

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

Project Number CA-2008-888

Project Name Three Courtyards
Address: 13751 Sherman Way
Van Nuys, CA 91405
County: Los Angeles

Applicant Information

Applicant: Sherman Way Community Housing, L.P.
Contact Holly Phillips
Address: 701 E. 3rd Street, Suite 400
Los Angeles, CA 90013
Phone: (213) 225-2708
Sponsors Type: Nonprofit
Fax: (213) 225-2709

Bond Information

Issuer: Los Angeles Housing Department
Expected Date of Issuance: July 2008
Credit Enhancement: N/A

Eligible Basis

Actual: \$19,674,559
Requested: \$19,674,559
Maximum Permitted: \$31,963,211

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%
Local Development Impact Fees
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: 43%
55-Year Use/Affordability Restriction - Each 2% of Low-Income Units are Income Targeted at 35% AMI or Below: 47%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$895,103	\$0
Recommended:	\$895,103	\$0

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt/HOME
HCD MHP Funding: Yes
Total # of Units: 52
Total # Residential Buildings: 2

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 51 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 50% of area median income: 46
 Number of Units @ or below 60% of area median income: 5

<u>Unit Type & Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 One-Bedroom	30%	\$426
11 One-Bedroom	50%	\$710
2 One-Bedroom	60%	\$852
3 Two-Bedroom	30%	\$511
2 Two-Bedroom	35%	\$596
4 Two-Bedroom	50%	\$852
1 Two-Bedroom	60%	\$1022
5 Three-Bedroom	35%	\$690
6 Three-Bedroom	50%	\$985
1 Three-Bedroom	60%	\$1,182
2 Four-Bedroom	35%	\$769
1 Four-Bedroom	50%	\$1,098
1 Four-Bedroom	60%	\$1,318
1 Three-Bedroom	Manager's Unit	\$0

The general partner or principal owner is Los Angeles Community Design Center (LACDC).

The project developer is LA Community Design Center.

The management services will be provided by Design Center Housing Services.

The market analysis was provided by Laurin Associates.

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.

Project Financing

Estimated Total Project Cost: \$25,485,800 Per Unit Cost: \$490,112 Construction Cost Per Sq. Foot: \$326

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo - T.E. Bonds	\$13,987,189	CCRC	\$908,800
CRA/LA	\$1,200,000	CRA/LA	\$2,248,270
LAHD - HOME	\$7,762,524	LAHD - HOME	\$7,762,524
Deferred Costs	\$133,000	FHLBSF/AHP	\$280,500
G.P. Equity	\$100	HCD - MHP	\$4,278,149
Investor Equity	\$2,402,987	Deferred Developer Fee	\$1,683,001
		G.P. Equity	\$100
		Investor Equity	\$8,324,456
		TOTAL	\$25,485,800

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,674,559
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$25,576,927
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$895,192
Approved Developer Fee:	\$2,500,000
Tax Credit Factor: CA Housing Partnership Corp.	\$.9232

Applicant requests and staff recommends annual federal credits of \$895,192 based on a qualified basis of \$25,576,927 and a funding shortfall of \$8,324,456.

Cost Analysis and Line Item Review

The requested eligible basis \$19,674,559 is below TCAC's adjusted threshold basis limit \$31,963,211. The basis limit includes the adjustment for extraordinary features for: Projects that are required to pay state or federal prevailing wages; provide parking beneath the residential units; pay local development impact fees; 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; 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below; projects with 3 or more energy efficiency/resource conservation/indoor air quality items (exceeds Title 24 by at least 15%, installing CRI Green Label Plus Carpet or no carpet in all bedrooms, using vent kitchen range hoods to the exterior of the building in at least 80% of the units). 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 3.50% 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 contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$895,103	\$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 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 after school programs of an on going nature and educational classes (such as English as 2nd Language , computer training, etc.) 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: Velia Martinez