

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

Project Number CA-2007-804

Project Name Villa Gardenias Senior Apartments County: Los Angeles
Addresses: 3965 East Olympic Boulevard and 1141 South Ditman Avenue
Los Angeles, CA 90023

Applicant Information

Applicant: Villa Gardenias Senior Housing Limited Partnership
Contact: Melora Banker
Address: 2164 SW Park Place
Portland, OR 97205
Phone: (503) 944-6517 **Fax:** (503) 223-4463
Sponsor Type: Joint Venture

Bond Information

Issuer: Housing Authority of the County of Los Angeles
Expected Date of Issuance: April 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$21,330,681
Requested: \$21,330,681
Maximum Permitted: \$34,076,610

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%
55-Year Use/Rent Restriction Adjustment: 80%

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$965,000 | \$0 |
| Recommended: | \$998,276 | \$0 |

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: No
Total # of Units: 125
Total # Residential Buildings: 4

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 124 units
55-Year Use/Affordability Restriction: Yes
Income/Rent Restrictions: 37 units @ 50% and 87 units @ 60%

| <u>Unit Type & Number</u> | <u>2007 Rents % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|---|--|
| 31 One-Bedroom | 50% | \$649 |
| 6 Two-Bedroom | 50% | \$780 |
| 74 One-Bedroom | 60% | \$779 |
| 13 Two-Bedroom | 60% | \$936 |
| 1 Two-Bedroom | Managers' Units | \$936 |

The project developers are Foundation for Affordable Housing VIII and GSL Villa Gardenias Investors, LLC.

The management services will be provided by GSL Properties, Inc.

The market analysis was provided by Market Insights.

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

Project Financing

Estimated Total Project Cost: \$25,205,028 Per Unit Cost: \$201,640 Construction Cost Per Sq. Ft.: \$142

| <u>Construction Financing</u> | | <u>Permanent Financing</u> | |
|---------------------------------|---------------|----------------------------|---------------------|
| <u>Source</u> | <u>Amount</u> | <u>Source</u> | <u>Amount</u> |
| US Bank. – Tax Exempt Bonds | \$14,000,000 | US Bank - Tax Exempt Bonds | \$6,800,000 |
| LACDC – HOME | \$5,000,000 | LACDC – HOME | \$5,000,000 |
| LACDC – CDBG | \$200,000 | LACDC – CDBG | \$200,000 |
| LACDC – City of Industry | \$2,000,000 | LACDC – City of Industry | \$2,000,000 |
| Deferred GC Fee & Developer Fee | \$2,450,000 | Deferred Developer Fee | \$1,522,720 |
| Investor Equity/Bridge Loan | \$1,555,028 | Investor Equity | \$9,682,308 |
| | | TOTAL | \$25,205,028 |

Determination of Credit Amount(s)

| | |
|--------------------------------------|--------------|
| Requested Eligible Basis: | \$21,330,681 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100% |
| Qualified Basis: | \$27,729,885 |
| Applicable Rate: | 3.60% |
| Total Maximum Annual Federal Credit: | \$998,276 |
| Approved Developer Fee: | \$2,000,000 |
| Tax Credit Factor: | \$.96990 |

Applicant requests annual federal credits of \$965,000, based on a qualified basis of \$27,729,885 and a funding shortfall of \$9,359,564. Staff recommends annual federal credits of \$998,276, based on a qualified basis of \$27,729,885 and a funding shortfall of \$9,682,308. In determining the maximum reservation of tax credits, the applicant used a federal rate below the TCAC underwriting federal rate of 3.60%. Staff adjusted accordingly.

Cost Analysis and Line Item Review

The requested eligible basis \$21,330,681 is below TCAC's adjusted threshold basis limit \$34,076,610. **The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages and 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.** 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 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.

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:

| | |
|---------------------------------|------------------------|
| \$998,276 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.

Project Analyst: Jack Waegell