

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 28, 2009

Project Number CA-2008-941

Project Name 36th Street and Broadway Apartments for Transition Aged Youth
Address: 157 E. 36th Street 4775 S. Broadway
Los Angeles, CA 90011 Los Angeles, CA 90037

County: Los Angeles County

Applicant Information

Applicant: LTSC Community Development Corporation
Contact Josh Ishimatsu
Address: 231 E. 3rd Street, Suite G-106
Los Angeles, CA 90013
Phone: (213) 473-1691 **Fax:** (213) 473-1681
Email: jishimatsu@ltsc.org
Sponsors Type: Nonprofit

Information

Housing Type: Special Needs

Bond Information

Issuer: Los Angeles Housing Department
Expected Date of Issuance: April 2009
Credit Enhancement: None

Eligible Basis

Actual: \$7,737,711
Requested: \$7,737,711
Maximum Permitted: \$14,331,042

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: 20%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 160%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$347,142	\$0
Recommended:	\$347,142	\$0

Project Information

Construction Type: Rehabilitation and Acquisition
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: Yes
Total # of Units: 27
Total # Residential Buildings: 4

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 25 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or Below 50% of Area Median Income: 25
 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>
11 SRO/Studio	30%	\$398
8 One-Bedroom	30%	\$426
2 One-Bedroom	50%	\$710
3 Two-Bedroom	50%	\$852
1 Three-Bedroom	30%	\$567
1 SRO/Studio	Manager's Unit	\$0
1 Two-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are LTSC Community Development Corporation and Coalition for Responsible Community Development.

The project developer is LTSC Community Development Corporation.

The management services will be provided by LTSC Community Development Corporation.

The market analysis was provided by Market Insights Consulting, LLC.

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: \$11,198,229 Per Unit Cost: \$409,194 Construction Cost Per Sq. Foot: \$218
 Estimated Residential Cost: \$11,048,229
 Estimated Commercial Cost: \$150,000

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank - Tax Exempt Bonds	\$5,700,000	CA Dept of Housing & Community Development - MHP	\$2,681,915
Los Angeles Housing Department	\$2,859,659	Los Angeles Housing Department	\$2,859,659
Housing Authority of the County of Los Angeles	\$1,080,302	Housing Authority of the County of Los Angeles	\$2,413,929
Community Redevelopment Agency of the City of Los Angeles (CRA of LA)	\$300,000	CRA of LA	\$300,000
CRA of LA Commercial Grant	\$150,000	CRA of LA Commercial Grant	\$150,000
Deferred Developer Fee	\$460,500	Deferred Developer Fee	\$150,000
Investor Equity	\$647,768	Investor Equity	\$2,642,726
		TOTAL	\$11,198,229

Determination of Credit Amount(s)

Requested Eligible Rehabilitation Basis:	\$7,268,748
Requested Eligible Acquisition Basis:	\$468,963
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$9,449,372
Qualified Acquisition Basis:	\$468,963
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$330,728
Maximum Annual Federal Acquisition Credit:	\$16,414
Total Maximum Annual Federal Credit:	\$347,142
Approved Developer Fee:	\$871,000
Tax Credit Factor: Hudson Housing Capital	\$0.76

Applicant requests and staff recommends annual federal credits of \$347,142 based on a qualified rehabilitation basis of \$9,449,372, a qualified acquisition basis of \$468,963, and a funding shortfall of \$2,642,726.

Cost Analysis and Line Item Review

The requested eligible basis \$7,737,711 is below TCAC's adjusted threshold basis limit \$14,331,042. The basis limit includes the adjustment for extraordinary features for: a requirement 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; 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 3.50% 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
\$347,142	\$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 and contracts 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: Gina Ferguson