

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
October 10, 2012**

**Project Number** CA-12-886

**Project Name** Seven Palms Apartments  
Site Address: 12831 San Fernando Road  
Los Angeles, CA 91342 County: Los Angeles  
Census Tract: 1066.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$279,083	\$0
Recommended:	\$279,083	\$0

**Applicant Information**

Applicant: Seven Palms Sylmar LP  
Contact: Chris Burns  
Address: 660 Newport Center Drive Ste 930  
Newport Beach, CA 92660  
Phone: 949-719-1888 Fax: 949-719-1897  
Email: cburns@kdfcommunities.com

General partner(s) or principal owner(s): Seven Palms Sylmar MGP, LLC  
Seven Palms Sylmar COGP, LLC  
General Partner Type: Joint Venture  
Developer: KDF Communities LLC  
Investor/Consultant: WNC & Associates  
Management Agent: VPM Management Inc.

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 2  
Total # of Units: 68  
No. & % of Tax Credit Units: 64 95.52%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 7  
Number of Units @ or below 60% of area median income: 57

**Bond Information**

Issuer: City of Los Angeles Housing Department  
 Expected Date of Issuance: December 21, 2012  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: Los Angeles County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

28 1-Bedroom Units  
 40 2-Bedroom Units  


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 68 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	50%	50%	\$791
19 1 Bedroom	60%	58%	\$921
4 1 Bedroom	60%	58%	\$921
4 2 Bedrooms	50%	50%	\$948
34 2 Bedrooms	60%	55%	\$1,037
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$990
2 1 Bedroom	Market Rate Unit	Market Rate Unit	\$885
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$990

**Project Financing**

Estimated Total Project Cost: \$10,145,560  
 Estimated Residential Project Cost: \$10,145,560

**Residential**

Construction Cost Per Square Foot: \$19  
 Per Unit Cost: \$149,199

**Construction Financing**

Source	Amount
Citibank N.A (Tax Exempt)	\$7,500,000
Tax Credit Equity	\$1,376,710

**Permanent Financing**

Source	Amount
Citibank N.A (Tax exempt)	\$5,442,000
Citibank N.A (Taxable)	\$460,000
Project Cash Flow	\$430,000
Deferred Developer Fee	\$1,106,455
Tax Credit Equity	\$2,707,105
<b>TOTAL</b>	<b>\$10,145,560</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$2,167,024
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,313,924
Applicable Fraction:	95.52%
Qualified Basis (Rehabilitation):	\$2,690,991
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$6,031,211
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$86,085
Maximum Annual Federal Credit, Acquisition:	\$192,998
Total Maximum Annual Federal Credit:	\$279,083
Approved Developer Fee in Project Cost:	\$1,107,655
Approved Developer Fee in Eligible Basis:	\$1,096,579
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.97000

Per Regulation Section 10322(i)(4)(A), 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, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$8,480,948
Actual Eligible Basis:	\$8,480,948
Unadjusted Threshold Basis Limit:	\$15,828,296
Total Adjusted Threshold Basis Limit:	\$20,576,785

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

**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 3.20% 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.

**Special Issues/Other Significant Information:** The applicant's estimate of the 3-month operating reserve included in the sources and uses development budget is slightly below (4%) the TCAC required minimum based on the estimated operating expenses and hard debt service payment. At final review, prior to the issuance of the IRS 8609 tax forms, the applicant must show that the project meets the 3-month operating reserve requirement.

**Local Reviewing Agency:**

The Local Reviewing Agency, the Los Angeles Housing Department, has completed a site review of this project and supports this project.

**Recommendation:** Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$279,083</b>	<b>\$0</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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

**Additional Conditions:** The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project is a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 20% as calculated using a methodology approved by the California Energy Commission.