

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 8, 2008**

**Project Number** CA-2008-921

**Project Name** Tres Lomas Garden Apartments  
**Site Address:** 4343 Toland Way  
Los Angeles, CA 90041 **County:** Los Angeles  
**Census Tract:** 1862

**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

**Information**

**Housing Type:** At-Risk

**Bond Information**

**Issuer:** Los Angeles Housing Department  
**Expected Date of Issuance:** December 23, 2008  
**Credit Enhancement:** None

**Eligible Basis**

**Actual:** \$5,196,419  
**Requested:** \$5,196,419  
**Maximum Permitted:** \$18,959,464

**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%   
**55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below:** 22%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
<b>Requested:</b>	\$208,854	\$0
<b>Recommended:</b>	\$208,854	\$0

**Project Information**

Construction Type: Acquisition and Rehabilitation  
Federal Subsidy: Tax-Exempt/HOME/CDBG  
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 35% of area median income: 5  
Number of Units @ or below 50% of area median income: 38  
Number of Units @ or below 60% of area median income: 2

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
5 One-Bedroom	30%	\$426
21 One-Bedroom	40%	\$568
17 One-Bedroom	50%	\$710
2 One-Bedroom	60%	\$852
1 Two-Bedroom	Manager's Unit	\$0

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

The project developer is National Community Renaissance of California (aka National CORE).

The management services will be provided by National Community Renaissance of California (aka National CORE).

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

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

**Project Financing**

Estimated Total Project Cost: \$7,358,041    Per Unit Cost: \$159,957    Construction Cost Per Sq. Foot: \$44

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Housing Capital Company – T.E. Bonds	\$3,750,000	US Bank	\$803,363
Los Angeles Housing Department	\$2,225,251	HCD – MHP	\$1,763,319
Investor Equity	\$812,492	Los Angeles Housing Department	\$2,225,251
		Seller Carryback Note	\$498,397
		Deferred Developer Fee	\$229,798
		Investor Equity	\$1,837,913
		<b>TOTAL</b>	<b>\$7,358,041</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$2,571,419
Requested Acquisition Eligible Basis:	\$2,625,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,342,845
Qualified Acquisition Basis:	\$2,625,000
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$116,979
Maximum Annual Federal Acquisition Credit:	\$91,875
Total Maximum Annual Federal Credit:	\$208,854
Approved Developer Fee:	\$466,653
Tax Credit Factor: <i>Hudson Housing Capital</i>	\$0.88000

Applicant requests and staff recommends annual federal credits of \$208,854, based on a qualified rehabilitation basis of \$3,342,845, a qualified acquisition basis of \$2,625,000, and a funding shortfall of \$1,837,913.

**Cost Analysis and Line Item Review**

The requested eligible basis \$5,196,419 is below TCAC’s adjusted threshold basis limit \$18,959,464. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below, 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. 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:** 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
<b>\$208,854</b>	<b>\$0</b>

**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 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:** Anthony Zeto