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

Project Number CA-2008-963

Project Name Lincoln Anaheim Phase II
Address: 1275 – 1287 E. Lincoln Avenue
Anaheim, CA 92805 County: Orange

Applicant Information
Applicant: Lincoln Anahiem II Housing Partners, LP
Contact Frank Cardone
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 Fax: (949) 660-7273
Email: fcardone@related.com
Sponsors Type: Joint Venture

Information
Housing Type: Large Family

Bond Information
Issuer: Anaheim Housing Authority
Expected Date of Issuance: February 15, 2009
Credit Enhancement: N/A

Eligible Basis
Actual: $24,925,027
Requested: $24,925,027
Maximum Permitted: $41,192,686

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Local Development Impact Fees:
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 23%
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 26%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$1,134,089	$0
Recommended:	$1,134,089	$0

Project Information

Construction Type:	New Construction
Federal Subsidy:	Tax-Exempt/Project Based Section 8
HCD MHP Funding:	Yes
Total # of Units:	74
Total # Residential Buildings:	6

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 73 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 49
Number of Units @ or below 60% of area median income: 24

Unit Type & Number		2009 Rents % of Area Median Income	Proposed Rent (including utilities)
16	Two-Bedroom	30%	$627
14	Two-Bedroom	50%	$1046
19	Two-Bedroom	55%	$1150
10	Three-Bedroom	30%	$724
9	Three-Bedroom	50%	$1208
5	Three-Bedroom	55%	$1328
1	Two-Bedroom	Manager's Unit	N/A

The general partners or principal owners are Related/Lincoln Anaheim II Development Company, LLC and Lincoln/Anaheim II Housing Partners MGP, LLC.

The project developer is The Related Companies of CA.

The management services will be provided by Related Management Company.

The market analysis was provided by Laurin Associates.

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

Est. Total Project Cost: $32,283,375 Per Unit Cost: $436,262 Construction Cost Per Sq. Foot: $258

Construction Financing Source	Amount	Permanent Financing Source	Amount
Wells Fargo Bank Tax Exempt Bonds	$23,500,000	CCRC	$5,249,000
Anaheim Housing Authority (AHA)	$5,600,000	CCRC – Project Based Section 8	$3,584,873
Union Bank of California	$947,096	MHP Loan	$6,679,388
Lincoln Anaheim II Housing Partners LP	$1,837,127	Anaheim Housing Authority (AHA)	$5,600,000
Accrued Interest on City Loan	$168,000	Accrued Interest on City Loan	$168,000
AHA – Green Building Elements	$153,970	AHA – Green Building Elements	$153,970
AHA – Traffic Impact Fee Waiver	$77,182	AHA – Traffic Impact Fee Waiver	$77,182
		Lincoln Anaheim II Housing Partners, LP	$1,300,000
		Investor Equity	$9,470,962
		TOTAL	**$32,283,375**

Determination of Credit Amount(s)

Requested Eligible Basis:	$24,925,027
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$32,402,535
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$1,134,089
Approved Developer Fee:	$2,500,000
Tax Credit Factor: *Union Bank of California*	$.83511

Applicant requests and staff recommends annual federal credits of $1,134,089 based on a qualified basis of $32,402,535 and a funding shortfall of $9,470,962.

Cost Analysis and Line Item Review

The requested eligible basis $24,925,027 is below TCAC's adjusted threshold basis limit $32,402,535. The basis limit includes adjustment for extraordinary features for requirements to pay state or federal prevailing wages, to provide parking beneath the residential units, to pay local development impact fees, for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, for 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below, and for projects with 3 or more energy efficiency/resource conservation/indoor air quality items including the following: using CRI Green Label Plus Carpet or no carpet in all bedrooms, using vent kitchen range hoods to the exterior of the building in at least 80% of the units, and using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board's Recycled Content Products Database. 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: Development costs are roughly $436,262 per unit. The factors affecting this cost includes high real estate costs for the area, high costs for an infill site located to several popular amenities, as well as two-levels of subterranean parking.

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
$1,134,089	**$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 after school programs, educational classes, and licensed day care 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: David Navarrette