CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 20, 2008

Project Number CA-2008-869

Project Name Angelus Plaza
Address: 255 South Hill Street
Los Angeles, CA 90012 County: Los Angeles

Applicant Information
Applicant: Olive RHF Housing Partners, L.P.
Contact Dr. Laverne Joseph
Address: 911 North Studebaker Road
Long Beach, CA 90815
Phone: (562) 257-5100 Fax: (562) 257-5200
Sponsors Type: Limited Partnership

Bond Information
Issuer: Community Redevelopment Agency of the City of Los Angeles
Date of CDLAC Approval: May 28, 2008
Credit Enhancement: Letter of Credit

Eligible Basis
Actual: $104,104,961
Requested: $104,104,961
Maximum Permitted: $188,710,794

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: 29% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,827,435	$0
Recommended:	$3,827,435	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 761
Total # Residential Buildings: 3

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%- 757 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 227
Number of Units @ or below 60% of area median income: 530

Unit Type & Number	**2008 Rents % of Area Median Income**	**Proposed Rent** (including utilities)
227 One-Bedroom	50%	$694
530 One-Bedroom	60%	$852
4 One-Bedroom	Managers' Units	$0

The general partner or principal owner is Hill Retirement Housing Foundation, LLC.

The project developer is Retirement Housing Foundation.

The management services will be provided by Foundation Property Management.

The market analysis was provided by Newport Realty Advisors.

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

Project Financing
Estimated Total Project Cost: $140,087,176 Per Unit Cost: $184,083 Construction Cost Per Sq. Foot: $74

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Tax-exempt bonds	$65,654,667	U.S. Bank mortgage	$53,700,022
Seller Carry-back	$46,720,492	Seller Carry-back	$46,720,492
Debt Service Savings	$10,902	Debt Service Savings	$10,902
Reserves	$3,291,492	Reserves	$3,291,492
Deferred Costs	$15,315,830	G.P. Equity	$3,637
G.P. Equity	$3,636	Investor Equity	$36,360,631
Investor Equity	$9,090,158	**TOTAL**	**$140,087,176**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$48,379,761
Requested Acquisition Eligible Basis:	$55,725,200
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$62,893,689
Qualified Acquisition Basis:	$55,725,200
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$1,776,328
Maximum Annual Federal Acquisition Credit:	$2,006,107
Total Maximum Annual Federal Credit:	$3,827,435
Approved Developer Fee:	$2,500,000
Tax Credit Factor: NAHT	$.95

Applicant requests and staff recommends annual federal credits of $3,827,435 based on a qualified basis of $118,618,889 and a funding shortfall of $36,360,631. The applicant requested a developer fee in project cost that exceeded the allowed amount set by Regulations. Staff adjusted accordingly

Cost Analysis and Line Item Review
The requested eligible basis $104,104,961 is below TCAC's adjusted threshold basis limit $188,710,794 . The basis limit includes the adjustment for extraordinary features for projects that include 95% of upper floor units are elevator-serviced, 55-year use/affordability restriction for projects where each 1% of low-income units 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 projected net income exceeds the net income/ debt service maximums established under section 10327 (d)(6). Applicant is cautioned that should this condition exist at placed-in-service, TCAC will reduce total federal credits commensurate with the TCAC maximums.

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
$3,827,435	**$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.

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.

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 and contracts for services on-site 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: gb