

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 5, 2008**

**Project Number** CA-2008-932

**Project Name** Bonnie Brae Apartment Homes  
**Address:** 501-511 South Bonnie Brae Street  
Los Angeles, CA 90057 County: Los Angeles

**Applicant Information**

**Applicant:** 505 Bonnie Brae Partners, L.P.  
**Contact** Cynthia Michels  
**Address:** 5670 Wilshire Blvd., Suite 2490  
Los Angeles, CA 90036  
**Phone:** (323) 934-3828 **Fax:** (323) 934-3848  
**Email:** cm@americancommunities.net  
**Sponsors Type:** Joint Venture

**Information**

**Housing Type:** Large Family

**Bond Information**

**Issuer:** Los Angeles Housing Department  
**Expected Date of Issuance:** December 2008  
**Credit Enhancement:** Wells Fargo Bank - Private Placement

**Eligible Basis**

**Actual:** \$20,255,782  
**Requested:** \$20,255,782  
**Maximum Permitted:** \$25,554,044

**Extra Feature Adjustments:**

**Required to Pay Prevailing Wages:** 20%  
**Parking Beneath Residential Units:** 7%  
**3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:** 4%  
**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:** 36%  
**55-Year Use/Affordability Restriction - Each 2% of Low-Income Units are Income Targeted at 35% AMI or Below:** 15%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$921,638	\$0
Recommended:	\$921,638	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** Yes  
**Total # of Units:** 53  
**Total # Residential Buildings:** 1

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
 % & No. of Targeted Units: 100% - 52 units  
 55-Year Use/Affordability Restriction: Yes  
 Number of Units @ or below 50% of area median income: 27  
 Number of Units @ or below 60% of area median income: 25

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 One-Bedroom	35%	\$497
3 One-Bedroom	40%	\$568
2 One-Bedroom	50%	\$710
3 One-Bedroom	60%	\$852
3 Two-Bedroom	35%	\$596
4 Two-Bedroom	40%	\$682
3 Two-Bedroom	50%	\$852
14 Two-Bedroom	60%	\$1,023
3 Three-Bedroom	35%	\$689
3 Three-Bedroom	40%	\$788
2 Three-Bedroom	50%	\$985
7 Three-Bedroom	60%	\$1,182
1 Four-Bedroom	35%	\$769
1 Four-Bedroom	40%	\$879
1 Four-Bedroom	50%	\$1,098
1 Four-Bedroom	60%	\$1,318
1 Two-Bedroom	Manager's Unit	\$0

The general partner(s) or principal owner(s) are 505 Bonnie Brae Developers, LLC and Central Valley Coalition for Affordable Housing.

The project developer is American Communities, LLC.

The management services will be provided by The John Stewart Company.

The market analysis was provided by Novogradic & Co., LLC.

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: \$24,697,413 Per Unit Cost: \$465,989 Construction Cost Per Sq. Foot: \$307

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo Bank – Tax Exempt Bonds	\$12,500,000	CCRC*	\$2,700,000
Los Angeles Housing Trust Funds	\$4,960,000	Dept. of Housing & Comm. Devel.	\$4,633,933
Community Redevelopment Agency	\$1,500,000	Los Angeles Housing Trust Funds	\$6,200,000
Deferred Developer Fee	\$2,332,535	Community Redevelopment Agency	\$1,500,000
Investor Equity	\$3,404,878	Deferred Developer Fee	\$1,311,006
		Investor Equity	\$8,352,474
		<b>TOTAL</b>	<b>\$24,697,413</b>

\*California Community Reinvestment Corporation

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$20,255,782
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$26,332,517
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$921,638
Approved Developer Fee:	\$2,5000,000
Tax Credit Factor: Credit Capital	\$0.90626

Applicant requests and staff recommends annual federal credits of \$921,638 based on a qualified basis of \$26,332,517 and a funding shortfall of \$8,352,474.

**Cost Analysis and Line Item Review**

The requested eligible basis \$20,255,782 is below TCAC’s adjusted threshold basis limit \$25,554,044. The basis limit includes the adjustment for extraordinary features for: being required to pay state or federal prevailing wages; required to provide parking beneath the residential units; including 95% of upper floor units are elevator-serviced; having a 55-year use/affordability restriction where each 1% of low-income units are income targeted between 50% AMI & 36% AMI; having a 55-year use/affordability restriction where each 1% of low-income units are income targeted at 35% AMI & below; having 3 or more energy efficiency/ resource conservation/indoor air quality items (exceeds Title 24 by at least 15%; using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air; installing CRI Green Label Plus Carpet or no carpet in all bedrooms, and for using Energy Star rated refrigerators, dishwashers, clothes washers, furnaces and air conditioners). 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 3.50% 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:** The cost per unit includes above average land carry, relocation, financing costs, increased architectural, engineering and construction related costs given that there are site issues that will require unique design and engineering resulting in additional hard costs (i.e. caissons and other building support items), etc.

**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
<b>\$921,638</b>	<b>\$0</b>

**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 high-speed Internet service in each Project unit, and educational classes 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: Velia Martinez