CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 23, 2008

Project Number CA-2007-920

Project Name Burns Manor
Address: 8155 Foothill Boulevard
Sunland, CA 91040 County: Los Angeles

Applicant Information
Applicant: Burns Manor VOA Affordable Housing, L.P.
Contact David Bowman
Address: 1660 Duke Street
Alexandria, VA 22314
Phone: (703) 341-5050 Fax: (703) 341-7001
Sponsors Type: Nonprofit

Bond Information
Issuer: City of Los Angeles Housing Department
Expected Date of Issuance: March 31, 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $14,018,953
Requested: $14,018,953
Maximum Permitted: $24,676,445

Extra Feature Adjustments: 55-Year Use/Rent Restriction Adjustment: 120% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$569,147	$0
Recommended:	$569,147	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HUD Section 8
HCD MHP Funding: No
Total # of Units: 82
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 81
55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income: 16
Number of Units @ or below 60% of area median income: 65

Unit Type & Number		2007 Rents % of Area Median Income	Proposed Rent (including utilities)
16	One Bedroom	50%	$693
65	One Bedroom	60%	$832
1	Two Bedroom	Manager's Unit	$903

The general partner or principal owner is Burns Manor VOA Affordable Housing, Inc.

The project developer is Volunteers of America National Services.

The management services will be provided by Barker Management.

The market analysis was provided by Prior & Associates.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing

Estimated Total Project Cost: $15,234,659 Per Unit Cost: $185,789 Construction Cost Per Sq. Foot: $80

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank – Tax Ex. Bonds	$7,500,000	CCRC – Tax Exempt Bond	$5,245,559
VOA – Seller Note	$3,050,000	VOA – Seller Note	$3,050,000
Deferred Developer Fee	$1,420,963	Deferred Developer Fee	$1,361,460
Investor Equity	$3,150,000	Investor Equity	$5,577,640
		TOTAL	**$15,234,659**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$5,968,953
Requested Acquisition Eligible Basis:	$8,050,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$7,759,639
Qualified Acquisition Basis:	$8,050,000
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$279,347
Maximum Annual Federal Acquisition Credit:	$289,800
Total Maximum Annual Federal Credit:	$569,147
Approved Developer Fee in Project Cost:	$1,828,559
Approved Developer Fee in Eligible Basis:	$1,828,559
Tax Credit Factor: National Afforable Housing Trust	$0.980

Applicant requests and staff recommends annual federal credits of $569,147, based on a qualified rehabilitation basis of $7,759,639, a qualified acquisition basis of $8,050,000, and a funding shortfall of $5,577,640.

Cost Analysis and Line Item Review

The requested eligible basis $14,018,953 is below TCAC's adjusted threshold basis limit $24,676,445. The basis limit includes the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit 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.

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 project has HUD Section 8 rental subsidy on 81 of the units. The applicant anticipates renewing the contract for an additional 20 years in 2009 when the current contract expires.

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:

Federal/Annual	State/Total
$569,147	**$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.

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: The applicant/owner is required to provide the tenants with educational classes, on-site or within ¼ mile of the project and free of charge to the tenants for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Jack Waegell