

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
December 14, 2016**

Swansea Park Senior Apartments Phase 2, located at 5151 W. Romaine Street in Los Angeles, requested and is being recommended for a reservation of \$860,070 in annual federal tax credits to finance the new construction of 75 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be co-developed by APEC International, LLC, Deep Green Housing and Community Development, and Swansea Development Corporation and will be located in Senate District 24 and Assembly District 43.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the MHP and IIG programs of HCD.

**Project Number** CA-16-990

**Project Name** Swansea Park Senior Apartments Phase 2  
Site Address: 5151 W. Romaine Street  
Los Angeles, CA 90029 County: Los Angeles  
Census Tract: 1916.200

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$860,070	\$0
Recommended:	\$860,070	\$0

**Applicant Information**

Applicant: APEC International, LLC  
Contact: Eugene Kim  
Address: 770 S. Irolo Street, Suite 1000  
Los Angeles, CA 90005  
Phone: 213-738-7389 Fax: 213-384-3847  
Email: ekim@4apec.com

General Partner(s) or Principal Owner(s): APEC International, LLC  
Deep Green Housing and Community Development  
Swansea Development Corporation  
General Partner Type: Joint Venture  
Parent Company(ies): APEC International, LLC  
Deep Green Housing and Community Development  
Swansea Development Corporation  
Developers: APEC International, LLC  
Deep Green Housing and Community Development  
Swansea Development Corporation  
Investor/Consultant: Alden Capital Partners, LLC  
Management Agent: FPI Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 76  
 No. & % of Tax Credit Units: 75 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (50% - 38 Units)  
 HCD MHP Funding: Yes  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 32  
 Number of Units @ or below 50% of area median income: 43

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: April 15, 2017  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

65 1-Bedroom Units  
 10 2-Bedroom Units  
 1 3-Bedroom Units  


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 76 Total Units

<u>Unit Type &amp; Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	30%	\$488
19 1 Bedroom	35%	35%	\$570
1 1 Bedroom	35%	35%	\$570
3 1 Bedroom	40%	40%	\$651
13 1 Bedroom	40%	40%	\$651
23 1 Bedroom	50%	50%	\$814
3 2 Bedrooms	30%	30%	\$586
3 2 Bedrooms	35%	35%	\$684
2 2 Bedrooms	40%	40%	\$782
2 2 Bedrooms	50%	50%	\$977
1 3 Bedrooms	30%	30%	\$677
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,745,400
Construction Costs	\$14,529,204
Rehabilitation Costs	\$0
Construction Contingency	\$1,297,310
Relocation	\$421,992
Architectural/Engineering	\$800,000
Const. Interest, Perm. Financing	\$2,515,190
Legal Fees, Appraisals	\$145,000
Reserves	\$456,968
Other Costs	\$530,479
Developer Fee	\$1,200,000
Commercial Costs	\$0
<b>Total</b>	<b>\$28,641,543</b>

**Project Financing**

Estimated Total Project Cost:	\$28,641,543
Estimated Residential Project Cost:	\$28,641,543
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$233
Per Unit Cost:	\$376,862
True Cash Per Unit Cost*:	\$358,682

**Construction Financing**

Source	Amount
Bank of Hope (fka BBCN Bank)	\$20,200,000
HCD - IIG	\$3,520,440
Seller Carryback Note	\$896,960
Deferred Costs	\$1,202,459
Tax Credit Equity	\$2,821,684

**Permanent Financing**

Source	Amount
Bank of Hope (fka BBCN Bank)	\$7,822,571
HCD - IIG	\$3,520,440
HCD - MHP	\$6,500,000
Seller Carryback Note	\$896,960
Deferred Developer Fee	\$484,749
Tax Credit Equity	\$9,416,823
<b>TOTAL</b>	<b>\$28,641,543</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$20,356,682
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,463,687
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$860,070
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Alden Capital Partners, LLC
Federal Tax Credit Factor:	\$1.09489

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:	\$20,356,682
Actual Eligible Basis:	\$20,356,682
Unadjusted Threshold Basis Limit:	\$17,464,220
Total Adjusted Threshold Basis Limit:	\$43,835,192

**Adjustments to Basis Limit**

95% of Upper Floor Units are Elevator-Serviced  
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 57%  
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 84%

**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:** None.

**Local Reviewing Agency**

The Local Reviewing Agency, the City of 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$860,070</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:** None.