of 103 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by SDG Housing Partners and is located in located in Senate District 18 and Assembly District 46 and 39 respectively.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contracts.

Project Number CA-20-165

Project Name Woodman Arleta Apartments

	Site A (Woodman Nordoff)	Site B (Arleta Park Apartments)
Site Address:	9135 Woodman Ave Panorama City, CA 91402	14104 Van Nuys Boulevard Arleta, CA 91311
Census Tract:	1193.410	1192.01

County: Los Angeles

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,295,626	$0
Recommended:	$2,295,626	$0

Applicant Information

Applicant:	Woodman Arleta Housing, L.P.
Contact:	June Park
Address:	1600 Rosecrans Ave, Bldg 7, 4th Floor Manhattan Beach, CA 90266
Phone:	310-321-7862
Email:	june@sdghousing.com

General Partner(s) / Principal Owner(s):	Woodman Arleta Housing, LLC AHA Los Angeles II MGP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	SDG Houing Partners, LLC Affordable Housing Access
Developer:	SDG Houing Partners, LLC
Investor/Consultant:	PNC Real Estate
Management Agent(s):	Aperto Property Management, Inc

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	12
Total # of Units:	104
No. & % of Tax Credit Units:	103 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	HUD Section 8 Project-based Contracts (89 units - 86%) / HUD 221(d)(4)

Information

Set-Aside:	At-Risk
Housing Type:	At-Risk
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	11	10%
At or Below 40% AMI:	21	20%
At or Below 50% AMI:	31	30%
At or Below 60% AMI:	40	35%

Unit Mix

16	1-Bedroom Units
68	2-Bedroom Units
20	3-BedroomUnits
104	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	30%	30%	$633
6	1 Bedroom	40%	40%	$845
7	1 Bedroom	60%	60%	$1,267
5	2 Bedrooms	30%	30%	$760
8	2 Bedrooms	40%	40%	$1,014
19	2 Bedrooms	50%	50%	$1,267
2	2 Bedrooms	60%	60%	$1,521
1	3 Bedrooms	30%	30%	$878
6	3 Bedrooms	50%	50%	$1,464
9	3 Bedrooms	60%	60%	$1,757
1	1 Bedroom	60%	60%	$1,267
13	2 Bedrooms	60%	60%	$1,521
1	2 Bedrooms	60%	60%	$1,521
2	2 Bedrooms	30%	30%	$760
7	2 Bedrooms	40%	40%	$1,014
6	2 Bedrooms	50%	50%	$1,267
5	2 Bedrooms	60%	60%	$1,521
1	3 Bedrooms	30%	30%	$878
1	3 Bedrooms	Manager’s Unit*	Manager’s Unit*	$0

* See the Significant Information / Additional Conditions section below.

Project Cost Summary at Application

Land and Acquisition	$40,000,000
Construction Costs	$0
Rehabilitation Costs	$8,299,201
Construction Contingency	$1,364,209
Relocation	$349,340
Architectural/Engineering	$340,000
Const. Interest, Perm. Financing	$3,342,327
Legal Fees	$222,500
Reserves	$519,416
Other Costs	$826,396
Developer Fee	$2,000,000
Commercial Costs	$0
Total	**$57,263,389**

Residential

Construction Cost Per Square Foot:	$91
Per Unit Cost:	$550,610
True Cash Per Unit Cost**:	$550,104

Construction Financing

Source	Amount
PNC Bank - Loan	$12,182,738
PNC Bank - HUD 221(d)(4) Loan	$33,517,200
Income from Operations	$1,428,276
Deferred Fees & Costs	$4,568,840
Tax Credit Equity	$5,566,335

Permanent Financing

Source	Amount
PNC Bank - HUD 221(d)(4) Loan	$33,517,200
Income from Operations	$1,428,276
Deferred Developer Fee	$52,572
Tax Credit Equity	$22,265,341
TOTAL	**$57,263,389**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,791,751
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$35,320,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,791,751
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	$35,320,000
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$1,151,258
Maximum Annual Federal Credit, Acquisition:	$1,144,368
Total Maximum Annual Federal Credit:	$2,295,626
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,000,000
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	$0.96990

The "as if vacant" land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	$48,111,751
Actual Eligible Basis:	$50,851,582
Unadjusted Threshold Basis Limit:	$37,787,104
Total Adjusted Threshold Basis Limit:	$48,111,751

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

● Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

● Community gardens of at least 60 square feet per unit

● Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms (where no VOC adhesives or backing is used)

● Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all interior floor space other than units (where no VOC adhesives or backing is also used)

Environmental Mitigation

Tie-Breaker Information

First:	**At-Risk**
Final:	**19.020%**

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 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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 project's estimated cost per unit is $550,610. A significant reason for this relatively high cost for a rehabilitation project is because of the project's location in the city of Los Angeles and that it has existing HUD Section 8 contracts which support a higher as-is appraised value and purchase price. The acquisition cost of the existing HUD-subsidized property alone accounts for over $384,000 per unit of the project's total estimated cost.

At placed-in-service, any units not occupied by income-qualified low-income housing tax credit tenants will not be considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified low-income housing tax credit tenants.

Each site will have an on-site manager and manager's unit. The Woodman Avenue site will have a three-bedroom manager's unit that is exempt from the applicable fraction. The Van Nuys Boulevard site will have a two-bedroom manager's unit which will be one of the low-income units/tenants and which is not exempt from the applicable fraction. If an applicant or project owner proposes to utilize a low-income unit to meet California and TCAC manager unit requirements, the following applies: (1) the unit is considered a low-income restricted unit and must comply with all requirements associated with low-income restricted units; (2) the unit is included in the applicable fraction; and (3) the tenant cannot be evicted upon employment termination. If employment is terminated, the project owner is responsible for continuing to meet California and TCAC on-site manager unit requirements.

These two sites both have affordable multifamily housing projects with HUD Section 8 project-based contracts. The Woodman Avenue site has a contract for 65 of its 79 affordable units, and the Van Nuys Boulevard project has a contract that covers all 24 of its units.

Resyndication and Resyndication Transfer Event: None.

Legal Status
Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions
The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	**9**	**9**	**9**
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	**10**	**10**	**10**
Site Amenities - Woodman Avenue Site	**15**	**15**	**15**
Within ⅓ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Site Amenities - Van Nuys Boulevard Site			
Within ⅓ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	**10**	**10**	**10**
AT-RISK HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	**5**	**5**	**5**
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 15.0%	3	3	3
Additional rehab measures: PV Generation Offsets 50% Tenant Load or 90% of	2	2	2
Lowest Income	**52**	**52**	**52**
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	**10**	**10**	**10**
Miscellaneous Federal and State Policies	**2**	**2**	**2**
State Credit Substitution	2	2	2
Total Points	**113**	**113**	**113**

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.