

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 15, 2013**

Project Number CA-13-826

Project Name Orangewood Court Apartments
Site Address: 5050 North Sepulveda Boulevard
Sherman Oaks, CA 91403 County: Los Angeles
Census Tract: 1289.100

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$611,348	\$0
Recommended:	\$611,348	\$0

Applicant Information

Applicant: Orangewood Court Community Partners, L.P.
Contact: Michael K. Moore
Address: 17782 Sky Park Circle
Irvine, CA 92614 CA 92614
Phone: (815) 397-9018 Fax: (815) 397-9018
Email: mikemoore@star-hold.com

General partner(s) or principal owner(s): AHDF - Orange Wood Court G/P, LLC
Orange Wood Court G/P, LLC
General Partner Type: Joint Venture
Developer: Community Preservation Partners, LLC
Investor/Consultant: WNC-Institutional Tax Credit Fund
Management Agent: Professional Property Management, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 92
No. & % of Tax Credit Units: 91 100%
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: 10
Number of Units @ or below 60% of area median income: 81

Bond Information

Issuer: City of Los Angeles
 Expected Date of Issuance: June 30, 2013
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Jack Waegell

Unit Mix

12 SRO/Studio Units
 74 1-Bedroom Units
 6 2-Bedroom Units

 92 Total Units

Unit Type & Number	2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9 SRO/Studio	60%	60%	\$870
53 1 Bedroom	60%	60%	\$932
4 2 Bedrooms	60%	60%	\$1,119
1 SRO/Studio	60%	60%	\$870
4 1 Bedroom	60%	60%	\$932
1 SRO/Studio	50%	50%	\$725
8 1 Bedroom	50%	50%	\$776
1 2 Bedrooms	50%	50%	\$932
1 SRO/Studio	60%	59%	\$856
9 1 Bedroom	60%	60%	\$932
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,078

Project Financing

Estimated Total Project Cost: \$19,355,591
 Estimated Residential Project Cost: \$19,355,591

Residential

Construction Cost Per Square Foot: \$53
 Per Unit Cost: \$210,387

Construction Financing

Source	Amount
Love Funding Corporation	\$9,334,100
Capitalized Interest Paid By Operations	\$250,000
Seller Note	\$3,000,000
Deferred Developer Fee	\$980,039
Tax Credit Equity	\$5,791,452

Permanent Financing

Source	Amount
Love Funding Corporation	\$9,334,100
Capitalized Interest Paid By Operations	\$250,000
Seller Note	\$3,000,000
Deferred Developer Fee	\$980,039
Tax Credit Equity	\$5,791,452
TOTAL	\$19,355,591

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,611,033
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$11,928,807
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,294,343
Qualified Basis (Acquisition):	\$11,928,807
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$229,627
Maximum Annual Federal Credit, Acquisition:	\$381,721
Total Maximum Annual Federal Credit:	\$611,348
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,287,805
Investor/Consultant:	WNC-Institutional Tax Credit Fund
Federal Tax Credit Factor:	\$0.94733

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:	\$17,539,840
Actual Eligible Basis:	\$17,539,840
Unadjusted Threshold Basis Limit:	\$19,023,924
Total Adjusted Threshold Basis Limit:	\$22,828,708

Adjustments to Basis Limit:

- 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: 11%

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 are below the minimum operating expenses established in the Regulations as allowed under Regulation Section 10327(g)(1), 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: This project involves the re-syndication of an existing 4% tax credit project, CA-98-996.

The applicant's estimate of the project's operating expenses is approximately 14.4% below the TCAC minimum of \$5,000 per unit per year at \$4,267 per unit per year as allowed and approved by TCAC under regulation section 10327(g)(1), which allows up to a 15% reduction to the TCAC operating expense minimum with TCAC approval.

Local Reviewing Agency:

The Local Reviewing Agency, the 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
\$611,348	\$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.