

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 14, 2011**

Project Number CA-2011-927

Project Name Broadway Villas
Site Address: 9413-9501 S. Spring Street
Los Angeles, CA 90003 County: Los Angeles
Census Tract: 2405.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$453,947	\$0
Recommended:	\$453,947	\$0

Applicant Information

Applicant: AMCAL Multihousing, Inc.
Contact: Arjun Nagarkatti
Address: 30141 Agoura Road, Suite 100
Agoura Hills, CA 91301
Phone: 818-706-0694 Fax: 818-865-1813
Email: arjun@amcalhousing.com

General partner(s) or principal owner(s): AMCAL Multi-Housing, Inc.
Foundation for Affordable Housing II, Inc.
General Partner Type: Joint Venture
Developer: AMCAL Enterprises, Inc.
Investor/Consultant: Hudson Housing Capital
Management Agent: FPI Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 49
No. & % of Tax Credit Units: 48 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / NSP2
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 4
Number of Units @ or below 50% of area median income: 44

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: March 15, 2012
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Velia M. Greenwood

Unit Mix

40 1-Bedroom Units
 9 2-Bedroom Units

 49 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	30%	30%	\$480
5 1 Bedroom	40%	40%	\$640
12 1 Bedroom	45%	45%	\$721
5 1 Bedroom	50%	48%	\$768
14 1 Bedroom	50%	50%	\$801
1 2 Bedrooms	40%	38%	\$720
7 2 Bedrooms	50%	50%	\$961
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$13,452,450
 Estimated Residential Project Cost: \$12,749,950
 Estimated Commercial Project Cost: \$702,500

Residential

Construction Cost Per Square Foot: \$115
 Per Unit Cost: \$260,203

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$7,479,629
CRA/LA	\$1,800,000
LAHD	\$3,500,000
Deferred Developer Fee	\$26,912
Tax Credit Equity	\$645,909

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$1,272,114
CRA/LA	\$1,800,000
LAHD	\$4,000,000
HCD- Infill Infrastructure Grant	\$1,894,280
Deferred Developer Fee	\$26,912
Tax Credit Equity	\$4,459,144
TOTAL	\$13,452,450

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,912,745
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$14,186,569
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$453,947
Approved Developer Fee in Project Cost:	\$1,426,911
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$0.98231

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:	\$10,912,745
Actual Eligible Basis:	\$10,912,745
Unadjusted Threshold Basis Limit:	\$9,882,320
Total Adjusted Threshold Basis Limit:	\$24,112,860

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 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: 91%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 16%

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. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: In the Utility Allowance the applicant included a \$3 Code Enforcement fee, 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 fees (billed yearly), and may not charge the tenants for reimbursement. Since the applicant inadvertently included these fees, staff removed the utility allowance from the Utility Fee Schedule.

Local Reviewing Agency:

The Local Reviewing Agency, City of Los Angeles, 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
\$453,947	\$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 the following Service Amenities 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:

- Educational classes
- Contracts for services

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:

- The project is a Rehabilitation Project reducing energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission
- The Project will incorporate the following energy efficient items:
 - * CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less
 - * Bathroom fans in all bathrooms that exhaust to the outdoors and are equipped with a humidistat sensor or timer
 - * Formaldehyde-free insulation