CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 15, 2013

Project Number CA-13-829

Project Name Cedar Ridge Apartments
Site Address: 2105 East Avenue J8
Lancaster, CA 93535 County: Los Angeles
Census Tract: 9005.07/2

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$437,498	$0
Recommended:	$437,498	$0

Applicant Information

Applicant: I Yam What I Yam, LP
Contact: Amanda Johnson
Address: 6265 Variel Avenue
Woodland Hills, CA 91367
Phone: 818-789-5550 Fax: 818-827-1719
Email: amanda@qgre.com

General partner(s) or principal owner(s): Abbey Road, Inc.
InSite Development, LLC
General Partner Type: Joint Venture
Developer: InSite Development, LLC
Investor/Consultant: Alliant Capital
Management Agent: Ironwood Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 110
No. & % of Tax Credit Units: 109 100.00%
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: 39
Number of Units @ or below 60% of area median income: 70

Bond Information

Issuer:	City of Lancaster
Expected Date of Issuance:	June 15, 2013
Credit Enhancement:	N/A

Information

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

Unit Mix

42	2-Bedroom Units
68	3-Bedroom Units
110	Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15	2 Bedrooms	50%	30%	$559
24	3 Bedrooms	50%	30%	$646
26	2 Bedrooms	60%	42%	$787
44	3 Bedrooms	60%	42%	$897
1	2 Bedrooms	Manager's Unit	Manager's Unit	$750

Project Financing	
Estimated Total Project Cost:	$13,948,538
Estimated Residential Project Cost:	$13,948,538

Residential	
Construction Cost Per Square Foot:	$16
Per Unit Cost:	$126,805

Construction Financing

Source	Amount
East West Bank	$7,500,000
LA County CDC / First 5 LA	$3,500,000
Deferred Developer Fee	$599,999
Tax Credit Equity	$2,348,539

Permanent Financing

Source	Amount
PNC Capital	$4,750,000
LA County CDC/First 5 LA	$3,000,000
LA County CDC/First 5 LA - Reserve	$500,000
Deferred Developer Fee	$1,367,306
Tax Credit Equity	$4,331,232
TOTAL	**$13,948,538**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,574,049
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$9,200,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,646,264
Qualified Basis (Acquisition):	$9,200,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$143,098
Maximum Annual Federal Credit, Acquisition:	$294,400
Total Maximum Annual Federal Credit:	$437,498
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,666,180
Investor/Consultant:	Alliant Capital
Federal Tax Credit Factor:	$0.99000

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:	$12,774,049
Actual Eligible Basis:	$12,774,049
Unadjusted Threshold Basis Limit:	$31,898,688
Total Adjusted Threshold Basis Limit:	$43,063,229

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: 35%

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: 39 of the units will be for tenants qualified under regulations of the First 5 LA program for families that are at-risk of being homeless and/or homeless, who have a child age 0 - 5 with a history with the Department of Children & Family Services. In addition, this project has a $500,000 operating subsidy from Penny Lane Centers, a California nonprofit public benefit corporation, to cover the operating gap created by the 39 units set aside for the First 5 LA tenants earning 30% of the area median income or less. These tenants will pay no more than 30% of their income as rent.

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
$437,498	**$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: 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:

- After school program on-site

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 TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post-rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).