

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2009 Cash in Lieu of Credits - Gap Financing/ TCAP Funds
August 26, 2009

Project Number CA-2009-592

Project Name 740 South Olive Street Senior
Address: 740 South Olive Street
Los Angeles, CA 90014 County: Los Angeles

Applicant Information

Applicant: Olive Street Preservation, L.P.
Sponsor: Gino Canori
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 **Fax:** (949) 660-7273
Email: gcanori@related.com

General Partner Type: Joint Venture
The general partner(s) or principal owner(s) are Olive Street Development Co., LLC and Haven for Affordable Housing, Inc.

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/HUD Section 8 HAP
HCD MHP Funding: No
Total # of Units: 309
Total # Residential Buildings: 1

Information

Housing Type: At-Risk
Proposed Average Affordability: 40.00

Davis-Bacon Required: No

NEPA Required: No

State Prevailing Wages Required: Yes

2009 TCAC Project Number: CA-2009-806

Original 2009 Federal Tax Credits Reserved: **Federal Credit**
\$2,476,080

2009 Federal Tax Credits Retained: \$2,476,080

Amount of Gap Financing Requested: **Federal Credit**
12 Cents

Current Net Equity Factor: **.70**

Federal Calculation

Amount of Net Equity Factor Requested: $(\$2,476,080 \times 10 \times .12) = \$2,971,296$

Amount of Gap Financing Recommended: **\$2,971,296**

ARRA Scoring Criteria	Max. Possible Points	Points Awarded
<i>DDA Bonus Points</i>	25	0
<i>Housing Type Points (Maximum of 50 points)</i>		
<input checked="" type="checkbox"/> At-Risk Project	30	30
<i>Total Project Cost/Cash Request Points (Maximum of 100 points)</i>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$79,367,354		
Cash Award Request: \$2,971,296		
Total Points Awarded: $100 - (\$2,971,296 / \$79,367,354 \times 100) = 96.2562$	100	96.2562
<i>Total Average Affordability Points (Maximum of 100 points)</i>		
Projects Original Proposed Average Affordability: 40%		
$60\% - \text{Average Affordability} \times 5 \text{ Points} = (60\% - 40\%) \times 5 = 100.00$	100	100.00
Total Points	275	226.2562

Approved 2009 TCAC Proposed Rent and Income Levels

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
7 SRO/Studio	50%	\$685
26 SRO/Studio	60%	\$818
55 One-Bedroom	50%	\$740
220 One-Bedroom	60%	\$882
1 One-Bedroom	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$78,649,294 Per Unit Cost: \$254,528

Citibank, N.A. - Tax Exempt Bonds	\$64,186,838	Red Mortgage Capital	\$53,304,650
Net Operating Income During Rehab	\$4,152,000	Net Operating Income	\$6,299,303
Developer Equity	\$5,650,000	TCAC ARRA Funds	\$2,971,296
Deferred Developer Fee	\$2,500,000	Investor Equity	\$16,074,045
Deferred Costs	\$687,446	TOTAL	\$78,649,294
TCAC ARRA Funds	\$1,188,518		
Investor Equity	\$1,002,552		

Income and Expense Statement for Year 1

Gross Residential Rents:	\$949,008
HAP Subsidy:	\$4,137,312
Miscellaneous Income:	\$12,051
Vacancy Rate: 5%	(\$254,316)
Total Effective Gross Income:	\$4,844,055
Less Total Expenses/Reserves:	\$1,187,038
Net Operation Income:	\$3,657,017
Debt Service:	\$3,206,101
Net Cash Flow	\$450,916
Debt Service Ratio:	1.14 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.