

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 13, 2013

Project Number CA-13-803

Project Name Moonlight Villas
 Site Address: 12381 Osborne St.
 Los Angeles, CA 91331 County: Los Angeles
 Census Tract: 1047.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$438,198	\$0
Recommended:	\$438,198	\$0

Applicant Information

Applicant: Moonlight Villas, L.P.
 Contact: Patti Nuccio
 Address: 15305 Rayen St.
 North Hills, CA 91343
 Phone: 818-332-8008 Fax: 818-892-3574
 Email: nuccio@pennylane.org

General partner(s) or principal owner(s): Abbey Road, Inc.
 Los Angeles Housing Partnership
 General Partner Type: Nonprofit
 Developer: Abbey Road, Inc.
 Investor/Consultant: Hudson Housing Capital
 Management Agent: Community Housing Management Services

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 27
 No. & % of Tax Credit Units: 26 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HOME/HUD Section 8 project based vouchers
 (26 units - 100%)
 HCD MHP Funding: Yes
 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: 12

Bond Information

Issuer: Los Angeles Housing Department
 Expected Date of Issuance: March 15, 2013
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

12 1-Bedroom Units
 12 2-Bedroom Units
3 3-Bedroom Units
 27 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 1 Bedroom	30%	30%	\$474
2 1 Bedroom	35%	35%	\$553
3 2 Bedrooms	30%	30%	\$569
4 2 Bedrooms	40%	40%	\$759
1 3 Bedrooms	35%	35%	\$767
2 3 Bedrooms	40%	40%	\$877
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,101

Project Financing

Estimated Total Project Cost: \$11,530,684
 Estimated Residential Project Cost: \$11,530,684

Residential

Construction Cost Per Square Foot: \$199
 Per Unit Cost: \$427,062

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$7,000,000
LAHD	\$2,044,211
Deferred Costs	\$966,986
Tax Credit Equity	\$1,519,487

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$1,800,000
HCD-MHP	\$2,800,489
LAHD	\$2,044,211
Deferred Developer Fee	\$504,000
Tax Credit Equity	\$4,381,984
TOTAL	\$11,530,684

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,534,670
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,695,071
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$438,198
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Hudson Housing Capital
Federal Tax Credit Factor:	\$1.00000

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:	\$10,534,670
Actual Eligible Basis:	\$10,534,670
Unadjusted Threshold Basis Limit:	\$6,457,320
Total Adjusted Threshold Basis Limit:	\$18,748,954

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 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: 46%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 106%

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 3.20% 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: None

Local Reviewing Agency:

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.

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
\$438,198	\$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 a reservation 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: None