CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 8, 2016

Crescent Villages, located at 1721 West 8th Street and 1315 West 7th Street in Los Angeles, requested and is being recommended for a reservation of $1,082,023 in annual federal tax credits to finance the acquisition and rehabilitation of 142 units of housing serving large families with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Valued Housing II and is located in Senate District 24 and Assembly District 53.

Crescent Villages is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Crescent Village Apartments (CA-93-117) and Los Angeles City Lights (CA-94-068). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-876

Project Name Crescent Villages

Site Address:	1721 W. 8th Street and 1315 W. 7th Street
	Los Angeles, CA 90017 — County: Los Angeles
Census Tract:	2094.03, 2091.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,082,023	$0
Recommended:	$1,082,023	$0

Applicant Information

Applicant:	Crescent Villages II, L.P.		
Contact:	Peter Barker		
Address:	1101 E. Orangewood Ave., Suite 200		
	Anaheim, CA 92815		
Phone:	(714) 533-3450	Fax:	(714) 221-5680
Email:	pbarker@barkermgt.com		

General Partner(s) or Principal Owner(s):	CHAPA MGP, LLC
	VH Crescent GP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Community Housing Assistance Program, Inc.
	P&M Barker Family Trust
	Byron Barker and Ann S. Barker Revocable Trust
Developer:	Valued Housing II
Investor/Consultant:	R4 Capital LLC
Management Agent:	Barker Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	144
No. & % of Tax Credit Units:	142 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
55-Year Use/Affordability:	Yes

Number of Units @ or below 35% of area median income: 13
Number of Units @ or below 50% of area median income: 111
Number of Units @ or below 60% of area median income: 18

Bond Information

Issuer:	City of Los Angeles Housing and Community Investment Department
Expected Date of Issuance:	November 1, 2016
Credit Enhancement:	Citi Community Capital

Information

Housing Type:	Large Family
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Zhuo Chen

Unit Mix

46	1-Bedroom Units
16	2-Bedroom Units
74	3-Bedroom Units
8	4-Bedroom Units
144	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
13	3 Bedrooms	35%	36%	$777
46	1 Bedroom	40%	41%	$641
48	3 Bedrooms	50%	51%	$1,110
4	4 Bedrooms	50%	51%	$1,238
7	2 Bedrooms	50%	52%	$961
5	3 Bedrooms	50%	51%	$1,110
1	4 Bedrooms	50%	51%	$1,238
9	2 Bedrooms	60%	60%	$1,120
7	3 Bedrooms	60%	60%	$1,295
2	4 Bedrooms	60%	60%	$1,444
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	4 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$18,695,000
Construction Costs	$0
Rehabilitation Costs	$10,132,314
Construction Contingency	$45,000
Relocation	$288,000
Architectural/Engineering	$318,750
Construction Interest, Perm Financing	$1,479,300
Legal Fees, Appraisals	$160,000
Reserves	$683,272
Other Costs	$220,680
Developer Fee	$3,894,294
Commercial Costs	$0
Total	**$35,916,610**

Project Financing

Estimated Total Project Cost:	$35,916,610
Estimated Residential Project Cost:	$35,916,610
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$124
Per Unit Cost:	$249,421
Effective Per Unit Cost*:	$235,731

Construction Financing

Source	Amount
Citi Community Capital-TE Bonds	$18,000,000
HCIDLA (Assumed)	$12,186,381
AHP (Assumed)	$670,000
Tax Credit Equity	$5,060,229

Permanent Financing

Source	Amount
Citi Community Capital-TE Bonds	$9,000,000
HCIDLA (Assumed)	$12,186,381
AHP (Assumed)	$670,000
Capitalized Seller's Cash	$219,000
Net Operating Income	$508,690
Deferred Developer Fee	$1,971,297
Tax Credit Equity	$11,361,242
TOTAL	**$35,916,610**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,113,408
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$16,742,850
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$17,047,430
Qualified Basis (Acquisition):	$16,742,850
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$537,880
Maximum Annual Federal Credit, Acquisition:	$544,143
Total Maximum Annual Federal Credit:	$1,082,023
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,894,294
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	$1.05000

Per Regulation Section 10322(h)(9)(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:	$29,856,258
Actual Eligible Basis:	$29,856,258
Unadjusted Threshold Basis Limit:	$42,950,216
Total Adjusted Threshold Basis Limit:	$84,182,423

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 78%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 18%

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 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 3.25% 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

This project involves the substantial rehabilitation of 2 scattered-site buildings originally constructed in the 1990s in the city of Los Angeles.

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. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement of Crescent Village Apartments (CA-93-117) expires 12/31/2051, and the existing regulatory agreement of Los Angeles City Lights (CA-94-068) expires 12/31/2050. The existing regulatory agreement income targeting of Crescent Village Apartments (CA-93-117) is 23 units at or below 50% AMI, and the existing regulatory agreement income targeting of Los Angeles City Lights (CA-94-068) 13 units at or below 50% AMI.

The project is a re-syndication that is subject to the hold harmless rent provisions of the federal Housing and Economic Recovery Act of 2008 (HERA). The applicant requested and is approved to underwrite the project at the hold harmless rent limits. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge hold harmless rents for 124 units (i.e. 13 units targeted at 35% AMI, 46 units targeted at 40% AMI, and 65 units targeted at 50% AMI) only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

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.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
$1,082,023	**$0**

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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project will implement the following sustainable building management practices:
    (i) Develop a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.