

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**April 16, 2008**

**Project Number** CA-2008-838

**Project Name** Adams and Central Mixed-Use Development  
**Address:** 1011 E. Adams Blvd.  
Los Angeles, CA 90011 County: Los Angeles

**Applicant Information**

**Applicant:** Adams 935, L.P.  
**Contact** Christopher Maffris  
**Address:** 1640 South Sepulveda Boulevard, Suite 425  
Los Angeles, CA 90025  
**Phone:** (310) 575-3543 x 108 **Fax:** (310) 575-3563  
**Sponsors Type:** Limited Partnership

**Bond Information**

**Issuer:** City of Los Angeles  
**Expected Date of Issuance:** May, 2008  
**Credit Enhancement:** NA

**Eligible Basis**

**Actual:** \$26,526,193  
**Requested:** \$26,526,193  
**Maximum Permitted:** \$43,704,876

**Extra Feature Adjustments:**

**Required to Pay Prevailing Wages:** 20%   
**Parking Beneath Residential Units:** 7%   
**Local Development Impact Fees:**   
**95% of Upper Floor Units are Elevator-Serviced:** 10%   
**55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI:** 65%   
**55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below:** 35%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
<b>Requested:</b>	\$1,241,426	\$0
<b>Recommended:</b>	\$1,241,426	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt/CDBG  
**HCD--MHP Funding:** Yes  
**Total # of Units:** 80  
**Total # Residential Buildings:** 1

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100%-79 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 79  
**Number of Units @ or below 60% of area median income:** 0

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 One-Bedroom	35%	\$497
9 One-Bedroom	45%	\$639
12 Two-Bedroom	35%	\$596
23 Two-Bedroom	45%	\$767
11 Three-Bedroom	35%	\$689
19 Three-Bedroom	45%	\$887
1 Two-Bedroom	Manager's Unit	\$1,023

The general partner(s) or principal owner(s) are Adams 935, LLC and Western Community Housing.

The project developer is Meta Housing Corporation.

The management services will be provided by Solari Enterprises.

The market analysis was provided by Novogradac & Company.

The Local Reviewing Agency, the Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$31,663,348 Per Unit Cost: \$395,792 Construction Cost Per Sq. Foot: \$289

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America – Tax Exempt Bonds	\$18,000,000	Bank of America – Tax Exempt Bonds	\$1,715,802
LAHD	\$5,788,800	LAHD	\$5,788,800
LA-CRA	\$2,000,000	LA—CRA	\$2,000,000
CDBG Grant	\$2,500,000	CDBG Grant	\$2,500,000
Deferred Fees and Costs	\$333,055	HCD—MHP	\$7,221,797
Investor Equity	\$3,041,493	Deferred Fees and Costs	\$270,976
		Investor Equity	\$12,165,973
		<b>TOTAL</b>	<b>\$31,663,348</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$26,526,193
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$34,484,051
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,241,426
Approved Developer Fee:	\$1,200,000
Tax Credit Factor: Red Stone Equity	\$.98000

Applicant requests and staff recommends annual federal credits of \$1,241,426 based on a qualified basis of \$34,484,051 and a funding shortfall of \$12,165,973.

### Cost Analysis and Line Item Review

The requested eligible basis \$26,526,193 is below TCAC's adjusted threshold basis limit \$43,704,876 . 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, local development impact fees, projects that include 95% of upper floor units are elevator-serviced, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and 55-year use/affordability restriction for 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:** None

**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
\$1,241,426	\$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 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 will offer to Project residents an after school program of an ongoing nature on-site or there must be an after school program available to Project residents within 1/4 mile of the Project and will also educational classes (such as English as a Second Language classes, computer training, etc.) on-site or there must be educational classes available to Project residents within 1/4 mile of the Project 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