CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 9, 2020

Douglas Park Apartments, located at 1108 N. Culver Avenue in Compton, requested and is being recommended for a reservation of $981,554 in annual federal tax credits to finance the acquisition and rehabilitation of 71 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and is located in Senate District 35 and Assembly District 64.

Douglas Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Douglas Park Apartments (CA-2004-878). See **Resyndication and Resyndication Transfer Event** below for additional information. 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 Contract.

Project Number	CA-20-706	
Project Name	Douglas Park Apartments	
Site Address:	1108 N. Culver Avenue	
	Compton, CA 90222	County: Los Angeles
Census Tract:	5426.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$981,554	$0
Recommended:	$981,554	$0

Applicant Information

Applicant:	Douglas Park Community Partners, LP
Contact:	Lyna Wang
Address:	17782 Sky Park Circle Irvine, CA 92614
Phone:	949-236-8169
Email:	Lwang@cpp-housing.com

General Partner(s) or Principal Owner(s):	WNC - Douglas Park GP, LLC FFAH V Douglas Park, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	WNC Development Partners Foundation For Affordable Housing V, Inc.
Developer:	Community Preservation Partners, LLC
Investor/Consultant:	Citibank
Management Agent:	FPI Management Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	72
No. / % of Low Income Units:	71 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (71 Unit -100%)

Bond Information

Issuer:	California Housing Financing Agency
Expected Date of Issuance:	January 1, 2021

Information

Housing Type:	Non-Targeted
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Jonghyun(Tommy), Shim

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	21	30%
60% AMI:	50	70%

Unit Mix

60 2-Bedroom Units
12 3-Bedroom Units
72 Total Units

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

Project Cost Summary at Application	
Land and Acquisition	$20,443,000
Construction Costs	$0
Rehabilitation Costs	$5,032,800
Construction Hard Cost Contingency	$251,640
Soft Cost Contingency	$0
Relocation	$195,000
Architectural/Engineering	$182,649
Const. Interest, Perm. Financing	$2,202,244
Legal Fees	$215,000
Reserves	$792,000
Other Costs	$247,228
Developer Fee	$2,480,425
Commercial Costs	$0
Total	**$32,041,986**

Residential	
Construction Cost Per Square Foot:	$77
Per Unit Cost:	$445,028
True Cash Per Unit Cost*:	$430,834

Construction Financing

Source	Amount
Citibank - Tax Exempt	$14,555,000
Citibank - Taxable	$9,245,000
Net Operating Income	$1,106,373
Existing Reserves	$331,000
Developer Fee	$2,458,688
Tax Credit Equity	$4,345,925

Permanent Financing

Source	Amount
Citibank - Tax Exempt	$14,555,000
Citibank - Taxable	$6,390,000
Net Operating Income	$1,106,373
Existing Reserves	$331,000
Deferred Developer Fee	$1,021,941
Tax Credit Equity	$8,637,672
TOTAL	**$32,041,986**

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

Determination of Credit Amount(s)	
Requested Eligible Basis (Rehabilitation):	$7,025,297
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$21,161,983
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,132,886
Qualified Basis (Acquisition):	$21,161,983
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$295,906
Maximum Annual Federal Credit, Acquisition:	$685,648
Total Maximum Annual Federal Credit:	$981,554
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,480,425
Investor/Consultant:	Citibank
Federal Tax Credit Factor:	$0.88000

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:	$28,187,280
Actual Eligible Basis:	$28,187,280
Unadjusted Threshold Basis Limit:	$30,746,880
Total Adjusted Threshold Basis Limit:	$39,663,475

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: 29%

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:

Within 180 days of the tax credit reservation, the applicant is required to provide an updated commitment letter from the Los Angeles LOMOD Corporation for the project-based contract corresponding to the TCAC application.

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-2004-878). 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-04-878) 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 rehabilitation scope of work shall include all of the Short Term Work in the amount of $417,458. In consideration of the Short Term Work requirement, the seller of the project will give a credit in the amount of at least $375,000. As a result of the seller credit, the project is allowed to receive eligible basis for the portioned Short Term Work amount of $375,000, and the amount of $42,458 is excluded from eligible basis.

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.