CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
November 16, 2016
<u>REVISED</u>

La Puente Park Apartments, located at 14714 East Prichard Street in La Puente, requested and is being recommended for a reservation of $1,330,722 in annual federal tax credits to finance the acquisition and rehabilitation of 131 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Preservation Partners Development III, LP and is located in Senate District 22 and Assembly District 57.

La Puente Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, La Puente Park Apartments (CA-01-896). See **Special Issues/Other Significant Information** below for additional re-syndication information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number	CA-16-929	
Project Name	La Puente Park Apartments	
Site Address:	14714 East Prichard Street	
	La Puente, CA 91744	County: Los Angeles
Census Tract:	4072.000	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,330,722	$0
Recommended:	$1,330,722	$0

Applicant Information

Applicant:	La Puente Park Preservation LP		
Contact:	William E. Szymczak		
Address:	21515 Hawthorne Boulevard Suite 390		
	Torrance	CA	90503
Phone:	(310) 802-6671		
Email:	bill@preservationpartners.org		

General Partner(s) or Principal Owner(s):	JHC-La Puente Park LLC
	La Puente Park Preservation Partners LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Jamboree Housing Corporation
	Preservation Partners
Developer:	La Puente Developer Limited Partnership
Investor/Consultant:	La Puente Investor 2016, LLC
Management Agent:	Preservation Partners Management Group, Inc

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	14
Total # of Units:	132
No. & % of Tax Credit Units:	131 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Contract (131 Units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	40
Number of Units @ or below 60% of area median income:	91

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	December 30, 2016
Credit Enhancement:	FHA Loan Insurance

Information

Housing Type:	Large Family
Geographic Area:	Balance of Los Angeles County
TCAC Project Analyst:	DC Navarrette

Unit Mix

8	1-Bedroom Units
88	2-Bedroom Units
36	3-Bedroom Units
132	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	50%	$814
6	1 Bedroom	60%	60%	$977
25	2 Bedrooms	50%	50%	$977
63	2 Bedrooms	60%	60%	$1,173
13	3 Bedrooms	50%	50%	$1,128
22	3 Bedrooms	60%	60%	$1,354
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$25,500,000
Construction Costs	$0
Rehabilitation Costs	$9,231,673
Construction Contingency	$923,167
Relocation	$416,930
Architectural/Engineering	$230,000
Const. Interest, Perm. Financing	$3,331,584
Legal Fees, Appraisals	$335,000
Reserves	$730,246
Other Costs	$297,638
Developer Fee	$4,922,117
Commercial Costs	$0
Total	**$45,918,355**

Project Financing

Estimated Total Project Cost:	$45,918,355
Estimated Residential Project Cost:	$45,918,355
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$38
Per Unit Cost:	$347,866
True Cash Per Unit Cost*:	$284,112

Construction Financing

Source	Amount
Red Capital Group - Tranche A	$2,491,000
Red Capital Group - Tranche B	$21,500,000
Seller Carryback Loan	$6,303,420
General Partner Equity	$204,598
Deferred Developer Fee	$4,773,561
Tax Credit Equity	$10,645,776

Permanent Financing

Source	Amount
Red Capital Group	$23,991,000
Seller Carryback Loan	$6,303,420
Deferred Developer Fee	$2,112,117
General Partner Equity	$204,598
Tax Credit Equity	$13,307,220
TOTAL	**$45,918,355**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,701,232
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$24,035,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$17,811,602
Qualified Basis (Acquisition):	$24,035,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$549,584
Maximum Annual Federal Credit, Acquisition:	$781,138
Total Maximum Annual Federal Credit:	$1,330,722
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,922,117
Investor/Consultant:	La Puente Investor 2016, LLC
Federal Tax Credit Factor:	$1.00000

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:	$37,736,232
Actual Eligible Basis:	$37,736,232
Unadjusted Threshold Basis Limit:	$37,710,816
Total Adjusted Threshold Basis Limit:	$49,024,061

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: 30%

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

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 01/01/2002 through 12/31/2016. The existing regulatory agreement expires 12/31/2031. The existing regulatory agreement income targeting is 30% of the units at or below 50% AMI. 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).

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 $204,598. In lieu of a Short Term Work Capitalized Reserve, there is a general partner equity contribution of $204,598 allowing the applicant to use the Short Term Work Reserve Amount to fund rehabilitation expenses and to receive eligible basis for such amount.

Local Reviewing Agency

The Local Reviewing Agency, the City of La Puente, 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**
$1,330,722	**$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.