

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 28, 2008

Project Number CA-2008-845

Project Name Tres Lomas Garden Apartments
Address: 4343 Toland Way
Los Angeles, CA 90041 County: Los Angeles

Applicant Information

Applicant: Eagle Rock Senior Housing Partners, L.P.
Contact Richard J. Whittingham
Address: 9065 Haven Avenue, Suite 100
Rancho Cucamonga, CA 91730
Phone: (909) 483-2444 **Fax:** (909) 291-1401
Sponsors Type: Nonprofit

Bond Information

Issuer: City of Los Angeles Housing Department
Expected Date of Issuance: July 7, 2008
Credit Enhancement: None

Eligible Basis

Actual: \$5,341,604
Requested: \$5,341,604
Maximum Permitted: \$19,014,418

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between
50% AMI & 36% AMI: 84.44%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35%
AMI or Below: 11.11%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$217,455	\$0
Recommended:	\$217,455	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HOME / HUD Section 8
HCD MHP Funding: Yes
Total # of Units: 46
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 45 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 43
Number of Units @ or below 60% of area median income: 2

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 One-Bedroom	30%	\$416
21 One-Bedroom	40%	\$555
17 One-Bedroom	50%	\$693
2 One-Bedroom	60%	\$832
1 Two-Bedroom	Manager's Unit	\$0

The general partner or principal owner is National Community Renaissance of California (a.k.a. National CORE).

The project developer is National CORE of California.

The management services will be provided by National CORE of California.

The market analysis was provided by Novogradac & Company, LLP.

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

Project Financing

Estimated Total Project Cost: \$7,233,580 Per Unit Cost: \$157,252 Construction Cost Per Sq. Foot: \$69

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Housing Capital Company – T.E. Bonds	\$3,750,000	U.S. Bank	\$801,000
LAHD – Acquisition Loan - HOME	\$2,225,251	HCD – MHP	\$1,763,319
Investor Equity	\$865,625	LAHD – HOME	\$2,225,251
		FHLB – AHP	\$285,000
		HUD Section 8 HAP Income	\$150,396
		Deferred Developer Fee	\$95,011
		Investor Equity	\$1,913,603
		TOTAL	\$7,233,580

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$2,881,604
Requested Acquisition Eligible Basis:	\$2,460,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,646,086
Qualified Acquisition Basis:	\$2,394,332
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$131,259
Maximum Annual Federal Acquisition Credit:	\$86,196
Total Maximum Annual Federal Credit:	\$217,455
Approved Developer Fee in Project Cost:	\$342,000
Approved Developer Fee in Eligible Basis:	\$342,000
Tax Credit Factor: Hudson Capital	\$0.88

Applicant requests and staff recommends annual federal credits of \$217,455, based on a qualified rehabilitation basis of \$3,646,086, a qualified acquisition basis of \$2,394,332, and a funding shortfall of \$1,913,603.

Cost Analysis and Line Item Review

The requested eligible basis \$5,341,604 is below TCAC's adjusted threshold basis limit \$19,014,418. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items for exceeding Title 24 by at least 15%, where at least 75% of the construction and demolition waste (measured by either weight or volume) will be recycled, and using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used, the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and the 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
\$217,455	\$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 is required to provide the tenants with contracts for services (such as assistance with daily living activities, or provision of Senior counseling services), on-site or available within ¼ mile of the project, free of charge 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: Jack Waegell