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

Seasons II Senior Apartments, located at 21309 Bloomfield Avenue in Lakewood, requested and is being recommended for a reservation of $558,271 in annual federal tax credits to finance the acquisition and rehabilitation of 83 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners, LLC and is located in Senate District 32 and Assembly District 63.

Seasons II Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Seasons II at Lakewood (CA-95-914). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-936

Project Name Seasons II Senior Apartments
Site Address: 21309 Bloomfield Avenue
Lakewood, CA 90715 County: Los Angeles
Census Tract: 5551.040

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$558,271	$0
Recommended:	$558,271	$0

Applicant Information
Applicant: Seasons Lakewood AR, L.P.
Contact: Thomas Erickson
Address: 330 W. Victoria Street
Gardena, CA 90248
Phone: 424-258-2918 Fax: 424-258-2919
Email: thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s): LINC-Gardena Associates, LLC
HCHP Affordable Multi-Family, LLC
General Partner Type: Joint Venture
Parent Company(ies): LINC Housing Corporation
Highridge Costa Housing Partners, LLC
Developer: Highridge Costa Housing Partners, LLC
Investor/Consultant: Victoria Capital, LLC
Management Agent: Western National Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	5	
Total # of Units:	85	
No. & % of Tax Credit Units:	83	100.00%
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: 18

Number of Units @ or below 60% of area median income: 65

Bond Information

Issuer:	Golden State Finance Authority
Expected Date of Issuance:	December 1, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Seniors
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	Jack Waegell

Unit Mix

68	1-Bedroom Units
17	2-Bedroom Units
85	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
14	1 Bedroom	50%	50%	$814
53	1 Bedroom	60%	60%	$977
4	2 Bedrooms	50%	50%	$977
12	2 Bedrooms	60%	60%	$1,173
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$977
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,173

Project Cost Summary at Application

Land and Acquisition	$13,800,000
Construction Costs	$0
Rehabilitation Costs	$1,966,500
Construction Contingency	$91,425
Relocation	$0
Architectural/Engineering	$53,650
Const. Interest, Perm. Financing	$782,109
Legal Fees, Appraisals	$137,500
Reserves	$222,682
Other Costs	$91,792
Developer Fee	$2,138,367
Commercial Costs	$0
Total	**$19,284,025**

Project Financing

Estimated Total Project Cost:	$19,284,025
Estimated Residential Project Cost:	$19,284,025
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$44
Per Unit Cost:	$226,871
True Cash Per Unit Cost*:	$164,608

Construction Financing

Source	Amount
America First T.E. Investors, L.P.	$12,610,000
GSFA Loan	$350,000
Seller Note	$3,253,937
Seller Equity	$625,000
Deferred Costs During Construction	$2,321,049
Tax Credit Equity	$124,038

Permanent Financing

Source	Amount
America First T.E. Investors, L.P.	$7,558,266
GSFA Loan	$350,000
Seller Note	$3,253,937
Seller Equity	$625,000
Income During Rehabilitation	$269,323
Deferred Developer Fee	$2,038,367
Tax Credit Equity	$5,189,132
TOTAL	**$19,284,025**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$2,617,150
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$13,777,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,402,295
Qualified Basis (Acquisition):	$13,777,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$110,518
Maximum Annual Federal Credit, Acquisition:	$447,753
Total Maximum Annual Federal Credit:	$558,271
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,138,367
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	$0.92950

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:	$16,394,150
Actual Eligible Basis:	$16,394,150
Unadjusted Threshold Basis Limit:	$19,663,696
Total Adjusted Threshold Basis Limit:	$23,793,072

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: 21%

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 3.25% 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 applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% (5 units) due to excessive expensiveness. The project shall provide 5% of the units (5 units) meeting the provisions of California Building Code Chapter 11(B) regarding accessibility to privately owned housing made available for public use, except for the requirements to switch the locations of the toilet and sink in each unit's bathroom, to rotate the position of the bathtub and its drain 180 degrees from its current location in each unit's bathroom, and to widen the hallway from 36 inches to 42 inches in each unit.

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 1/1/1998 through 12/31/2012. The existing regulatory agreement expires 12/31/2027. The existing regulatory agreement income targeting is 85 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rent and income targeting limits in the existing regulatory agreement(s) and any deeper targeting in the new regulatory agreement for the duration of the new regulatory agreement.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $611,639. In lieu of a Short Term Work Capitalized Reserve, there is a seller equity contribution of $625,000 allowing the applicant to use Short Term Work Reserve Amount to fund rehabilitation expenses and to receive eligible basis for that amount.

Local Reviewing Agency
The Local Reviewing Agency, the City of Lakewood, has completed a site review of this project and strongly 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**
$558,271	**$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: None.