CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2011

Project Number	CA-2010-815	
Project Name	The Montecito Apartments	
Site Address:	6650 Franklin Ave.	
	Los Angeles, CA 90028	County: Los Angeles
Census Tract:	1902.000	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$422,210	$0
Recommended:	$422,210	$0

Applicant Information

Applicant:	Montecito Apartments Housing, L.P.		
Contact:	Anthony Yannatta		
Address:	11812 San Vicente Blvd., Ste. 600		
	Los Angeles, CA 90049		
Phone:	(310) 820-4888	Fax:	(310) 207-6966
Email:	anthony@tsahousing.com		

General partner(s) or principal owner(s):	Montecito Apartments LLC
	Housing Corporation of America
General Partner Type:	Joint Venture
Developer:	Thomas Safran & Associates
Investor/Consultant:	Union Bank
Management Agent:	Thomas Safran & Associates, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	116
No. & % of Tax Credit Units:	115 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	35
Number of Units @ or below 60% of area median income:	80

Information

Housing Type:	Seniors
Geographic Area:	Los Angeles County
TCAC Project Analyst:	Vélia Martínez Greenwood

Bond Information

Issuer:	City of Los Angeles / CRA
Expected Date of Issuance:	5/15/2011
Credit Enhancement:	N/A

Unit Mix

40	SRO/Studio Units
75	1-Bedroom Units
1	2-Bedroom Units
116	Total Units

Unit Type & Number		2010 Rents Targeted % of Area Median Income	2010 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
28	SRO/Studio	60%	52%	$753
52	1 Bedroom	60%	57%	$879
11	SRO/Studio	50%	44%	$636
23	1 Bedroom	50%	47%	$727
1	SRO/Studio	45%	45%	$645
1	2 Bedrooms	Manager's Unit	Manager's Unit	$540

Project Financing

Estimated Total Project Cost:	$14,315,201	Construction Cost Per Square Foot:	$23
		Per Unit Cost:	$123,407

Construction Financing		**Permanent Financing**	
Source	Amount	Source	Amount
Tax-Exempt Bonds	$8,075,000	Tax-Exempt Bonds	$6,433,000
Seller Note	$2,600,000	Seller Note	$2,600,000
NOI During Construction	$249,743	NOI During Construction	$249,743
Deferred Developer Fee	$1,385,162	Deferred Developer Fee	$1,021,865
Tax Credit Equity	$2,005,297	Tax Credit Equity	$4,010,593
		TOTAL	**$14,315,201**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$2,740,721
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$8,855,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$3,562,937
Qualified Basis (Acquisition):	$8,855,000
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	$121,140
Maximum Annual Federal Credit, Acquisition:	$301,070
Total Maximum Annual Federal Credit:	$422,210
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,512,485
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	$0.94990

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:	$11,595,721
Actual Eligible Basis:	$11,595,721
Unadjusted Threshold Basis Limit:	$21,549,610
Total Adjusted Threshold Basis Limit:	$28,014,493

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

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: None.

Local Reviewing Agency:

The Local Reviewing Agency, Los Angeles Housing Department, has completed a site review of this project and 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
$422,210	**$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 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.

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) interior paint with no volatile organic compound (5 grams per liter or less); 2) project will contain nonsmoking buildings or sections of buildings. Nonsmoking sections must consist of at least half the units within the building, and those units must be contiguous.