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

Pueblo del Sol Phase II, located at 1300 Plaza Del Sol E in Los Angeles, requested and is being recommended for a reservation of $1,704,248 in annual federal tax credits to finance the acquisition and rehabilitation of 175 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Related Irvine Development Company and is located in Senate District 24 and Assembly District 53.

Pueblo del Sol Phase II is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Aliso Village II Apartments (CA-02-041). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD RAD Project-based Vouchers and HUD Section 8 Project-based Vouchers.

Project Number CA-20-739

Project Name Pueblo del Sol Phase II
Site Address: 1300 Plaza Del Sol E
Los Angeles, CA 90033 County: Los Angeles
Census Tract: 2060.32

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,704,248	$0
Recommended:	$1,704,248	$0

Applicant Information

Applicant: Pueblo del Sol II Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272
Email: fcardone@related.com

General Partner(s) or Principal Owner(s): Related/Pueblo del Sol II Development Co., LLC
LOMOD PDS LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California, LLC
La Cienga LOMOD, Inc.
Developer: Related Irvine Development Company
Investor/Consultant: Goldman Sachs Bank USA
Management Agent: McCormack Baron Management, Inc

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	28
Total # of Units:	176
No. / % of Low Income Units:	175 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD RAD Project-based Vouchers (112 units - 64%) HUD Section 8 Project-based Vouchers (29 units - 16%)

Bond Information

Issuer:	Housing Authority of the City of Los Angeles
Expected Date of Issuance:	May 30, 2020

Information

Housing Type:	Large Family
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:	18	10%
35% AMI:	18	10%
40% AMI:	18	10%
45% AMI:	18	10%
50% AMI:	18	10%
60% AMI:	85	49%

Unit Mix

78	2-Bedroom Units
69	3-Bedroom Units
29	4-Bedroom Units
176	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	2 Bedrooms	30%	30%	$760
5	2 Bedrooms	35%	34%	$869
9	2 Bedrooms	40%	35%	$893
10	2 Bedrooms	45%	35%	$882
10	2 Bedrooms	50%	40%	$1,025
36	2 Bedrooms	60%	36%	$908
6	3 Bedrooms	30%	30%	$867
10	3 Bedrooms	35%	34%	$1,010
7	3 Bedrooms	40%	36%	$1,057
8	3 Bedrooms	45%	39%	$1,132
4	3 Bedrooms	50%	32%	$944
34	3 Bedrooms	60%	40%	$1,181
4	4 Bedrooms	30%	29%	$962
3	4 Bedrooms	35%	35%	$1,143
2	4 Bedrooms	40%	36%	$1,187
4	4 Bedrooms	50%	36%	$1,187
15	4 Bedrooms	60%	44%	$1,444
1	4 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$19,680,000
Construction Costs	$0
Rehabilitation Costs	$13,646,352
Construction Hard Cost Contingency	$1,364,635
Soft Cost Contingency	$490,000
Relocation	$2,890,000
Architectural/Engineering	$1,200,600
Const. Interest, Perm. Financing	$3,356,201
Legal Fees	$425,000
Reserves	$1,463,575
Other Costs	$957,782
Developer Fee	$5,393,000
Commercial Costs	$0
Total	**$50,867,145**

Residential	
Construction Cost Per Square Foot:	$64
Per Unit Cost:	$289,018
True Cash Per Unit Cost*:	$166,172

Construction Financing	
Source	Amount
Citibank	$25,000,000
Seller Carryback Loan	$16,568,464
Seller Carryback Loan Interest	$1,359,623
Operating Reserve	$1,184,280
NOI	$1,064,112
Deferred TCAC Monitoring Fee	$72,000
Deferred Developer Fee	$3,763,000
GP Equity	$100
MGP Equity	$279,295
Tax Credit Equity	$1,576,271

Permanent Financing	
Source	Amount
Citibank Tranche A	$9,710,000
Citibank Tranche B	$2,430,000
Seller Carryback Loan	$18,128,300
Seller Carryback Loan Interest	$1,359,623
NOI	$1,064,112
Deferred Developer Fee	$2,133,000
GP Equity	$100
MGP Equity	$279,295
Tax Credit Equity	$15,762,715
TOTAL	**$50,867,145**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$24,174,078
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$21,173,938
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$31,426,301
Qualified Basis (Acquisition):	$21,173,938
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$1,018,212
Maximum Annual Federal Credit, Acquisition:	$686,036
Total Maximum Annual Federal Credit:	$1,704,248
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,393,000
Investor/Consultant:	Goldman Sachs Bank USA
Federal Tax Credit Factor:	$0.92491

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:	$45,348,015
Actual Eligible Basis:	$45,348,015
Unadjusted Threshold Basis Limit:	$84,730,992
Total Adjusted Threshold Basis Limit:	$160,988,884

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.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 30%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 40%

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 applicant requested and has been granted a partial waiver of TCAC Regulation Section 10325(f)(7)(K) that requires accessible units to be evenly distributed among the project's unit types. The request was requested due to potentially hazardous conditions associated with the structural modifications that would be required to fully comply with this requirement.

In lieu of two on-site manager units, the project is committed to employing an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff capable of responding to emergencies during the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

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-02-041). 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-02-041) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of 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 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).

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.