

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

Project Number CA-2008-923

Project Name Columbus Square Apartments
Address: 8557-8613 Columbus Avenue
North Hills, CA 91343 County: Los Angeles

Applicant Information

Applicant: Columbus Preservation Limited Partnership
Contact: William Szymczak
Address: 904 Manhattan Avenue, Suite 7
Manhattan Beach, CA 90266
Phone: (310) 802-6671 Fax: (310) 802-6680
Sponsors Type: Joint Venture

Bond Information

Issuer: City of Los Angeles Housing Department
Expected Date of Issuance: November 15, 2008
Credit Enhancement: None

Housing Type: At-Risk / Seniors

Eligible Basis

Actual: \$9,325,657
Requested: \$9,325,657
Maximum Permitted: \$21,320,320

Extra Feature Adjustments: 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 100%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$374,145	\$0
Recommended:	\$374,145	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HOME / HUD Project-Based Section 8 Contract
HCD MHP Funding: Yes
Total # of Units: 64
Total # Residential Buildings: 6

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 63 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 63
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>
32 SRO/Studio	50%	\$663
31 One-Bedroom	50%	\$710
1 One-Bedroom	Manager's Unit	\$0

The general partners or principal owners are Columbus Preservation Partners, LLC and Jamboree Housing Corporation.

The project developer is Preservation Partners Development III, L.P.

The management services will be provided by Preservation Partners Management Group.

The market analysis was provided by Market Insights

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: \$11,746,727 Per Unit Cost: \$183,543 Construction Cost Per Sq. Foot: \$67

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank of CA – Tax Ex. Bonds	\$6,250,000	Union Bank of CA – Tax Ex. Bonds	\$2,500,000
City of Los Angeles – HOME	\$2,350,000	LAHD – HOME	\$2,350,000
Deferred Developer Fee	\$630,627	HCD – MHP	\$2,850,000
Investor Equity	\$2,516,100	Deferred Developer Fee	\$487,093
		Investor Equity	\$3,559,634
		TOTAL	\$11,746,727

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$4,547,362
Requested Acquisition Eligible Basis:	\$4,778,295
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,911,571
Qualified Acquisition Basis:	\$4,778,295
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$206,905
Maximum Annual Federal Acquisition Credit:	\$167,240
Total Maximum Annual Federal Credit:	\$374,145
Approved Developer Fee in Project Cost:	\$1,200,000
Approved Developer Fee in Eligible Basis:	\$1,200,000
Tax Credit Factor: Merritt Community Capital	\$0.9514

Applicant requests and staff recommends annual federal credits of \$374,145, based on a qualified rehabilitation basis of \$5,911,571, a qualified acquisition basis of \$4,778,295, and a funding shortfall of \$3,559,634.

Cost Analysis and Line Item Review

The requested eligible basis \$9,325,657 is below TCAC's adjusted threshold basis limit \$21,320,320. The basis limit includes the adjustment for extraordinary feature 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: This project has a HUD project-based Section 8 rental subsidy contract on all 63 low-income units until November 2010 at which time the applicant anticipates renewing the contract for an additional 20 years.

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
\$374,145	\$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 educational classes and contracts for services, on-site or within ¼ mile of 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