

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 25, 2009

Project Number CA-2009-803

Project Name Lacy & Raitt Apartments
Address: 703 North Lacy Street
Santa Ana, CA 92701

702 South Raitt Street
Santa Ana, CA 92704

County: Orange

Applicant Information

Applicant: Lacy & Raitt LP
Contact: Todd Cottle
Address: 414 East Chapman Avenue
Orange, CA 92866
Phone: (714) 288-7600
Email: todd@c-cdev.com
Sponsors Type: Joint Venture

Fax: (714) 771-2314

Information

Housing Type: Large Family

Bond Information

Issuer: Housing Authority of the City of Santa Ana
Expected Date of Issuance: May or June 2009
Credit Enhancement: None

Eligible Basis

Actual: \$7,071,914
Requested: \$7,071,914
Maximum Permitted: \$13,712,739

Extra Feature Adjustments:

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 32 Units

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted to 35% of AMI and below: 2 Units

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$268,746	\$0
Recommended:	\$268,746	\$0

Project Information

Construction Type: Rehabilitation and Acquisition
Federal Subsidy: Tax-Exempt/HOME/RDA Set-Aside Funds
HCD MHP Funding: No
Total # of Units: 35
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 34 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 34
Number of Units @ or below 60% of area median income: 0

<u>Unit Type & Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 One-Bedroom	30%	\$523
3 One-Bedroom	50%	\$871
2 Two-Bedroom	50%	\$1,046
2 Three-Bedroom	50%	\$1,208
1 Two-Bedroom	30%	\$627
3 SRO/Studio	50%	\$813
15 One-Bedroom	50%	\$871
7 Two-Bedroom	50%	\$1,046
1 Two-Bedroom	Manager's Unit	\$0

The general partners or principal owners are OHDC L&R, LLC and C&C L&R, LLC.

The project developer is OHDC and C&C.

The management services will be provided by Advanced Property Services, LLC.

The market analysis was provided by Lea & Company.

The Local Reviewing Agency, the City of Santa Ana, has completed a site review of this project and strongly supports the project.

Project Financing

Estimated Total Project Cost: \$8,194,690 Per Unit Cost: \$234,134 Construction Cost Per Sq. Foot: \$61

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank of America Tax-Exempt Loan	\$4,055,000	Bank of America Tax-Exempt Loan	\$1,690,000
City of Santa Ana	\$2,020,040	City of Santa Ana	\$2,020,040
Community Redevelopment Agency	\$1,313,972	Community Redevelopment Agency	\$2,362,482
Costs Deferred Until Completion	\$135,847	Deferred Developer Fee	\$105,415
Deferred Developer Fee	\$358,000	General Partner Contribution	\$100
General Partner Contribution	\$100	Investor Equity	\$2,016,653
Investor Equity	\$311,731	TOTAL	\$8,194,690

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$2,021,774
Requested Acquisition Eligible Basis:	\$5,050,140
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$2,628,306
Qualified Acquisition Basis:	\$5,050,140
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$91,991
Maximum Annual Federal Acquisition Credit:	\$176,755
Total Maximum Annual Federal Credit:	\$268,746
Approved Developer Fee:	\$658,000
Tax Credit Factor: National Equity Fund	\$0.75039

Applicant requests and staff recommends annual federal credits of \$268,746, based on a qualified rehabilitation basis of \$2,628,306, a qualified acquisition basis of \$5,050,140, and a funding shortfall of \$2,016,653.

Cost Analysis and Line Item Review

The requested eligible basis \$7,071,914 is below TCAC's adjusted threshold basis limit \$13,712,739. The basis limit includes the adjustment for extraordinary features for 55-year use/affordability restriction where each 1% of low-income units are income targeted between 50% AMI & 36% AMI and 55-Year use/affordability restriction where each 1% of Low-Income Units are Income Targeted to 35% of AMI and below. 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: None.

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
\$268,746

State/Total
\$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: None

Project Analyst: David Navarrette