

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

Project Number CA-2009-806
Project Name 740 South Olive Street Senior
Address: 740 South Olive Street
Los Angeles, CA 90014 County: Los Angeles

Applicant Information

Applicant: Olive Street Preservation, L.P.
Contact Gino Canori
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612 Fax: (949) 660-7273
Phone: (949) 660-7272
Email: gcanori@related.com
Sponsors Type: Joint Venture

Information

Housing Type: Senior

Bond Information

Issuer: CSCDA
Expected Date of Issuance: May 2009
Credit Enhancement: Freddie Mac

Eligible Basis

Actual: \$66,320,251
Requested: \$66,320,251
Maximum Permitted: \$81,517,100

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
95% of Upper Floor Units are Elevator-Serviced: 10%
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 20%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,476,080	\$0
Recommended:	\$2,476,080	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/HUD Section 8 HAP
HCD MHP Funding: No
Total # of Units: 309
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 308 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or Below 50% of Area Median Income: 62
Number of Units @ or Below 60% of Area Median Income: 246

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 SRO/Studio	50%	\$685
26 SRO/Studio	60%	\$818
55 One-Bedroom	50%	\$740
220 One-Bedroom	60%	\$882
1 One-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are Olive Street Development Co., LLC and Haven for Affordable Housing, Inc.

The project developer is The Related Companies of California, LLC.

The management services will be provided by Related Management Company.

The market analysis was provided by Dennis B. Cunningham & Associates.

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: \$79,367,354 Per Unit Cost: \$256,852 Construction Cost Per Sq. Foot: \$60

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank, N.A. - Tax Exempt Bonds	\$64,186,838	Citibank, N.A. - Tax Exempt Bonds	\$53,304,650
Net Operating Income During Rehab	\$4,152,000	Net Operating Income	\$4,152,000
Developer Equity	\$5,650,000	Investor Equity	\$21,910,704
Deferred Developer Fee	\$2,500,000		
Deferred Costs	\$687,446		
Investor Equity	\$2,191,070		
		TOTAL	\$79,367,354

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$14,749,629
Requested Acquisition Eligible Basis:	\$51,570,622
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$19,174,518
Qualified Acquisition Basis:	\$51,570,622
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$671,108
Maximum Annual Federal Acquisition Credit:	\$1,804,972
Total Maximum Annual Federal Credit:	\$2,476,080
Approved Developer Fee:	\$2,500,000
Tax Credit Factor: Union Bank of California	\$0.88499

Applicant requests and staff recommends annual federal credits of \$2,476,080, based on a qualified rehabilitation basis of \$19,174,518, a qualified acquisition basis of \$51,570,622, and a funding shortfall of \$21,910,704.

Cost Analysis and Line Item Review

The requested eligible basis \$66,320,251 is below TCAC's adjusted threshold basis limit \$81,517,100. The basis limit includes the adjustment for extraordinary features for: required to pay state or federal prevailing wages; 95% of upper floor units are elevator-serviced; 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. 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	State/Total
\$2,476,080	\$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: Velia Martinez