

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

Project Number CA-2008-834

Project Name Charles Cobb Apartments
Address: 521 S. San Pedro Street
Los Angeles, CA 90013

County: Los Angeles

Applicant Information

Applicant: Skid Row Housing Trust
Contact: Michael Alvidrez
Address: 1317 E. 7th Street
Los Angeles, CA 90021
Phone: (213) 683-0522 x113
Sponsors Type: Nonprofit

Fax: (213) 683-0781

Bond Information

Issuer: Los Angeles Housing Department
Expected Date of Issuance: May 2, 2008
Credit Enhancement: None

Eligible Basis

Actual: \$17,016,024
Requested: \$17,016,588
Maximum Permitted: \$29,688,730

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%

Parking Beneath Residential Units: 7%

55-Year Use/Rent Restriction Adjustment:

95% of Upper Floor Units are Elevator-Serviced: 10%

Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: Up to 100%

Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: Up to 200%

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$796,375 \$0
Recommended: \$796,351 \$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 76
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-74 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 74
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>
35 Studio units	35%	\$453
39 Studio units	50%	\$647
1 Studio unit	Manager's unit	\$0
1 One-bedroom unit	Manager's unit	\$0

The general partner or principal owner is Charles Cobb Apartments, L.P.

The project developer is Skid Row Housing Trust.

The management services will be provided by SRHT Property Management Company.

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

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: \$19,787,999 Per Unit Cost: \$260,368 Construction Cost Per Sq. Foot: \$163

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank—T/E Bonds	\$11,700,000	Citibank—T/E Bonds	\$1,014,000
LAHD—Hsg. Trust	\$3,772,148	LAHD—Hsg. Trust	\$3,772,148
AHP	\$1,000,000	AHP	\$1,000,000
GP Loan	\$281,235	HCD-MHP	\$4,497,600
Deferred Costs	\$692,430	GP Loan	\$281,235
LAHD—Accrued/Deferred Interest	\$122,300	LAHD—Accrued/Deferred Interest	\$122,300
GP Equity	\$1,019,500	GP Equity	\$1,019,500
Deferred Developer Fee	\$329,000	Deferred Developer Fee	\$329,000
Investor Equity	\$923,170	Investor Equity	\$7,752,216
		TOTAL	\$19,787,999

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,016,024
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$22,120,831
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$796,351
Approved Developer Fee:	\$2,218,966
Tax Credit Factor:	\$.96830

Applicant requested annual federal credits of \$796,375 based on a qualified basis of \$22,121,525 and a funding shortfall of \$7,711,500. Staff recommends annual federal credits of \$796,351 based on a qualified basis of \$22,120,831 and a funding shortfall of \$7,752,216. Applicant included syndication costs which staff corrected. Applicant states furnishing expenses at \$9,430 per SRO units. CPA certification of these costs may be required by TCAC at placed-in-service.

Cost Analysis and Line Item Review

The requested eligible basis \$17,016,024 is below TCAC's adjusted threshold basis limit \$29,688,730. 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, projects that include 95% of upper floor units are elevator-serviced, projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, projects where each 1% of low-income units are income targeted at 35% AMI & below. 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
\$796,351	\$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 no service amenities 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