CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Princess Apartments, located at 722 N. Van Ness Avenue, 1648 N. Kingsley Drive, 6116 Eleanor Avenue, and 4335 Woodlawn Avenue in Los Angeles, requested and is being recommended for a reservation of $497,551 in annual federal tax credits to finance the acquisition and rehabilitation of 56 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by IAHI-Developers, LLC and is located in Senate Districts 24, 26, and 30 and Assembly Districts 53, 43, 50, and 59.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-931

Project Name Princess Apartments

	Site 1	**Site 2**
Site Address:	722 N. Van Ness Avenue Los Angeles, CA 90038	1648 N. Kingsley Drive Los Angeles, CA 90027
Census Tract:	1917.10	1905.20
	Site 3	**Site 4**
Site Address:	6116 Eleanor Avenue Los Angeles, CA 90038	4335 Woodlawn Avenue Los Angeles, CA 90011
Census Tract:	1918.10	2284.20

County: Los Angeles

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$497,551	$0
Recommended:	$497,551	$0

Applicant Information

Applicant:	Princess Affordable Apartments, LP	
Contact:	Marco Gomez	
Address:	3553 Atlantic Avenue, #250 Long Beach, CA 90807	
Phone:	(213) 924-3217	Fax: (562) 683-0414
Email:	mg@iahinc.org	

General Partner(s) or Principal Owner(s):	IAHI-Princess, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Intercontinental Affordable Housing, Inc.
Developer:	IAHI-Developers, LLC
Investor/Consultant:	The Richman Group / Credit Capital
Management Agent:	American Real Property Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	58
No. & % of Tax Credit Units:	56 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (58 units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	16
Number of Units @ or below 60% of area median income:	40

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	October 15, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Connie Harina

Unit Mix

44	SRO/Studio Units
14	1-Bedroom Units
58	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
Site 1				
1	1 Bedroom	50%	50%	$814
2	1 Bedroom	50%	50%	$814
3	1 Bedroom	60%	60%	$977
2	1 Bedroom	60%	60%	$977
Site 2				
4	SRO/Studio	50%	50%	$760
19	SRO/Studio	60%	60%	$912
1	SRO/Studio	Manager's Unit	Manager's Unit	$912
Site 3				
3	SRO/Studio	50%	50%	$760
3	1 Bedroom	50%	50%	$814
9	SRO/Studio	60%	60%	$912
1	1 Bedroom	Manager's Unit	Manager's Unit	$977
Site 4				
2	SRO/Studio	50%	40%	$609
1	1 Bedroom	50%	44%	$711
6	SRO/Studio	60%	40%	$609
1	1 Bedroom	60%	44%	$711

Project Cost Summary at Application	
Land and Acquisition	$9,015,000
Construction Costs	$0
Rehabilitation Costs	$3,998,701
Construction Contingency	$100,000
Relocation	$29,000
Architectural/Engineering	$114,550
Const. Interest, Perm. Financing	$678,952
Legal Fees, Appraisals	$10,000
Reserves	$602,730
Other Costs	$124,405
Developer Fee	$1,835,505
Commercial Costs	$0
Total	**$16,508,843**

Project Financing	
Estimated Total Project Cost:	$16,508,843
Estimated Residential Project Cost:	$16,508,843
Estimated Commercial Project Cost:	$0

Residential	
Construction Cost Per Square Foot:	$170
Per Unit Cost:	$284,635
True Cash Per Unit Cost*:	$244,007

Construction Financing

Source	Amount
Jones Lang LaSalle	$8,500,000
Princess Apartments Seller's Note	$3,800,000
Totalis Energy LLC	$784,000
Deferred Developer Fee	$1,478,724
General Partner Equity	$24,910
Tax Credit Equity	$1,921,209

Permanent Financing

Source	Amount
Jones Lang LaSalle	$8,500,000
Princess Apartments Seller's Note	$1,100,000
Deferred Developer Fee	$1,256,417
General Partner Equity	$24,910
Solar Tax Credit Equity	$253,965
Tax Credit Equity	$5,373,551
TOTAL	**$16,508,843**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,525,758
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,428,850
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,883,485
Qualified Basis (Acquisition):	$9,428,850
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$191,113
Maximum Annual Federal Credit, Acquisition:	$306,438
Total Maximum Annual Federal Credit:	$497,551
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,835,505
Investor/Consultant:	The Richman Group / Credit Capital
Federal Tax Credit Factor:	$1.08000

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:	$13,954,608
Actual Eligible Basis:	$13,954,608
Unadjusted Threshold Basis Limit:	$11,588,856
Total Adjusted Threshold Basis Limit:	$15,644,956

Adjustments to Basis Limit

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

● Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.

● Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 28%

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

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

This project involves the substantial rehabilitation of 6 buildings at 4 scattered-sites originally constructed between 1924 and 1930 in the City of Los Angeles.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project's placing in service. Specifically, the management company American Real Property Management, Inc., shall complete training as prescribed by TCAC prior to the project placing in service.

Local Reviewing Agency

The Local Reviewing Agency, Los Angeles Housing and Community Investment 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**
$497,551	**$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 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The rehabilitation project commits to include photovoltaic (PV) generation that offsets tenant loads.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.