

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 15, 2013**

Project Number CA-13-843

Project Name Harbor Village Apartments
Site Address: 981 Harbor Village Drive
Harbor City, CA 90710 County: Los Angeles
Census Tract: 2944.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,112,648	\$0
Recommended:	\$2,112,648	\$0

Applicant Information

Applicant: Harbor Village Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Aveune, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 Fax: (949) 660-7273
Email: fcardone@related.com

General partner(s) or principal owner(s): Related/Harbor Village Development Co., LLC
La Cienega, LOMOD, Inc.
General Partner Type: Joint Venture
Developer: Related/Harbor Village Development Co., LLC
Investor/Consultant: Union Bank, N.A.
Management Agent: Related Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 131
Total # of Units: 400
No. & % of Tax Credit Units: 398 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (398 units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 198
Number of Units @ or below 60% of area median income: 200

Bond Information

Issuer: Los Angeles Housing Department
 Expected Date of Issuance: August 31, 2013
 Credit Enhancement: None

Information

Housing Type: Large Family
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Nicola Hil

Unit Mix

246 2-Bedroom Units
 92 3-Bedroom Units
62 4-Bedroom Units
 400 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
96 2 Bedrooms	60%	40%	\$746
149 2 Bedrooms	50%	50%	\$932
21 3 Bedrooms	60%	40%	\$861
21 3 Bedrooms	50%	50%	\$1,076
39 3 Bedrooms	60%	40%	\$861
11 3 Bedrooms	50%	50%	\$1,076
44 4 Bedrooms	60%	40%	\$961
17 4 Bedrooms	50%	50%	\$1,201
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$69,153,089 Construction Cost Per Square Foot: \$40
 Per Unit Cost: \$172,883

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank N.A. (Construction Loan)	\$63,683,755	Citibank N.A. (Permanent Loan)	\$45,132,039
Deferred Operating Income	\$2,896,683	Deferred Operating Income	\$2,896,683
Deferred Developer Fee	\$250,000	Tax Credit Equity	\$21,124,367
Tax Credit Equity	\$2,322,651	TOTAL	\$69,153,089

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$23,138,654
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$35,940,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$30,080,250
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$35,940,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$962,568
Maximum Annual Federal Credit, Acquisition:	\$1,150,080
Total Maximum Annual Federal Credit:	\$2,112,648
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank, N.A.
Federal Tax Credit Factor:	\$0.99990

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:	\$59,078,654
Actual Eligible Basis:	\$59,078,654
Unadjusted Threshold Basis Limit:	\$111,776,906
Total Adjusted Threshold Basis Limit:	\$166,547,590

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 49%

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 3.20% 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:

TCAC has granted the project a waiver of the manager's unit requirement of Section 10325(f)(7)(L) and is allowing the project to have two manager's units instead of the required four. This approval is conditioned upon the TCAC Compliance Section determining at each of its on-site inspections that the project has been adequately operated and/or maintained as a low-income housing tax credit project. At TCAC's sole discretion, if TCAC determines that the project has not been adequately operated and/or maintained, TCAC reserves the right to require an additional two on-site manager's units for a total of four manager's units.

Local Reviewing Agency:

The Local Reviewing Agency, Los Angeles Housing Department, 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
\$2,112,648	\$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 a reservation 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: None