

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
February 2, 2011**

Project Number CA-2011-803

Project Name Menlo Family Housing
Site Address: 1230, 1236, and 1240 South Menlo Avenue
Los Angeles, CA 90006 County: Los Angeles
Census Tract: 2134.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$872,697	\$0
Recommended:	\$872,697	\$0

Applicant Information

Applicant: LTSC Community Development Corporation
Contact: Yoshiyuki Bill Watanabe
Address: 231 East Third Street Suite G106
Los Angeles, CA 90013
Phone: 213-473-3030 Fax: 213-473-1681
Email: bw@ltsc.org

General partner(s) or principal owner(s): LTSC Community Development Corporation
Koreatown Youth and Community Center
General Partner Type: Nonprofit
Developer: LTSC Community Development Corporation
Investor/Consultant: Enterprise Community Investment
Management Agent: LTSC Community Development Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 60
No. & % of Tax Credit Units: 59 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt/HOME/HUD Project-based Sec. 8 Vouchers (50% /30 units)
HCD MHP Funding: Yes
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 20
Number of Units @ or below 50% of area median income: 39

Information

Housing Type: Large Family
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Bond Information

Issuer: Los Angeles Housing Department
 Expected Date of Issuance: April 1, 2011
 Credit Enhancement: N/A

Unit Mix

5 1-Bedroom Units
 35 2-Bedroom Units
20 3-Bedroom Units
 60 Total Units

<u>Unit Type & Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	16%	\$253
10 2 Bedrooms	30%	29%	\$535
11 2 Bedrooms	40%	38%	\$709
13 2 Bedrooms	50%	48%	\$892
5 3 Bedrooms	30%	29%	\$618
6 3 Bedrooms	40%	37%	\$788
9 3 Bedrooms	50%	47%	\$1,005
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$799

Project Financing

Estimated Total Project Cost: \$25,912,590 Construction Cost Per Square Foot: \$135
 Per Unit Cost: \$431,877

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Tax Exempt Bond (Chase)	\$13,500,000	CA Community Reinvestment Corp	\$2,699,000
Housing Authority of the County of LA	\$2,050,000	HACoLA	\$2,050,000
CRA LA	\$3,175,000	CRA LA	\$3,175,000
CA DMH - Mental Health Services Act	\$2,096,570	HCD - MHP	\$689,208
Los Angeles Housing Department - HOME	\$3,740,310	LAHD - HOME	\$6,309,887
Deferred Costs	\$338,210	DMH - Mental Health Services Act	\$2,096,570
Deferred Developer Fee	\$662,500	Deferred Developer Fee	\$175,000
Tax Credit Equity	\$350,000	General Partner Equity	\$1,300,000
		Tax Credit Equity	\$7,417,925
		TOTAL	\$25,912,590

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,744,278
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$25,667,561
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$872,697
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$0.85000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$19,744,278
Actual Eligible Basis:	\$19,744,278
Unadjusted Threshold Basis Limit:	\$15,176,230
Total Adjusted Threshold Basis Limit:	\$41,778,558

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Projects exceeding Title 24 by at least 15%
- Projects using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms

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 are Income Targeted between 50% AMI & 36% AMI: 66%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 67%

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 limitations. 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 3.40% 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 Housing Authority of the City of Los Angeles is providing project-based Section 8 vouchers for 30 units for 15 years to this project. CalHFA/Department of Mental Health is providing MHSA capital funding targeting families and transition age youth for 20 units.

Local Reviewing Agency:

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

Recommendation: Staff recommends that the Committee make a preliminary 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
\$872,697	\$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 preliminary 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 as presented 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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 complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: 1) exceed Title 24 energy standards by at least 10%; 2) use water saving fixtures or flow restrictors in the kitchen (2 gallons per minute or less) and bathrooms (1.5 gallons per minute or less); 3) use of at least one high-efficiency toilet (1.3 gallons per flush or less) or dual flush toilet per unit; and 4) use of formaldehyde-free insulation.