

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2009

Project Number CA-2009-871

Project Name Regency Towers
Address: 151 North Locust Street
Inglewood, CA 90301 County: Los Angeles

Applicant Information

Applicant: Thomas Safran & Associates
Contact Wes Larmore
Address: 11812 San Vicente Boulevard, Suite 600
Los Angeles, CA 90049
Phone: (310) 820-4888 Fax: (310) 207-6986
Email: wes@tsahousing.com
Sponsors Type: Joint Venture

Information

Housing Type: Seniors

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: January 15, 2010
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$772,646	\$0
Recommended:	\$772,646	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HUD Section 8
HCD MHP Funding: No
Total # of Units: 104
Total # Residential Buildings: 1
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% – 103 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 21
Number of Units @ or below 60% of area median income: 82

Eligible Basis

Actual: \$19,811,830
Requested: \$19,811,830
Maximum Permitted: \$28,292,701

Adjustments to Threshold Basis Limit: None

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
21 One-bedroom Units	50%	\$743
82 One-bedroom Units	60%	\$891
1 One-bedroom Unit	Manager's Unit	\$1,080

The general partners or principal owners are Thomas Safran & Housing Corporation of America.

The project developer is Thomas Safran & Associates.

The management services will be provided by TSA Management Company.

The market analysis was provided by Lea & Company.

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: \$22,207,981 Per Unit Cost: \$213,538 Construction Cost Per Sq. Foot: \$89

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital – T.E. Bonds	\$13,000,000	Citi Comm. Cap.-T.E. Bond Tranche A	\$5,387,500
City of Inglewood RDA	\$5,592,000	Citi Comm. Cap.-T.E. Bond Tranche B	\$3,850,000
NOI During Construction	\$572,888	City of Inglewood RDA	\$5,592,000
Deferred Developer Fee	\$1,507,457	NOI During Construction	\$572,888
Investor Equity	\$1,277,635	Deferred Developer Fee	\$1,127,216
		Investor Equity	\$5,678,377
		TOTAL	\$22,207,981

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$7,545,862
Requested Acquisition Eligible Basis:	\$12,265,968
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$9,809,620
Qualified Acquisition Basis:	\$12,265,968
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$343,337
Maximum Annual Federal Acquisition Credit:	\$429,309
Total Maximum Annual Federal Credit:	\$772,646
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor:	Union Bank
Federal Tax Credit Factor:	\$0.73493

Cost Analysis and Line Item Review

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: The project has an existing 5-year HUD Section 8 contract on all 103 tax-credit units to June 2014.

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 Tax Credits/Annual	State Tax Credits/Total
\$772,646	\$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 contract for services, on-site or within ¼ mile of the 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