

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2011

Project Number CA-2010-811

Project Name Del Rey Square Senior Housing
 Site Address: 11976 W. Culver Blvd.
 Los Angeles, CA 90230 County: Los Angeles
 Census Tract: 2755.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,026,123	\$0
Recommended:	\$1,026,123	\$0

Applicant Information

Applicant: Del Rey Square Limited Partnership
 Contact: Tyler Monroe
 Address: 11812 San Vicente Blvd., Ste. 600
 Los Angeles, CA 90049
 Phone: (310) 820-4888 Fax: (310) 207-6966
 Email: tyler@tsahousing.com

General partner(s) or principal owner(s): Del Rey Square LLC
 Housing Corporation of America
 General Partner Type: Joint Venture
 Developer: Thomas Safran & Associates
 Investor/Consultant: Union Bank
 Management Agent: Thomas Safran & Associates, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 124
 No. & % of Tax Credit Units: 123 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Project Based Section 8 (79 units - 64%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 30% of area median income: 62
 Number of Units @ or below 50% of area median income: 47
 Number of Units @ or below 60% of area median income: 14

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Vélia Martínez Greenwood

Bond Information

Issuer: City of Los Angeles Housing Department
 Expected Date of Issuance: 4/15/2011
 Credit Enhancement: N/A

Unit Mix

4 SRO/Studio Units
 119 1-Bedroom Units
1 2-Bedroom Units
 124 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	60%	46%	\$662
13 1 Bedroom	60%	49%	\$756
2 SRO/Studio	50%	38%	\$551
45 1 Bedroom	50%	41%	\$630
1 SRO/Studio	30%	30%	\$435
31 1 Bedroom	30%	30%	\$466
30 1 Bedroom	30%	16%	\$250
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,252

Project Financing

Estimated Total Project Cost: \$34,408,713 Construction Cost Per Square Foot: \$126
 Per Unit Cost: \$277,490

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$18,000,000	Citibank (Series A)	\$2,582,000
Housing Authority of the City of LA	\$5,004,878	Citibank (Series B)	\$5,414,000
Los Angeles Housing Department	\$8,389,134	Housing Authority of the City of LA	\$5,004,878
Deferred Developer Fee	\$2,039,981	Los Angeles Housing Department	\$9,389,134
Tax Credit Equity	\$974,720	AHP	\$1,000,000
		Deferred Developer Fee	\$1,271,505
		Tax Credit Equity	\$9,747,196
		TOTAL	\$34,408,713

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,215,458
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$30,180,095
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$1,026,123
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.94991

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$23,215,458
Actual Eligible Basis:	\$23,215,458
Unadjusted Threshold Basis Limit:	\$24,032,378
Total Adjusted Threshold Basis Limit:	\$57,197,060

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 38%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 100%

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 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 3.40% 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 applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Local Reviewing Agency:

The Local Reviewing Agency, Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary 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
\$1,026,123	\$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 preliminary 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 as presented 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: 1) one high-efficiency toilet (1.3 gallons per flush or less) or dual flush toilet per unit; 2) project designed to retain, infiltrate and/or treat on-site the first one-half inch of rainfall in a 24-hour period; 3) project will contain nonsmoking buildings or sections of buildings. Nonsmoking sections must consist of at least half the units within the building, and those units must be contiguous.