

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

Project Number CA-2006-911

Project Name Central Avenue Villa County: Los Angeles
Addresses: 4051 South Central Avenue
Los Angeles, CA 90011-2777

Applicant Information

Applicant: 1010 Central Avenue Villa, L.P.
Contact: Mr. DarEll T. Weist
Address: 1001 South Hope Street, 1st Floor
Los Angeles, CA 90015
Phone: (213) 749-0214 ext. 205 Fax: (213) 749-3098
Sponsor Type: For Profit

Bond Information

Issuer: Los Angeles CRA
Expected Date of Issuance: March 21, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$3,141,416
Requested: \$3,141,416
Maximum Permitted: \$6,614,478

Extra Feature Adjustments: 55-Year Use/Rent Restriction Adjustment: 80%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$126,525	\$0
Recommended:	\$126,525	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 20
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 20 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 40% of area median income: 9
Number of Units @ or below 60% of area median income: 11

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 Two-Bedroom	60%	\$936
9 Three-Bedroom	40% (CA-1990-128)	\$720
1 Three-Bedroom	60%	\$1,080

The project developer is 1010 Development Corporation.

The management services will be provided by Community Housing Management Services.

The market analysis was provided by Ribacchi-Weck, Inc.

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

Project Financing

Estimated Total Project Cost: \$4,992,848 Per Unit Cost: \$249,642 Construction Cost Per Sq. Ft.: \$37

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
U.S. Bank – Tax Exempt Bonds	\$2,400,000	U.S. Bank – Tax Exempt Bonds	\$413,500
L.A. CRA	\$901,297	L.A. CRA	\$2,077,338
HCD	\$1,116,487	HCD	\$1,116,487
Deferred Fees and Expenses	\$218,875	Deferred Developer Fee	\$120,270
Investor Equity	\$356,189	Investor Equity	\$1,265,253
		TOTAL	\$4,992,848

Determination of Credit Amount(s)

Requested Eligible Basis: (Rehabilitation)	\$1,243,916
130% High Cost Adjustment:	Yes
Requested Eligible Basis: (Acquisition)	\$1,897,500
Applicable Fraction:	100%
Qualified Basis (Rehabilitation):	\$1,617,091
Applicable Rate:	3.60%
Qualified Basis (Acquisition):	\$1,897,500
Applicable Rate:	3.60%
Maximum Annual Federal Credit - Rehabilitation:	\$58,215
Maximum Annual Federal Credit - Acquisition:	\$68,310
Total Maximum Annual Federal Credit:	\$126,525
Approved Developer Fee:	\$409,750
Tax Credit Factor:	\$1.00

Applicant requests and staff recommends annual federal credits of \$126,525, based on a qualified rehabilitation basis of \$1,617,091, a qualified acquisition basis of \$1,897,500, a funding shortfall of \$1,265,253.

Cost Analysis and Line Item Review

The requested eligible basis \$3,141,416 is below TCAC’s adjusted threshold basis limit \$6,614,478. **The basis limit includes 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 most fees to be within TCAC’s underwriting guidelines and TCAC limitation with the exception of the contractor overhead, profit, and general requirement costs and eligible basis as described in the Special Issues section of this report.

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.

This is a reapplication of an existing 9% tax credit project, CA-1990-128, that has a 55-year regulatory agreement recorded on the property. This 4% application (CA-2006-911) will extend the use restriction an additional 15 years and allow for the rehabilitation of this project. Nine of the units will have a 40% AMI restriction carried forward from the original CA-1990-128 regulatory agreement.

The applicant's estimate of the contractor overhead, profit, and general requirement costs and eligible basis exceed the limit established by regulation. The applicant is cautioned that any costs or eligible basis in excess of the 14% limit will not be allowed at the final placed-in-service review and may affect the final award of tax credits

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:

\$126,525 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