

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

Project Number CA-2008-900

Project Name Bonnie Brae Village
Address: 200 South Bonnie Brae Street
Los Angeles, CA 90057 County: Los Angeles

Applicant Information

Applicant: Bonnie Brae Village Partners, L.P.
Contact Joshua Latter
Address: 4221 Wilshire Boulevard, Suite 260
Los Angeles, CA 90010
Phone: (323) 634-0561 Fax: (323) 943-6946
Sponsors Type: Joint Venture

Bond Information

Issuer: City of Los Angeles
Expected Date of Issuance: August 28, 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$27,096,319
Requested: \$27,096,319
Maximum Permitted: \$30,117,248

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 49%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,232,883	\$0
Recommended:	\$1,232,883	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: Yes
Total # of Units: 92
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 91 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 91

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
36 One-Bedroom	30%	\$426
37 One-Bedroom	50%	\$710
9 Two-Bedroom	30%	\$511
9 Two-Bedroom	50%	\$852
1 Two-Bedroom	Manager's Unit	\$1,000

The general partners or principal owners are Enhanced Affordable Development Co., LLC and Assisted Living Foundation of America.

The project developer is Enhanced Affordable Development Company.

The management services will be provided by Enhanced Affordable Management.

The market analysis was provided by Vogt, Williams & Bowen.

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

Project Financing

Estimated Total Project Cost: \$32,600,707 Per Unit Cost: \$354,356 Construction Cost Per Sq. Foot: \$335

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
PNC – Tax Exempt Bonds	\$16,500,000	PNC – Tax Exempt Bonds	\$3,576,668
LAHD – HOME & DWP	\$10,342,829	LAHD – HOME & DWP	\$10,342,829
Deferred Developer Fee	\$1,343,000	HCD – MHP	\$6,450,480
Investor Equity	\$4,414,878	Deferred Developer Fee	\$888,211
		Investor Equity	\$11,342,519
		TOTAL	\$32,600,707

Determination of Credit Amount(s)

Requested Eligible Basis:	\$27,096,319
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$35,225,215
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,232,883
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,500,000
Tax Credit Factor: Wachovia	\$0.92

Applicant requests and staff recommends annual federal credits of \$1,232,883 based on a qualified basis of \$35,225,215 and a funding shortfall of \$11,342,519.

Cost Analysis and Line Item Review

The requested eligible basis \$27,096,319 is below TCAC's adjusted threshold basis limit \$30,117,248. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, and 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 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 explained in the Special Issues section of this report below.

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 3.50% 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
\$1,232,883	\$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 and 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