

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 14, 2011**

Project Number CA-2011-905

Project Name Taylor Yard Apartments
Site Address: 1545 N. San Fernando Road - Lot 3
Los Angeles, CA 90065 County: Los Angeles
Census Tract: 1871.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$775,186	\$0
Recommended:	\$775,186	\$0

Applicant Information

Applicant: Taylor Yard, L.P.
Contact: Daniel Falcon, Jr.
Address: 801 S. Grand Avenue, Suite 780
Los Angeles, CA 90017
Phone: (213) 236-2680 Fax: (213) 236-0707
Email: daniel.falcon@mccormackbaron.com

General partner(s) or principal owner(s): MBA Development Corporation
New Economics for Women
General Partner Type: Joint Venture
Developer: McCormack Baron Salazar
Investor/Consultant: Hudson Housing Capital
Management Agent: McCormack Baron Ragan Management Services Inc

Project Information

Construction Type: New Construction
Total # Residential Buildings: 4
Total # of Units: 68
No. & % of Tax Credit Units: 67 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / HOME / HUD NSP II
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 14
Number of Units @ or below 50% of area median income: 21
Number of Units @ or below 60% of area median income: 32

Bond Information

Issuer: City of Los Angeles Housing Department
 Expected Date of Issuance: March 2012
 Credit Enhancement: N/A

Information

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

Unit Mix

18 1-Bedroom Units
 18 2-Bedroom Units
 32 3-Bedroom Units

 68 Total Units

Unit Type & Number	2011 Rents Targeted % of Area Median Income	2011 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	30%	30%	\$480
2 1 Bedroom	35%	35%	\$560
2 1 Bedroom	40%	40%	\$641
2 1 Bedroom	45%	45%	\$721
1 1 Bedroom	50%	50%	\$801
9 1 Bedroom	60%	60%	\$961
2 2 Bedrooms	30%	30%	\$576
2 2 Bedrooms	35%	35%	\$672
2 2 Bedrooms	40%	40%	\$769
2 2 Bedrooms	45%	45%	\$865
1 2 Bedrooms	50%	50%	\$961
8 2 Bedrooms	60%	60%	\$1,153
3 3 Bedrooms	30%	30%	\$666
3 3 Bedrooms	35%	35%	\$777
3 3 Bedrooms	40%	40%	\$888
3 3 Bedrooms	45%	45%	\$999
5 3 Bedrooms	50%	50%	\$1,110
15 3 Bedrooms	60%	60%	\$1,332
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$21,213,789
 Estimated Residential Project Cost: \$21,213,789

Residential

Construction Cost Per Square Foot: \$127
 Per Unit Cost: \$311,967

Construction Financing

Source	Amount
Citibank, N.A.	\$11,000,000
HUD / New Economics for Women-NSPII	\$4,000,000
HCD - IIG	\$2,339,725
LAHD - HOME	\$1,883,064
Deferred Developer Fee	\$150,000
Tax Credit Equity	\$1,841,000

Permanent Financing

Source	Amount
Citibank, N.A.	\$3,500,000
HUD / New Econ. for Women-NSP II	\$4,000,000
HCD - IIG	\$2,339,725
LAHD - HOME	\$3,860,064
Deferred Developer Fee	\$150,000
Tax Credit Equity	\$7,364,000
TOTAL	\$21,213,789

Determination of Credit Amount(s)

Requested Eligible Basis: \$18,015,043
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$23,419,555
 Applicable Rate: 3.40%
 Total Maximum Annual Federal Credit: \$775,186
 Approved Developer Fee (in Project Cost & Eligible Basis): \$1,400,000
 Investor/Consultant: Hudson Housing Capital
 Federal Tax Credit Factor: \$0.94997

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:	\$18,015,043
Actual Eligible Basis:	\$18,015,043
Unadjusted Threshold Basis Limit:	\$17,317,948
Total Adjusted Threshold Basis Limit:	\$30,160,576

Adjustments to Basis Limit:

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 31%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 40%

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. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: This project is a part of the Taylor Yard Transit Village Master Plan, located on a former rail yard across from Dodger Stadium on the opposite side of Interstate 5 and the Los Angeles River. The master plan will include 471 new housing units including affordable family and senior rental housing as well as affordable and market-rate homeownership opportunities when it is built out. The master plan will also include approximately 30,000 square feet of commercial/retail space. This project/phase is located on Lot 3 of the master plan and will provide 67 tax-credit family 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
\$775,186

State Tax Credits/Total
\$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 the following Service Amenities 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:

- High-speed Internet or wireless (WiFi)
- Bona fide service coordinator