

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**June 20, 2008**

**Project Number** CA-2008-868

**Project Name** Angelus Plaza North  
**Address:** 200 South Olive Street  
Los Angeles, CA 90012 County: Los Angeles

**Applicant Information**

**Applicant:** Olive RHF Housing Partners, L.P.  
**Contact** Dr. Laverne Joseph  
**Address:** 911 North Studebaker Road  
Long Beach, CA 90815  
**Phone:** (562) 257-5100 Fax: (562) 257-5200  
**Sponsors Type:** Limited Partnership

**Bond Information**

**Issuer:** Community Redevelopment Agency of the City of Los Angeles  
**Date of CDLAC Approval:** May 28, 2008  
**Credit Enhancement:** Letter of Credit

**Eligible Basis**

**Actual:** \$41,244,484  
**Requested:** \$41,244,484  
**Maximum Permitted:** \$82,920,785

**Extra Feature Adjustments:**

95% of Upper Floor Units are Elevator-Serviced: 10%   
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between  
50% AMI & 36% AMI: 30%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,695,169	\$0
Recommended:	\$1,695,169	\$0

**Project Information**

**Construction Type:** Acquisition and Rehabilitation  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**Total # of Units:** 332  
**Total # Residential Buildings:** 1

**Income/Rent Targeting**

**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100%-330 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 99  
**Number of Units @ or below 60% of area median income:** 231

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
99 One-Bedroom	50%	\$694
231 One-Bedroom	60%	\$852
2 One-Bedroom Manager Units		\$0

The general partners or principal owners is Olive RHF Housing LLC.

The project developer is Retirement Housing Foundation.

The management services will be provided by Foundation Property Management.

The market analysis was provided by Newport Realty Advisors.

The Local Reviewing Agency, the Los Angeles Housing Department, has completed a site review and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$72,212,049 Per Unit Cost: \$217,506 Construction Cost Per Sq. Foot: \$75

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Tax Exempt Bonds	\$30,098,719	U.S. Bank—1 <sup>st</sup> D/T	\$29,355,137
Seller Carryback	\$14,560,957	Seller Carryback	\$14,560,957
Debt Service Savings	\$2,301,663	Debt Service Savings	\$2,301,663
G.P. Equity	\$1,611	G.P. Equity	\$1,611
Reserves	\$9,888,573	Reserves	\$9,888,573
Deferred Costs	\$11,334,499	Investor Equity	\$16,104,108
Investor Equity	\$4,026,027	<b>TOTAL</b>	<b>\$72,062,049</b>

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$19,697,707
Requested Acquisition Eligible Basis:	\$21,546,777
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$25,607,019
Qualified Acquisition Basis:	\$21,546,777
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$919,485
Maximum Annual Federal Acquisition Credit:	\$775,684
Total Maximum Annual Federal Credit:	\$1,695,169
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,500,000
Tax Credit Factor: NAHT	.95

Applicant requests and staff recommends annual federal credits of \$1,695,169, based on a qualified rehabilitation basis of \$25,607,019, a qualified acquisition basis of \$21,546,777, and a funding shortfall of \$16,104,108. The applicant requested a developer fee in project cost that exceeded the allowed amount set by Regulations. Staff adjusted accordingly.

### Cost Analysis and Line Item Review

The requested eligible basis \$41, 244,484 is below TCAC's adjusted threshold basis limit \$82,920,785 . The basis limit includes the adjustment for extraordinary features for **projects** that include 95% of upper floor units are elevator-serviced, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** None

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
<b>\$1,695,169</b>	<b>\$0</b>

### 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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 **educational classes and contracts for services** 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.

Project Analyst: gb