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

Project Number CA-2007-805

Project Name Queen Apartments
Address: 2620 South Orchard Ave., 5217 West Marathon St., 445 South Lucas Ave., 451 South Lucas Ave., 516 South Union Ave.
Los Angeles, CA 90007, 90017, 90038 County: Los Angeles

Applicant Information
Applicant: Queen Properties of LA, L.P.
Contact Cynthia Michels
Address: 5670 Wilshire Blvd., Suite 2490
Los Angeles, CA 90036

Phone: (323) 934-3828 Fax: (323) 934-3848 email: cm@americancommunities.net
Sponsors Type: Joint Venture

Bond Information
Issuer: City of Los Angeles
Expected Date of Issuance: March, 2007
Credit Enhancement: FmHA Credit Enhancement Instrument

Eligible Basis
Actual: $15,415,104
Requested: $15,415,104
Maximum Permitted: $21,403,884

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20% ☒
55-Year Use/Rent Restriction Adjustment: 80% ☒
Seismic Upgrading of Existing Structures and/or Toxic or Other Environmental Mitigation: Up to 15% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$604,306	$0
Recommended:	$604,306	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 96
Total # Residential Buildings: 5

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-94 units
55-Year Use/Affordability Restriction: Yes/No
Number of Units @ or below 50% of area median income: 29
Number of Units @ or below 60% of area median income: 65

2007 Rents

Unit Type & Number		% of Area Median Income	Proposed Rent
26	Studio units	50%	$606
59	Studio units	60%	$727
3	One-bedroom units	50%	$649
6	One-bedroom units	60%	$779
1	Studio unit	Manager unit	$727
1	One-bedroom units	Manager unit	$779

The project developer is Queen Developers, LLC.

The management services will be provided the John Stewart Company.

The market analysis was provided by Novogradac & Co., LLC

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: $18,194,278 Per Unit Cost: $189,524 Construction Cost Per Sq. Ft.: $51

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Prudential Financial	$7,300,000	Prudential Financial	$7,300,000
Seller-Carryback	$4,800,000	Seller Carry-back	$4,200,000
Interim Income	$420,000	Interim Income	$420,000
Deferred Income	$1,435,507	Deferred Developer Fee	$237,262
Investor Equity	$4,238,771	Investor Equity	$6,037,016
		TOTAL	**$18,194,278**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$4,570,604
Requested Acquisition Eligible Basis:	$10,844,500
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$5,941,785
Qualified Acquisition Basis:	$10,844,500
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$213,904
Maximum Annual Federal Acquisition Credit:	$390,402
Total Maximum Annual Federal Credit:	$604,306
Approved Developer Fee:	$2,010,665

Tax Credit Factor: $1.00

Applicant requests and staff recommends annual federal credits of $604,306, based on a qualified rehabilitation basis of $5,941,785, a qualified acquisition basis of $10,844,500, and a funding shortfall of $6,037,016.

Cost Analysis and Line Item Review
The requested eligible basis $15,415,104 is below TCAC's adjusted threshold basis limit $21,403,884. The basis limit includes the extraordinary features adjustments 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 projects that require seismic upgrading of existing structures. 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.

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:

$604,306 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: CDLAC is not requiring any service/ site amenities for this project.

Project Analyst: G. Boyd