

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

Project Number CA-2008-870

Project Name Regent Plaza
Address: 201 West Regent Street
Inglewood, CA 90301

County: Los Angeles

Applicant Information

Applicant: Regent Plaza KBS, L.P.
Contact: Thomas Safran
Address: 11812 San Vicente Blvd.
Los Angeles, CA 90049
Phone: (310) 820-4888
Sponsors Type: Joint Venture

Fax: (310) 207-6986

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: June 24, 2008
Credit Enhancement: None

Eligible Basis

Actual: \$12,467,150
Requested: \$12,467,150
Maximum Permitted: \$23,095,192

Extra Feature Adjustments 55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are
Income Targeted Between 50% AMI & 36% AMI: 20.75%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$489,296	\$0
Recommended:	\$489,296	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / HUD Section 8
HCD MHP Funding: No
Total # of Units: 107
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 106 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 22
Number of Units @ or below 60% of area median income: 84

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
15 One-Bedroom	50%	\$710
56 One-Bedroom	60%	\$852
7 One-Bedroom	50%	\$710
28 One-Bedroom	60%	\$852
1 Two-Bedroom	Manager's Unit	\$953

The general partners or principal owners are Housing Corporation of America and KBS Housing, LLC.

The project developer is Thomas Safran & Associates.

The management services will be provided by TSA Management Company.

The market analysis was provided by Novogradac & Company, LLP.

The Local Reviewing Agency, the city of Inglewood, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$15,288,232 Per Unit Cost: \$142,881 Construction Cost Per Sq. Foot: \$33

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citicorp – Tax Exempt Bonds	\$9,600,000	Citicorp–Tax Ex. Bonds Tranche A	\$6,800,000
NOI During Construction	\$620,311	Citicorp-Tax Ex. Bonds Tranche B	\$2,800,000
Deferred Developer Fee	\$1,514,457	Deferred Developer Fee	\$421,001
Investor Equity	\$3,485,190	NOI During Construction	\$620,311
		Investor Equity	\$4,646,920
		TOTAL	\$15,288,232

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$3,748,050
Requested Acquisition Eligible Basis:	\$8,719,100
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$4,872,465
Qualified Acquisition Basis:	\$8,719,100
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$175,409
Maximum Annual Federal Acquisition Credit:	\$313,888
Total Maximum Annual Federal Credit:	\$489,296
Approved Developer Fee in Project Cost:	\$1,626,150
Approved Developer Fee in Eligible Basis:	\$1,626,150
Tax Credit Factor: Union Bank	\$0.9497

Applicant requests and staff recommends annual federal credits of \$489,296, based on a qualified rehabilitation basis of \$4,872,465, a qualified acquisition basis of \$8,719,100, and a funding shortfall of \$4,646,920.

Cost Analysis and Line Item Review

The requested eligible basis \$12,467,150 is below TCAC's adjusted threshold basis limit \$23,095,192. The basis limit includes the adjustment for extraordinary features for the 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: None

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
\$489,296	\$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 such as English as a second language, computer training, etc. and contracts for services (such as assistance with daily living activities, or provision of Senior counseling services), on-site or available within ¼ mile of the project, free of charge 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