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

Cantamar Villas, located at 309 Beacon Street and 234 Bird Park Road in Avalon, requested and is being recommended for a reservation of $490,100 in annual federal tax credits to finance the acquisition and rehabilitation of 36 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 Thomas Safran & Associates and is located in Senate District 26 and Assembly District 70.

Cantamar Villas is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Cantamar Villas (CA-99-229). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of USDA Section 515 Rental Assistance.

Project Number	CA-20-724	
Project Name	Cantamar Villas	
Site Addresses:	309 Beacon Street Avalon, CA 90704	234 Bird Park Road Avalon, CA 90704
Census Tracts:	5990.00	5991.00
County:	Los Angeles	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$490,100	$0
Recommended:	$490,100	$0

Applicant Information

Applicant:	Catalina TSA Housing, LP
Contact:	Anthony Yannatta
Address:	11811 San Vincente Boulevard Los Angeles, CA 90049
Phone:	(310) 820-4888
Email:	anthony@tsahousing.com

General Partner(s) or Principal Owner(s):	Catalina TSA Housing LLC Housing Corporation of America
General Partner Type:	Joint Venture
Parent Company(ies):	Thomas Safran & Associates Housing Corporation of America
Developer:	Thomas Safran & Associates
Investor/Consultant:	Alliant Capital
Management Agent:	Thomas Safran & Associates

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	38
No. / % of Low Income Units:	36 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / USDA Section 515 and Section 538 loans / USDA 515 Project-Based Rental Assistance (36 units - 100%)

Bond Information

Issuer:	LACDA
Expected Date of Issuance:	June 7, 2021
Credit Enhancement:	USDA RD Section 538 Guaranteed Rural Rental Housing Loan Program

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	18	50%
60% AMI:	18	50%

Unit Mix

13	1-Bedroom Units
7	2-Bedroom Units
16	3-Bedroom Units
2	4-Bedroom Units
38	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	50%	50%	$1,056
7	1 Bedroom	60%	60%	$1,267
3	2 Bedrooms	50%	50%	$1,267
3	2 Bedrooms	60%	60%	$1,521
8	3 Bedrooms	50%	50%	$1,464
7	3 Bedrooms	60%	60%	$1,757
1	4 Bedrooms	50%	50%	$1,633
1	4 Bedrooms	60%	60%	$1,960
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$8,610,000
Construction Costs	$0
Rehabilitation Costs	$2,865,200
Construction Hard Cost Contingency	$286,520
Soft Cost Contingency	$218,436
Relocation	$0
Architectural/Engineering	$310,500
Const. Interest, Perm. Financing	$1,308,785
Legal Fees	$191,000
Reserves	$468,666
Other Costs	$115,760
Developer Fee	$1,600,514
Commercial Costs	$0
Total	**$15,975,381**

Residential

Construction Cost Per Square Foot:	$84
Per Unit Cost:	$420,405
True Cash Per Unit Cost*:	$419,696

Construction Financing

Source	Amount
Tax-Exempt Bond Public Offering	$4,140,000
Churchill LLC USDA 538 Loan	$3,950,000
Churchill LLC USDA 515 Loan Assumed	$2,261,830
County HOME Loan Assumed	$2,599,689
City of Avalon Loan Assumed	$1,909,388
NOI	$197,237
Reserves	$600,000
Deferred Developer Fee	$155,000
Tax Credit Equity	$290,298

Permanent Financing

Source	Amount
Churchill LLC USDA 538 Loan	$4,140,000
Churchill LLC USDA 515 Assumed	$2,261,830
County HOME Loan Assumed	$2,599,689
City of Avalon Assumed Loan	$1,909,388
NOI	$197,237
Reserves	$600,000
Deferred Developer Fee	$26,939
Tax Credit Equity	$4,240,298
TOTAL	**$15,975,381**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,567,924
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$7,888,250
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,238,301
Qualified Basis (Acquisition):	$7,888,250
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$234,521
Maximum Annual Federal Credit, Acquisition:	$255,579
Total Maximum Annual Federal Credit:	$490,100
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,600,514
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	$0.86519

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:	$13,456,174
Actual Eligible Basis:	$13,456,174
Unadjusted Threshold Basis Limit:	$16,772,472
Total Adjusted Threshold Basis Limit:	$25,158,708

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: 50%

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

This project involves the substantial rehabilitation of two scattered site projects in the City of Avalon that were originally constructed in 2001.

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 7% (one unit) at the Beacon Street site and down to 8% (two units) at the Bird Park site.

The applicant must submit to TCAC, at the time the placed-in-service documentation is submitted, 3rd party lender verification of the assumed debt at the time of closing on the purchase of the property. The total assumed debt figure represents the purchase price of the property. Should the assumed debt figure be less than the acquisition basis of the existing improvements figure presented in the preliminary application, TCAC may re-evaluate the acquisition basis of the existing improvements, which ultimately may affect the final tax

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-1999-229). 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-1999-229) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project shall provide 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 re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work 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.