CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2013

Project Number   CA-13-894

Project Name   Lutheran Villages
    Site Address: 2535 Longwood Avenue and 1315 E. 7th Street
                           Los Angeles, CA 90016 and 90017   County: Los Angeles
    Census Tract: 2197.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$314,397	$0
Recommended:	$314,397	$0

Applicant Information

Applicant:	Lutheran Villages, LP
Contact:	Christopher Kolbenschlag
Address:	1101 E. Orangewood Ave., Suite 200
	Anaheim, CA 92805
Phone:	714-221-5605 Fax: 714-533-3450
Email:	ckolbenschlag@barkermgt.com

General Partner(s) or Principal Owner(s):	Lutheran Villages Housing, LLC
	Valued Housing Acquisition Partners, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Lutheran Housing Corp. & Watts Labor Community
	Action Committee
	Valued Housing Acquisition Partners, LLC
Developer:	Valued Housing II, LLC
Investor/Consultant:	R4 Capital
Management Agent:	Barker Management, Incorporated

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	52
No. & % of Tax Credit Units:	50 100%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (20 Units / 40%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	18
Number of Units @ or below 60% of area median income:	32

Bond Information

    Issuer: City of Los Angeles
    Expected Date of Issuance: December 20, 2013
    Credit Enhancement: PNC Real Estate - FHA Insurance 221(d)(4)

Information

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

Unit Mix

     8 SRO/Studio Units
   10 1-Bedroom Units
   18 2-Bedroom Units
   12 3-Bedroom Units
    4 4-Bedroom Units
   52 Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	50%	50%	$725
6	SRO/Studio	60%	60%	$870
2	1 Bedroom	50%	50%	$776
8	1 Bedroom	60%	60%	$932
1	2 Bedrooms	50%	50%	$932
6	2 Bedrooms	50%	50%	$932
10	2 Bedrooms	60%	60%	$1,119
5	3 Bedrooms	50%	50%	$1,076
6	3 Bedrooms	60%	60%	$1,292
2	4 Bedrooms	50%	50%	$1,201
2	4 Bedrooms	60%	60%	$1,441
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing		Residential	
Estimated Total Project Cost:	$11,259,459	Construction Cost Per Square Foot:	$55
Estimated Residential Project Cost:	$11,259,459	Per Unit Cost:	$216,528

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
PNC Real Estate/221(d)(4) Bond Loan	$6,500,000	PNC Real Estate/221(d)(4) Bond Loan	$4,800,000
Seller Note	$2,282,820	Seller Note	$2,282,820
Capitalized Reserves	$384,000	Capitalized Reserves	$384,000
Project NOI During Construction	$287,562	Project NOI During Construction	$287,565
Tax Credit Equity	$1,805,077	Deferred Developer Fee	$518,302
		Tax Credit Equity	$2,986,772
		TOTAL	**$11,259,459**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,072,232
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,531,000
Applicable Fraction:	100%
Qualified Basis (Rehabilitation):	$5,293,902
Qualified Basis (Acquisition):	$4,531,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$169,405
Maximum Annual Federal Credit, Acquisition:	$144,992
Total Maximum Annual Federal Credit:	$314,397
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,122,160
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.95000

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:	$8,603,232
Actual Eligible Basis:	$8,603,232
Unadjusted Threshold Basis Limit:	$13,127,806
Total Adjusted Threshold Basis Limit:	$17,853,816

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: 36%

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: This project consists of the rehabilitation of two sites, Casa Longwood, a 20 unit apartment project that has a HUD Section 8 project-based contract covering 100% of the affordable units, and Los Angeles Village (also know as Los Angeles City Lights) which is an existing tax credit project originally receiving credits as CA-94-068 under a 55-year TCAC regulatory agreement.

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
$314,397	**$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:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for the Casa Longwood site only

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 at the Casa Longwood site and by a 15% decrease at the Los Angeles Village site, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.

- The rehabilitation project will implement the following sustainable building management practices at both sites:

  (i) Development of a project-specific maintenance manual including replacement specifications and operating information of all energy and green building features; and (ii) Certify building management staff in sustainable building operations per BPI Multifamily Building Operator or equivalent training program; and (iii) Undertaking formal building systems commissioning, retro-commissioning or re-commissioning as appropriate (continuous commissioning is not required).