

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 26, 2008

Project Number CA-2008-818

Project Name Sierra Bonita Apartments
Address: 7530 Santa Monica Blvd.
West Hollywood, CA 90060 County: Los Angeles

Applicant Information

Applicant: 7530 Santa Monica, L.P.
Contact Robin Conerly
Address: 8285 Sunset Blvd., Suite 3
West Hollywood, CA 90046
Phone: (323) 650-8771 x16 **Fax:** (323) 650-4745
Sponsors Type: Nonprofit

Bond Information

Issuer: County of Los Angeles
Expected Date of Issuance: March 25, 2008
Credit Enhancement: NA

Eligible Basis

Actual: \$16,257,693
Requested: \$16,257,693
Maximum Permitted: \$17,907,892

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
100% of the Units are for Special Needs Populations: 2%
<35% and 36%-50%
95% Upper floor usage

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$760,859	\$0
Recommended:	\$760,859	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 42
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 41 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 41
Number of Units @ or below 60% of area median income: 0

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 One-Bedroom	30%	\$416
28 One-Bedroom	40%	\$555
1 One-Bedroom	Manager's unit	\$0

The general partner(s) or principal owner(s) are West Hollywood CDC.

The project developer is West Hollywood CDC.

The management services will be provided by West Hollywood CDC.

The market analysis was provided by M.E. Shay and Co..

The Local Reviewing Agency, the City of West Hollywood, has completed a site review and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$18,605,524 Per Unit Cost: \$408,026 Construction Cost Per Sq. Foot: \$211

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
WFB—T/E Bonds	\$11,000,000	HCD-MHP	\$3,786,240
West Hollywood CDC	\$2,252,358	West Hollywood CDC	\$2,494,671
County of Los Angeles CDC	\$3,000,000	County of Los Angeles CDC	\$3,000,000
AHP	\$350,672	AHP	\$350,672
West Hollywood CDC—Com'l	1,493,418	West Hollywood	\$1,493,418
Investor Equity	\$100,000	Investor Equity	\$7,455,523
		TOTAL	\$18,605,524

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,257,693
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$21,135,001
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$760,859
Approved Developer Fee:	\$732,000
Tax Credit Factor:	\$.9766

Applicant requests and staff recommends annual federal credits of \$760,859 based on a qualified basis of \$21,135,001 and a funding shortfall of \$7,455,523. Applicant included \$25,000 in syndication costs in total development costs. Staff adjusted accordingly.

Cost Analysis and Line Item Review

The requested eligible basis \$16,257,693 is below TCAC's adjusted threshold basis limit \$17,907,892 . The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units and projects where 100% of the units are for special needs populations. 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 3.60% 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.

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:

Federal/Annual	State/Total
\$760,859	\$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.

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: The applicant/owner is required to provide the tenants with **educational classes and contract for services** for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: gb