**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**March 26, 2008**

**Project Number** CA-2008-822

**Project Name** Grand Plaza Senior Apartments
Address: 601 North Grand Avenue
Los Angeles, CA 90012 County: Los Angeles

**Applicant Information**
Applicant: Grand Plaza Preservation, L.P.
Contact Mr. Paul Patierno
Address: 6100 Center Drive, Suite 800
Los Angeles, CA 90045
Phone: (310) 258-5122 Fax: (310) 258-5177

Sponsors Type: Joint Venture

**Bond Information**
Issuer: CalHFA
Expected Date of Issuance: March 31, 2008
Credit Enhancement: N/A

**Eligible Basis**
Actual: $28,629,261
Requested: $28,629,261
Maximum Permitted: $73,799,517

Extra Feature Adjustments: 95% of Upper Floor Units are Elevator-Serviced: 10% ☒

55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: Up to 100% ☒

| Tax Credit Amounts | Federal/Annual | State/Total |
|---|---|---|
| Requested: | $1,093,115 | $0 |
| Recommended: | $1,093,115 | $0 |

**Project Information**
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 302
Total # Residential Buildings: 1

**Income/Rent Targeting**
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 301 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 92
Number of Units @ or below 60% of area median income: 209

| Unit Type & Number | | 2008 Rents % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|
| 9 | Studio | 50% | $647 |
| 18 | Studio | 50% | $606 |
| 60 | Studio | 60% | $777 |
| 38 | One-Bedroom | 50% | $606 |
| 19 | One-Bedroom | 50% | $693 |
| 132 | One-Bedroom | 60% | $832 |
| 5 | Two-Bedroom | 50% | $693 |
| 3 | Two-Bedroom | 50% | $832 |
| 17 | Two-Bedroom | 60% | $999 |
| | Studio | Manager's Unit | $0 |

The general partners or principal owners are Grand Plaza Preservation GP, LLC and Las Palmas Foundation.

The project developer is Grand Plaza Preservation GP, LLC.

The management services will be provided by Griswold Real Estate Management, Inc.

The market analysis was provided by Novogradac & Company.

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: $32,272,112 Per Unit Cost: $106,861 Construction Cost Per Sq. Foot: $23

| Construction Financing | | Permanent Financing | |
|---|---|---|---|
| Source | Amount | Source | Amount |
| CalHFA – Tax Exempt Bonds | $20,000,000 | CalHFA – Tax Exempt Bonds | $16,400,000 |
| Deferred Developer Fee | $2,500,000 | Deferred Developer Fee | $2,316,460 |
| AIMCO Properties–Cash Flow Loan | $2,733,156 | AIMCO – Cash Flow Loan | $3,500,000 |
| Investor Equity | $7,038,956 | Investor Equity | $10,055,652 |
| | | **TOTAL** | **$32,272,112** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Rehabilitation Eligible Basis: | $5,783,650 |
| 130% High Cost Adjustment: | Yes |
| Requested Acquisition Eligible Basis: | $22,845,611 |
| Applicable Fraction: | 100% |
| Qualified Rehabilitation Basis: | $7,518,745 |
| Qualified Acquisition Basis: | $22,845,611 |
| Applicable Rate: | 3.60% |
| Maximum Annual Federal Rehabilitation Credit: | $270,674 |
| Maximum Annual Federal Acquisition Credit: | $822,441 |
| Total Maximum Annual Federal Credit: | $1,093,115 |
| Approved Developer Fee: | $2,500,000 |
| Tax Credit Factor: AIMCO Capital | $0.91990 |

Applicant requests and staff recommends annual federal credits of $1,093,115, based on a qualified rehabilitation basis of $7,518,745, qualified acquisition basis of $22,845,611, and a funding shortfall of $10,055,652.

**Cost Analysis and Line Item Review**
The requested eligible basis $28,629,261 is below TCAC's adjusted threshold basis limit $73,799,517.  The basis limit includes the adjustment for extraordinary features for projects that include 95% of upper floor units are elevator-serviced and projects where each 1% of low-income units (30%) are income targeted between 50% AMI & 36% AMI.  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 is an existing TCAC project, CA-1989-243, owned by 601 North Grand Avenue Partners L.P. (Care Housing Services Corporation – managing general partner), which is out of its 15-year TCAC compliance period and has re-applied as CA-2008-822 under a new ownership entity, Grand Plaza Preservation L.P. for rehabilitation and acquisition 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:

| Federal/Annual | State/Total |
|---|---|
| **$1,093,115** | **$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:**  N/A.

**Project Analyst:**  Jack Waegell