

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**July 8, 2009**

**Project Number** CA-2009-807

**Project Name** Swansea Park Senior Apartments  
**Address:** 1015 North Kingsley Drive  
Los Angeles, CA 90029 County: Los Angeles

**Applicant Information**

**Applicant:** Swansea Park Senior Apartments, L.P.  
**Contact** Zoe Ellas  
**Address:** 1200 Wilshire Boulevard, Suite 600  
Los Angeles, CA 90017  
**Phone:** (213) 251-2111 Fax: (213) 251-2113  
**Sponsors Type:** Joint Venture

**Bond Information**

**Issuer:** City of Los Angeles  
**Expected Date of Issuance:** September 2009  
**Credit Enhancement:** None

**Housing Type:** Senior / At-Risk

**Eligible Basis**

**Actual:** \$13,825,109  
**Requested:** \$13,825,109  
**Maximum Permitted:** \$40,522,003

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: 41%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at  
35% AMI or Below: 58%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$525,082	\$0
Recommended:	\$525,082	\$0

**Project Information**

**Construction Type:** Acquisition and Rehabilitation  
**Federal Subsidy:** Tax-Exempt / HOME / HUD Project-based Section 8  
**HCD MHP Funding:** Yes  
**Total # of Units:** 82  
**Total # Residential Buildings:** 1

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
 % & No. of Targeted Units: 100% - 81 units  
 55-Year Use/Affordability Restriction: Yes  
 Number of Units @ or below 25% of area median income: 17  
 Number of Units @ or below 30% of area median income: 30  
 Number of Units @ or below 40% of area median income: 9  
 Number of Units @ or below 50% of area median income: 25

<u>Unit Type &amp; Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 One-Bedroom	25%	\$355
30 One-Bedroom	30%	\$426
9 One-Bedroom	40%	\$568
25 One-Bedroom	50%	\$710
1 One-Bedroom	Manager's Unit	\$0

The general partners or principal owners are Beyond Shelter Housing Development Corporation and APEC International, LLC.

The project developers are Beyond Shelter Housing Development Corporation and APEC International, LLC.

The management services will be provided by the HDSI 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: \$19,930,234      Per Unit Cost: \$243,052      Construction Cost Per Sq. Foot: \$39

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Red Mortgage Capital (RMC) - FHA Insured	\$6,427,500	RMC – FHA Insured / Tax Exempt	\$6,427,500
Red Capital Group – Tax Exempt	\$6,822,500	HCD – MHP	\$4,560,000
LAHD – HOME	\$3,600,000	LAHD – HOME	\$3,600,000
Costs Deferred During Construction	\$1,851,542	Deferred Developer Fee	\$879,537
Investor Equity	\$1,228,692	Investor Equity	\$4,463,197
		<b>TOTAL</b>	<b>\$19,930,234</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$3,934,109
Requested Acquisition Eligible Basis:	\$9,891,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$5,114,342
Qualified Acquisition Basis:	\$9,981,000
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$178,966
Maximum Annual Federal Acquisition Credit:	\$346,116
Total Maximum Annual Federal Credit:	\$525,082
Approved Developer Fee in Project Cost:	\$1,172,000
Approved Developer Fee in Eligible Basis:	\$1,172,000
Tax Credit Factor: Credit Capital	\$0.85

Applicant requests and staff recommends annual federal credits of \$525,082, based on a qualified rehabilitation basis of \$5,114,342, a qualified acquisition basis of \$9,981,000, and a funding shortfall of \$4,463,197.

**Cost Analysis and Line Item Review**

The requested eligible basis \$13,825,109 is below TCAC's adjusted threshold basis limit \$40,522,003. The basis limit includes the extraordinary feature adjustment for projects that are required to pay state or federal prevailing wages, the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and the 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 limitations.

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 project has a HUD Section 8 contract on all restricted units. The contract is on an annual renewal basis with a June renewal date.

**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>\$525,082</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 educational classes and contract 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