**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**September 26, 2007**

**Project Number** CA-2007-868

**Project Name** The Rosslyn Lofts
Address: 101 West 5th Street
Los Angeles, CA 90013 County: Los Angeles

**Applicant Information**
Applicant: The Rosslyn Lofts Housing Partners, L.P.
Contact Ruben Islas
Address: 2878 Camino Del Rio South, Suite 240
San Diego, CA 92108
Phone: (619) 840-6305 Fax: (619) 374-2094 email: ruben@amerland.bz
Sponsors Type: Nonprofit/Joint Venture/For Profit

**Bond Information**
Issuer: California Statewide Communities Development Authority
Expected Date of Issuance: August 31, 2007
Credit Enhancement: None

**Eligible Basis**
Actual: $46,169,983
Requested: $46,169,983
Maximum Permitted: $67,815,317

Extra Feature Adjustments: 55-Year Use/Rent Restriction Adjustment: 120% ☒

| Tax Credit Amounts | Federal/Annual | State/Total |
|---|---|---|
| Requested: | $1,739,071 | $0 |
| Recommended: | $1,739,071 | $0 |

**Project Information**
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 259
Total # Residential Buildings: 1

**Income/Rent Targeting**
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-259 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 26
Number of Units @ or below 60% of area median income: 233

| | 2007 Rents | |
|---|---|---|
| **Unit Type & Number** | **% of Area Median Income** | **Proposed Rent** |
| 173 Studio units | 60% | $777 |
| 26 Studio units | 50% | $453 |
| 60 Studio units | 60% | $453 |

The project developer is Islas Development, LLC.

The management services will be provided Logan Property Management.

The market analysis was provided by Lea & Company.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Project Financing**
Estimated Total Project Cost: $52,772,738 Per Unit Cost: $203,756 Construction Cost Per Sq. Ft.: $167
Estimated Total Residential Cost: $50,477,738
Estimated Total Commercial Cost: $2,295,000

| Construction Financing | | Permanent Financing | |
|---|---|---|---|
| Source | Amount | Source | Amount |
| Citigroup | $30,000,000 | Citigroup—Residential Portion | $22,355,000 |
| CRA of Los Angeles | $8,000,000 | Citigroup—Commercial Portion | $2,295,000 |
| Deferred Developer Fee | $2,500,000 | CRA of Los Angeles | $8,000,000 |
| Investor Equity | $12,272,738 | Deferred Developer Fee | $2,210,307 |
| | | Investor Equity | $17,912,431 |
| | | **TOTAL** | $52,772,738 |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Rehabilitation Eligible Basis: | $25,514,982 |
| Requested Acquisition Eligible Basis: | $20,655,000 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100% |
| Qualified Rehabilitation Basis: | $33,169,478 |
| Qualified Acquisition Basis: | $15,138,050 |
| Applicable Fraction: | 73.29% |
| Applicable Rate: | 3.60% |
| Maximum Annual Federal Rehabilitation Credit: | $1,194,101 |
| Maximum Annual Federal Acquisition Credit: | $544,970 |
| Total Maximum Annual Federal Credit: | $1,739,071 |
| Approved Developer Fee: | 2,500,000 |
| Tax Credit Factor: | $1.03 |

Applicant requested and staff recommends annual federal credits of $1,739,071 based on a qualified rehabilitation basis of $33,169,478, a qualified acquisition basis of $15,138,050, and a funding shortfall of $17,912,431.

**Cost Analysis and Line Item Review**
The requested eligible basis $46,169,983 is below TCAC's adjusted threshold basis limit $67,815,317. The basis limit includes the extraordinary feature of the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.6 0% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** 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.

The applicant has proposed to subdivide the total building into three condominium units. All three condominium units will have the same ownership. One unit encompasses the market rate units on floors 10-12, already rehabilitated and leased and a second unit consisting of floors 3-8 (or 2-9-not finalized at this time), consisting of low-income SRO units. The third condominium unit, ground floor to either floor 2 or 3, represents retail space.

Applicant has also chosen to combine the market rate residential income from one of the three condominium units with the low-income condominium residential units to defray the combined operating expenses of all residential units. The retail condominium unit is excluded. Applicant states that no rehabilitation expense is related to the market rate units. However, only a percentage (73.29%) of the acquisition basis—representing only the low-income residential unit—was applied to the calculation of eligible acquisition basis.

**Condition Precedent** TCAC has advised the applicant that prior to finalization and issuance of Forms 8609, all condominium subdivisions must have been approved by all appropriate agencies with no further approvals or discretionary reviews required to finalized the subdivision and separate ownerships of the three condominiums. This condition, as stated in this report, is incorporated and established as a condition precedent to issuance of Forms 8609.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

**$1,739,071** Federal/Annual **$0** State/Total

**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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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**

Project Analyst:  G. Boyd