CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2009

Project Number CA-2009-870

Project Name Normandie Seniors
Address: 1345 W. 105th Street
Los Angeles, CA 90044 County: Los Angeles

Applicant Information
Applicant: Normandie Senior Housing Partners, L.P.
Contact Richard J. Whittingham
Address: 9065 Haven Ave., Suite 100
Rancho Cucamonga, CA 91730
Phone: (909) 483-2444 Fax: (909) 291-1401
Email: rwhittingham@nationalcore.org
Sponsors Type: Nonprofit

Information
Housing Type: Seniors

Bond Information
Issuer: Housing Authority of the County of LA
Expected Date of Issuance: December 16, 2009
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$656,283	$0
Recommended:	$656,283	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: No
Total # of Units: 62
Total # Residential Buildings: 1
Federal Setaside Elected: 20%/50%
% & No. of Targeted Units: 100% - 61 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 61
Number of Units @ or below 60% of area median income: 0

Eligible Basis
Actual: $14,423,805
Requested: $14,423,805
Maximum Permitted: $30,342,539

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages
Local Development Impact Fees
95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are Income Targeted Between 50% AMI & 36% AMI: 90%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 10%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

- Projects exceeding Title 24 by at least 15%
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board's Recycled Content Products Database)

Unit Type & Number		2009 Rents Targeted % of Area Median Income	2009 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	One-bedroom Units	25%	25%	$372
23	One-bedroom Units	45%	45%	$668
26	One-bedroom Units	50%	50%	$743
6	Two-bedroom Units	45%	45%	$803
1	Two-bedroom Unit	Manager's Unit	Manager's Unit	$0

The general partner or principal owner is The Southern California Housing Development Corporation of Los Angeles.

The project developer is National CORE.

The management services will be provided by National CORE.

The market analysis was provided by Novogradac & Company.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing
Estimated Total Project Cost: $15,277,009 Per Unit Cost: $246,403 Construction Cost Per Sq. Foot: $261

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
Band of America	$8,000,000	CCRC	$749,529
HACOLA	$1,989,155	HACOLA	$1,989,155
CDC HOME	$4,241,409	CDC HOME	$5,600,000
Investor Equity	$250,000	HCD Infill Infrastructure	$1,033,418
		AHP	$47,330
		CDC Homeless & Housing Program	$600,000
		Deferred Developer Fee	$500,000
		Investor Equity	$4,757,577
		TOTAL	**15,277,009**

Determination of Credit Amount(s)

Requested Eligible Basis:	$14,423,805
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$18,750,947
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$656,283
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,000,000
Investor:	Hudson Capital
Federal Tax Credit Factor:	$0.7249

Cost Analysis and Line Item Review
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 applicant's estimate of the debt service coverage ratio and net income, not accounting for any residual receipt payments on the public funds which might be paid under the loan agreements, appear to be above TCAC limits in the early years of the cash flow projection. TCAC staff contacted the permanent conventional lender regarding their loan sizing, debt service coverage ratio, and net income projections. The lender stated that based on their projections the net income and debt service coverage ratio would decrease to breakeven at the end of the 30-year term, indicating that the project's net cash flow would not support a larger permanent loan. In addition, accounting for the possible residual receipt loan payments on the public funds under the loan agreements would result in debt service coverage ratios and net income figures within TCAC underwriting requirements.

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 Tax Credits/Annual	State Tax Credits/Total
$656,283	$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 contract for services 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: Vélia Martínez