

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 20, 2008

Project Number CA-2008-835

Project Name Alexandria House Apartments
Address: 510 South Alexandria Avenue
Los Angeles, CA 90020 County: Los Angeles

Applicant Information

Applicant: Alexandria House Apartments, L.P.
Contact Victoria Welch
Address: 1640 North Wilcox Avenue
Los Angeles, CA 90028
Phone: (323) 469-0710 Fax: (323) 469-1899
Sponsors Type: Nonprofit

Bond Information

Issuer: CRA of the City of Los Angeles
Expected Date of Issuance: December 1, 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$3,299,907
Requested: \$3,299,907
Maximum Permitted: \$4,619,403

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 53%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$150,146	\$0
Recommended:	\$142,527	\$0

Project Information

Construction Type: Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 16
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 15 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 15
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>
7 Studio	50%	\$663
1 One-Bedroom	50%	\$711
7 One-Bedroom	35%	\$497
1 Studio	Manager's Unit	\$0

The general partners or principal owners are Hollywood Community Housing Corporation and Alexandria House, a nonprofit public benefit corporation.

The project developers are Hollywood Community Housing Corporation and Alexandria House.

The management services will be provided by Barker Management, Inc.

The market analysis was provided by Market Insights.

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: \$6,734,329 Per Unit Cost: \$420,583 Construction Cost Per Sq. Foot: \$208

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank – Tax Exempt Bonds	\$3,500,000	CRA/LA	\$2,725,000
CRA/LA	\$2,725,000	HCD – MHP	\$1,188,441
L.A. County – City of Industry	\$244,968	L.A. County – City of Industry	\$737,817
Deferred Developer Fee	\$6,761	LAHD	\$780,000
Costs Deferred Until Completion	\$302,500	General Partner Equity	\$100
General Partner Equity	\$100	FHLB – AHP	\$120,000
Investor Equity	\$25,000	Investor Equity	\$1,182,971
		TOTAL	\$6,734,329

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,299,907
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$4,289,879
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$142,527
Approved Developer Fee in Cost & Basis:	\$430,423
Tax Credit Factor: CA Housing Partnership	\$0.83

Applicant requests annual federal credits of \$150,146 based on a qualified rehabilitation basis of \$4,289,879 and a funding shortfall of \$1,246,210. Staff recommends annual federal credits of \$142,527 based on a qualified rehabilitation basis of \$4,289,879 and a funding shortfall of \$1,182,971. The applicant's current estimate of the tax credit purchase price is below TCAC's current minimum as explained in the Special Issues section of this report below. Staff adjusted accordingly.

Cost Analysis and Line Item Review

The requested eligible basis \$3,299,907 is below TCAC's adjusted threshold basis limit \$4,619,403. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages and the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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 3.50% 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 has estimated the net credit purchase price (tax credit factor) at \$0.79 based on investor interest in this small, special needs projects. This net credit purchase price is below TCAC's current minimum requirement of \$0.83. At the TCAC minimum, the project requires fewer credits for feasibility to fill the funding gap. At placed-in-service TCAC will re-evaluate the credits required for feasibility.

Seven of the sixteen units will be reserved for families and individuals who are homeless or at-risk of being homeless.

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
\$142,527	\$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 high-speed Internet service in each unit and educational classes, 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