

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

Project Number CA-2008-943

Project Name Academy Hall
Address: 12010 South Vermont Avenue
Los Angeles, CA 90044 County: Los Angeles

Applicant Information

Applicant: Academy Hall, L.P.
Contact: Zoe Ellas
Address: 1200 Wilshire Boulevard, Suite 600
Los Angeles, CA 90017
Phone: (213) 251-2111 Fax: (213) 251-2113
Sponsors Type: Joint Venture

Bond Information

Issuer: City of Los Angeles
Expected Date of Issuance: December 20, 2008
Credit Enhancement: None

Housing Type: Non-targeted

Eligible Basis

Actual: \$7,311,758
Requested: \$7,311,758
Maximum Permitted: \$14,726,552

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted
Between 50% AMI & 36% AMI: 32%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$269,579	\$0
Recommended:	\$269,579	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 46
Total # Residential Buildings: 1

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 45 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 15
Number of Units @ or below 60% of area median income: 30

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 One-Bedroom	50%	\$710
6 One-Bedroom	60%	\$852
11 Two-Bedroom	50%	\$852
23 Two-Bedroom	60%	\$1,023
1 Three-Bedroom	50%	\$985
1 Three-Bedroom	60%	\$1,182
1 Two-Bedroom	Manager's Unit	\$0

The general partners or principal owners are Danberg Development and Beyond Shelter Housing Development Corporation.

The project developers are Danberg Development and Beyond Shelter Housing Development Corporation.

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

The market analysis was provided by Market Insights.

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: \$9,327,858 Per Unit Cost: \$202,780 Construction Cost Per Sq. Foot: \$41

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America – Tax Exempt Bonds	\$5,000,000	Bank of America – Tax Ex. Bonds	\$2,995,000
Century Housing Corporation	\$3,421,124	Century Housing Corporation	\$3,421,124
12010 S. Vermont Ltd. – Seller Note	\$138,919	12010 S. Vermont Ltd.–Seller Note	\$138,919
Costs Deferred During Construction	\$567,816	Deferred Developer Fee	\$308,056
Investor Equity	\$200,000	Investor Equity	\$2,464,759
		TOTAL	\$9,327,858

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$2,376,758
Requested Acquisition Eligible Basis:	\$4,935,000
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,089,785
Qualified Acquisition Basis:	\$4,935,000
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$103,796
Maximum Annual Federal Acquisition Credit:	\$165,783
Total Maximum Annual Federal Credit:	\$269,579
Approved Developer Fee in Project Cost:	\$545,011
Approved Developer Fee in Eligible Basis:	\$545,011
Tax Credit Factor: Credit Capital	\$0.9143

Applicant requests and staff recommends annual federal credits of \$269,579, based on a qualified rehabilitation basis of \$3,089,785, a qualified acquisition basis of \$4,935,000, and a funding shortfall of \$2,464,759.

Cost Analysis and Line Item Review

The requested eligible basis \$7,311,758 is below TCAC's adjusted threshold basis limit \$14,726,552. The basis limit includes the adjustment for projects that are required to pay state or federal prevailing wages and extraordinary feature 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 with the exception of the contractor profit, overhead and general requirement costs as explained in the Special Issues section 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
\$269,579	\$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 high-speed Internet service in each unit and educational classes on-site or within ¼ mile of 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