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

Lake House Apartments, located at 437 and 503 S. Westlake Avenue in Los Angeles, requested and is being recommended for a reservation of $1,254,347 in annual federal tax credits to finance the new construction of 62 units of housing serving special needs tenants with rents affordable to households earning 30% of area median income (AMI). The project will be developed by Community Development Partners and will be located in Senate District 24 and Assembly District 53.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from HCD's NPLH program.

Project Number CA-20-730

Project Name Lake House Apartments
Site Address: 437 and 503 S. Westlake Avenue
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2089.03

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,254,347	$0
Recommended:	$1,254,347	$0

Applicant Information
Applicant: Lake House LP
Contact: Kyle Paine
Address: 3416 Via Oporto, Ste. 301
Newport Beach, CA 92663
Phone: (949) 922-3578
Email: kyle@communitydevpartners.com

General Partner(s) or Principal Owner(s): Lake House CDP LLC
Lake House Mercy House CHDO LLC
General Partner Type: Joint Venture
Parent Company(ies): Community Development Partners
Mercy House Living Centers
Developer: Community Development Partners
Investor/Consultant: Aegon USA Realty Advisors, LLC
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	63
No. / % of Low Income Units:	62 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project Based Vouchers (62 units - 100%)

Bond Information

Issuer:	City of Los Angeles
Expected Date of Issuance:	June 9, 2021

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	62	100%

Unit Mix

33	SRO/Studio Units
30	1-Bedroom Units
63	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
33	SRO/Studio	30%	30%	$591
29	1 Bedroom	30%	30%	$633
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$4,925,297
Construction Costs	$20,303,407
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$1,421,238
Soft Cost Contingency	$123,524
Relocation	$429,000
Architectural/Engineering	$866,000
Const. Interest, Perm. Financing	$2,370,892
Legal Fees	$195,000
Reserves	$430,140
Other Costs	$1,834,753
Developer Fee	$3,542,151
Commercial Costs	$0
Total	**$36,441,402**

Residential

Construction Cost Per Square Foot:	$478
Per Unit Cost:	$578,435
True Cash Per Unit Cost*:	$563,468

Construction Financing

Source	Amount
Citibank	$20,172,127
HCD NPLH	$6,309,000
City of Los Angeles Prop HHH	$5,859,000
Reserves	$430,140
Deferred Developer Fee	$2,479,506
Tax Credit Equity	$1,191,629

Permanent Financing

Source	Amount
Citibank	$9,020,044
HCD NPLH	$7,010,000
City of Los Angeles Prop HHH	$6,510,000
Deferred Developer Fee	$942,911
Developer Equity	$1,042,152
Tax Credit Equity	$11,916,295
TOTAL	**$36,441,402**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$29,780,312
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$38,714,406
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	$1,254,347
Total Maximum Annual Federal Credit:	$1,254,347
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,542,151
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	$0.95000

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:	$29,780,312
Actual Eligible Basis:	$29,780,312
Unadjusted Threshold Basis Limit:	$19,827,576
Total Adjusted Threshold Basis Limit:	$65,996,831

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.

100% of the Low Income Units for Special Needs Population.

Local Development Impact Fees.

95% of Upper Floor Units are Elevator-Serviced.

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 200%

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

Development cost is over $578,000 per unit. A factor driving this is the cost of real estate, labor and building materials in the Los Angeles region. Also affecting cost is the requirement for demolition of the existing buildings, relocation of existing tenants, and a requirement to maintain an NPLH transition

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

Resyndication and Resyndication Transfer Event: None.

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.