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

Project Number CA-13-898

Project Name Laurel Village
Site Address: 9700 Laurel Canyon Boulevard
Los Angeles, CA 91331 County: Los Angeles
Census Tract: 1048.210

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$610,515	$0
Recommended:	$602,978	$0

Applicant Information
Applicant: Laurel Village, LP
Contact: Holly Benson
Address: 701 East 3rd Street, Suite 400
Los Angeles, CA 90013
Phone: 213-225-2708 Fax: 213-225-2709
Email: hbenson@abodecommunities.org

General Partner(s) or Principal Owner(s): Laurel Village GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Abode Communities
Developer: Abode Communities
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Abode Communities

Project Information
Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 10
Total # of Units: 80
No. & % of Tax Credit Units: 79 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (79 Units / 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 24
Number of Units @ or below 60% of area median income: 55

Bond Information

Issuer:	City of Los Angeles HCID
Expected Date of Issuance:	January 30, 2014
Credit Enhancement:	N/A

Information

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

Unit Mix

64	2-Bedroom Units
16	3-Bedroom Units
80	Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20	2 Bedrooms	50%	50%	$932
44	2 Bedrooms	60%	60%	$1,119
4	3 Bedrooms	50%	50%	$1,076
11	3 Bedrooms	60%	60%	$1,291
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Financing	
Estimated Total Project Cost:	$21,236,419
Estimated Residential Project Cost:	$21,236,419

Residential	
Construction Cost Per Square Foot:	$83
Per Unit Cost:	$265,455

Construction Financing

Source	Amount
Wells Fargo	$14,325,000
Cash Reserves from Seller	$826,346
Seller Carry Back Loan	$3,958,473
Deferred Costs	$745,669
Tax Credit Equity	$1,380,931

Permanent Financing

Source	Amount
CCRC - Tranche A	$5,955,000
CCRC - Tranche B	$3,428,200
Seller Carry Back Loan	$3,958,473
Cash Reserves from Seller	$826,346
Income from Operations	$658,000
Deferred Developer Fee	$79,138
Tax Credit Equity	$6,331,262
TOTAL	**$21,236,419**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,372,196
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$6,659,204
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,183,855
Qualified Basis (Acquisition):	$6,659,204
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$389,884
Maximum Annual Federal Credit, Acquisition:	$213,094
Total Maximum Annual Federal Credit:	$602,978
Approved Developer Fee (in Project Cost and Eligible Basis):	$2,132,900
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.05000

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:	$16,031,400
Actual Eligible Basis:	$16,352,696
Unadjusted Threshold Basis Limit:	$20,883,456
Total Adjusted Threshold Basis Limit:	$27,148,493

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: 30%

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 currently has an annual renewal HUD Section 8 project-based contract covering 100% of the tax credit units. The applicant has applied for a 20-year renewal contract with HUD.

TCAC reduced the reservation of tax credits down to $602,978 in annual federal tax credits from the applicant's request of $610,515. The applicant based their request on an applicable rate of 3.24%. However, TCAC's current underwriting applicable rate for determining the reservation of tax credits is 3.20%. This change resulted in a smaller reservation of federal tax credits than requested. TCAC filled the funding gap resulting from the reduction in tax credits and tax credit equity with a deferred developer fee source of $79,138.

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
$602,978	**$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, weekdays throughout the school year and at least 10 hours per week.