CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
February 21, 2007

Project Number CA-2007-802

Project Name Morgan Place
Address: 7301 Crenshaw Blvd.
Los Angeles, CA 90043 County: Los Angeles

Applicant Information
Applicant: Los Angeles Community Design Center
Contact Lara Regus
Address: 701 E. 3rd Street, Suite 400
Los Angeles, CA 90013
Phone: (213) 629-2702 Fax: (231) 627-6407 email: lregus@lacdc.com
Sponsors Type: Nonprofit

Bond Information
Issuer: City of Los Angeles
Expected Date of Issuance: March, 2007
Credit Enhancement: None

Eligible Basis
Actual: $15,980,959
Requested: $14,999,721
Maximum Permitted: $14,999,721

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20% ☒
55-Year Use/Rent Restriction Adjustment: 80%> ☒
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4% ☒
Distributive Energy Technologies and/or Renewable Energy Sources: Up to 5% ☒

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$724,497	$0
Recommended:	$701,987	$0

Project Information
Construction Type: New Construction
Federal Subsidy: HOME,
HCD MHP Funding: Yes
Total # of Units: 55
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-54 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 30% of area median income: 19
Number of Units @ or below 50% of area median income: 35

Unit Type & Number	2007 Rents % of Area Median Income	Proposed Rent
19 One-bedroom units	30%	$389
35 One-bedroom units	50%	$649
1 Two-bedroom unit	Manager's unit	$0

The project developer is Los Angeles Community Design Center.

The management services will be provided Design Center Housing Services.

The market analysis was provided by Laurin Associates.

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

Project Financing
Actual Total Project Cost: $18,727,967 Per Unit Cost: $340,508 Construction Cost Per Sq. Ft.: $241

Construction		Permanent	
Citibank	$10,000,000	HCD-MHP	$3,785,292
LAHD	$5,281,147	LAHD	$5,281,147
LA CRA	$566,554	LA CRA	$566,554
AHP	$420,000	AHP	$420,000
Deferred Const. Costs	$933,992	Accrued/deferred Interest	$230,900
Accrued/ deferred Interest	$230,900	GP Equity	$925,900
GP Equity	$925,900	Deferred Developer Fee	$569,205
Investor Equity	$410,900	Investor Equity	$6,948,969
		TOTAL	**$18,727,967**

Determination of Credit Amount(s)

Requested Eligible Basis:	$14,999,721
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$19,499,637
Applicable Rate:	3.60%
Maximum Annual Federal Credit:	$701,987
Maximum State Credit	$0
Approved Developer Fee:	$2,084,473
Tax Credit Factor:	$.98994

Applicant requested annual federal credits of $724,497, based on a qualified basis of $20,124,923 and a funding shortfall of $7,172,100. Staff recommends annual federal credits of $701,987, based on a qualified basis of $19,499,637 and a funding shortfall of $6,948,969. The applicant overstated some cost and staff adjusted accordingly.

Cost Analysis and Line Item Review
The requested eligible basis ($14,999,721) equals TCAC's adjusted threshold basis limit ($14,999,721). The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, the 80% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units and are located in a DDA/QCT, and the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items for exceeding Title 24 by 20% or more, using tank-less water heaters/using linoleum/ceramic tile for all kitchens and bathrooms where low-toxic adhesives or backing is used, using vented kitchen range hoods to the exterior of the building in at least 80% of the units. 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 3.60% 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: 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. As stated by CDLAC and agreed by TCAC, the project has high costs in relation to the location, type of project and amenities offered. The applicant could provide no adequate answer as to the reason except for prevailing wage and hard cost increases.

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.

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:

$701,987 Federal/Annual **$0** State/Total

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.

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. The applicant has been advised that should the excessive costs remain at Placed-in-Service, TCAC, at its sole discretion, has the option to request a full cost audit for the project.

Project Analyst: G. Boyd