

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2009 Single Round
September 10, 2009**

Project Number CA-2009-061

Project Name Lorena Apartments
Site Address: 625-637 S. Lorena Street
Los Angeles, CA 90023 County: Los Angeles
Census Tract: 2048.10

Applicant Information

Applicant: Lorena Apartments, a California Limited Partnership
Contact: Andrew Hanna
Address: 2010 Main Street, Suite 1250
Irvine, CA 92614
Phone: (949) 922-9119 **Fax:** (949) 722-9014
Email: andrew@globalpremierdevelopment.com
General Partner Type: Joint Venture

Information

Set-Aside: N/A
Housing Type: Large Family
Geographic Area: Los Angeles County

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,478,400	\$0
Recommended:	\$2,478,400	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: N/A
Total # of Units: 112
Total # Residential Buildings: 1
Federal Set-Aside Elected: 40%/60%
% & No. of Tax Credit Units: 100% - 111 units

Eligible Basis

Requested: \$21,182,910
Actual: \$21,182,910
Maximum Permitted: \$29,334,974

Adjustments to Threshold Basis Limit:

Parking Beneath Residential Units
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects recycling at least 75% of the construction and demolition waste (measured by either weight or volume)
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board's Recycled Content Products Database)

Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency/Credit Reduction/Public Funds Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Public Funds	20	20	20
Owner / Management Characteristics Maximum 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
Housing Needs Maximum 10 points	10	10	10
Site Amenities Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes during rush hours	6	6	6
<input checked="" type="checkbox"/> Within ¼ mile of public library	3	3	3
<input checked="" type="checkbox"/> Within ¼ mile of a full-scale grocery store with staples, fresh meat and fresh produce	4	4	4
<input checked="" type="checkbox"/> Large Family project within ½ mile of public school that project children may attend	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	0
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
Service Amenities Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> High speed internet service provided in each unit	5	5	5
<input checked="" type="checkbox"/> Educational classes (e.g. ESL, Computer training, etc. and aren't same as After School)	5	5	5
Sustainable Building Methods Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input checked="" type="checkbox"/> Project has nonsmoking buildings or contiguous sections within a building	1	1	1
Lowest Income Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed Maximum 20 points	20	20	20
State Credit Substitution Maximum 2 points	2	2	2
Total Points	146	146	146

Tie-Breaker Information

First: Housing Type **Large Family**
Second: Calculated Ratio per Regulation 10325(c)(10) **57.007%**

Unit Type & Number	2009 Rents % of Area Median Income (rounded)	Proposed Rent (including utilities)
7 Two-bedroom Units	30%	\$535
7 Two-bedroom Units	40%	\$714
32 Two-bedroom Units	50%	\$892
17 Two-bedroom Units	60%	\$1,071
5 Three-bedroom Units	30%	\$618
5 Three-bedroom Units	40%	\$824
24 Three-bedroom Units	50%	\$1,030
14 Three-bedroom Units	60%	\$1,236
1 Two-bedroom Units	Manager's Unit	\$0

The general partners or principal owners are Global Premier Development, Inc. and LINC Housing Corporation, a California Non-Profit Public Benefit Corporation.

The project developer is Global Premier Development, Inc.

The management agent is Buckingham Property Management.

The market analyst is Prior & Associates.

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

Project Financing

Estimated Total Project Cost: \$38,161,385 Per Unit Cost: \$340,727 Construction Cost Per Sq. Foot: \$225

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Prestige Affordable Housing	\$16,247,783	Prestige Affordable Housing	\$7,365,025
CPCFA CalReUse Grant	\$5,000,000	CPCFA CalReUse Grant	\$5,000,000
HCD Infill Infrastructure Grant	\$5,000,000	HCD Infill Infrastructure Grant	\$5,000,000
Deferred Developer Fee	\$2,000,000	Deferred Developer Fee	\$969,156
Investor Equity	\$9,913,602	Investor Equity	\$19,827,204
		TOTAL	\$38,161,385

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,182,910
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$27,537,783
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,478,400
Approved Developer Fee in Project Cost	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.80000

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 9.00% of the qualified basis. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: In the Utility Allowance the applicant included \$3 for Code Enforcement, under Section 42 of the Internal Revenue Service (§ 1.42-10) Code Enforcement fees are not considered a utility allowance. The owner is responsible for paying the lump-sum fee (billed yearly), and may not charge the tenants for reimbursement. Since the applicant inadvertently included this fee, staff removed the utility allowance from the Utility Fee Schedule and increased the tenant paid rent by a corresponding amount (\$3) in order to maintain the same gross Area Medium Income and rent restrictions, as indicated in the application.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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
\$2,478,400	\$0

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 a performance deposit and allocation fee calculated in accordance with regulation. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants.

Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion.

Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Velia Martinez