CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2011

Project Number CA-2011-826

Project Name Dunbar Village
Site Address: 4201- 4263 South Central Avenue
Los Angeles, CA 90011 County: Los Angeles
Census Tract: 2283.20; 2286.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$900,160	$0
Recommended:	$900,160	$0

Applicant Information
Applicant: Dunbar Village, LP, a California limited partnership
Contact: Oscar Alvarado
Address: 11812 San Vicente Blvd., Ste. 600
Los Angeles, CA 90049
Phone: (310) 820-4888 Fax: (310) 207-6966
Email: oscar@tsahousing.com

General partner(s) or principal owner(s): Dunbar Village, LLC, a California LLC
Coalition for Responsible Community Development
General Partner Type: Joint Venture
Developer: Thomas Safran & Associates
Investor/Consultant: Union Bank
Management Agent: Thomas Safran & Associates, Inc.

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 83
No. & % of Tax Credit Units: 81 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / HUD Project-based Section 8 (51% - 41 Units)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 6
Number of Units @ or below 50% of area median income: 75

Information

Housing Type: Large Family
Geographic Area: Los Angeles County
TCAC Project Analyst: Jack Waegell

Bond Information

Issuer: Los Angeles Housing Department
Expected Date of Issuance: August 16, 2011
Credit Enhancement: N/A

Unit Mix

7	SRO/Studio Units
30	1-Bedroom Units
18	2-Bedroom Units
21	3-Bedroom Units
7	4-Bedroom Units
83	Total Units

Unit Type & Number		2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	SRO/Studio	50%	46%	$662
25	1 Bedroom	50%	49%	$756
1	2 Bedrooms	50%	46%	$851
1	SRO/Studio	50%	38%	$551
3	1 Bedroom	50%	41%	$630
1	2 Bedrooms	50%	38%	$709
3	SRO/Studio	30%	30%	$435
2	1 Bedroom	30%	30%	$466
1	2 Bedrooms	30%	30%	$559
10	2 Bedrooms	50%	46%	$851
17	3 Bedrooms	50%	44%	$945
5	4 Bedrooms	50%	43%	$1,021
3	2 Bedrooms	50%	38%	$709
4	3 Bedrooms	50%	37%	$788
2	4 Bedrooms	50%	35%	$851
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$753

Project Financing

Estimated Total Project Cost:	$28,769,051	Construction Cost Per Square Foot:	$211
Estimated Commercial Project Cost:	$560,110	Per Unit Cost:	$346,615

Construction Financing		**Permanent Financing**	
Source	Amount	Source	
Wells Fargo Bank, NA	$15,025,000	CA Community Reinvestment Corp.	$2,672,000
Comm. Redev. Agency of City of LA	$1,500,000	Comm. Redev.Agency of City of LA	$1,500,000
Los Angeles Housing Department	$3,915,085	Los Angeles Housing Department	$6,928,295
LAHD / CRA (Acquisition)	$5,410,000	LAHD / CRA (Acquisition)	$5,410,000
FHLB of San Francisco (AHP)	$0	FHLB of San Francisco (AHP)	$820,000
Union Bank-Historic T. Credit Equity	$197,800	Union Bank-Historic T. Credit Equity	$1,977,998
General Partner Equity	$100	General Partner Equity	$100
Deferred Developer Fee	$1,875,000	Deferred Developer Fee	$1,000,000
Tax Credit Equity	$846,066	Tax Credit Equity	$8,460,657
		TOTAL	**$28,769,051**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$17,411,001
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$3,841,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$22,634,301
Qualified Basis (Acquisition):	$3,841,000
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$769,566
Maximum Annual Federal Credit, Acquisition:	$130,594
Total Maximum Annual Federal Credit:	$900,160
Approved Developer Fee in Project Cost:	$2,500,000
Approved Developer Fee in Eligible Basis:	$1,788,699
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	$0.93991

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:	$21,252,001
Actual Eligible Basis:	$21,252,001
Unadjusted Threshold Basis Limit:	$19,868,928
Total Adjusted Threshold Basis Limit:	$46,890,671

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 92%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 14%

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: This project involves the rehabilitation of 2 defunct tax credit projects that were foreclosed upon and taken over by LAHD & CRA/LA. One is the Dunbar Hotel, originally a 1988 tax credit project, and the other is Somerville I & II, originally a 1993 tax credit project. The Somerville I & II buildings are located on either side of the Dunbar Hotel building. The Dunbar Hotel building will be reduced from 73 units to 41 units (7 SRO/studio, 30 one-bedroom, and 3 two-bedroom units) and will serve seniors. The Somerville I & II buildings, with 17 units (7 two-bedroom, 9 three-bedroom, and 1 four-bedroom units) and 24 units (6 two-bedroom, 12 three-bedroom, and 6 four-bedroom units) respectively, will serve families.

Local Reviewing Agency:

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.

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
$900,160	**$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 after school programs, educational classes, and contracts 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

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) inclusion of no-smoking buildings or sections of buildings with any no-smoking sections consisting of at least half of the units and are contiguous; 2) an allocation of Historic Tax Credits as defined under 26 U.S.C. section 47(a); and 3) use of CRI Green-label low-VOC carpeting and pad and low-VOC adhesives (25 grams per liter or less).