

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 27, 2010

Project Number CA-2010-800

Project Name Vendome Palms Apartments
Address: 975 North Vendome Street
Los Angeles, CA 90026 County: Los Angeles

Applicant Information

Applicant: Vendome Palms, L.P.
Contact Michelle Coulter
Address: 3345 Wilshire Boulevard, Suite 1100
Los Angeles, CA 90010
Phone: (213) 480-0809 Fax: (213) 480-1788
Email: mcoulter@acof.org
Sponsors Type: Nonprofit

Information

Housing Type: Special Needs

Bond Information

Issuer: Housing Department of the City of Los Angeles
Expected Date of Issuance: March 1, 2010
Credit Enhancement: N/A

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$454,500	\$0
Recommended:	\$452,304	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / Shelter Plus Care
HCD MHP Funding: Yes
Total # of Units: 36
Total # Residential Buildings: 1
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 35 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 35
Number of Units @ or below 60% of area median income: 0

Eligible Basis

Actual: \$10,454,157
Requested: \$10,454,157
Maximum Permitted: \$20,161,985

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages

100% of the Units are for Special Needs Populations

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units that are Income Targeted at 35% AMI or Below: 100%

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

- Projects exceeding Title 24 by at least 15%
- Projects using natural linoleum/ceramic tile/natural rubber for all kitchens and bathrooms where no VOC adhesives or backing is used
- Projects installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
33 SRO / Studio Units	50%	30%	\$416
2 One-bedroom Units	50%	30%	\$445
1 Two-bedroom Unit	Manager's Unit	Manager's Unit	\$0

The general partner or principal owner is A Community of Friends.

The project developer is A Community of Friends.

The management services will be provided by Barker Management.

The market analysis was provided by Market Insights.

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: \$13,357,275 Per Unit Cost: \$371,035 Construction Cost Per Sq. Foot: \$369

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$6,341,068	HCD – MHP Supportive Housing	\$4,800,000
LAHD – PSHP	\$2,349,412	LAHD – PSHP	\$2,349,412
HACoLA – City of Industry	\$2,000,000	HACoLA – City of Industry	\$2,000,000
Deferred Costs	\$1,906,467	Deferred Developer Fee	\$557,970
Owner Equity (Insurance Proceeds)	\$257,613	Owner Equity (Insurance Proceeds)	\$257,613
Investor Equity	\$502,715	Investor Equity	\$3,408,750
		TOTAL	\$13,357,275

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$8,229,438
Requested Acquisition Eligible Basis:	\$2,224,719
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$10,698,269
Qualified Acquisition Basis:	\$2,224,719
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$374,439
Maximum Annual Federal Acquisition Credit:	\$77,865
Total Maximum Annual Federal Credit:	\$452,304
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,282,500
Investor Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.75

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 limitation with the exception of the developer fee included under rehabilitation eligible basis as explained in the Special Issues section below. 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: In determining the rehabilitation eligible basis and the rehabilitation tax credits, the applicant included more than the allowed 15% of the developer fee under rehabilitation eligible basis. Staff adjusted accordingly by shifting the overage to acquisition eligible basis.

This is a special needs project for homeless/disabled people and has Shelter Plus Care rental subsidies on all 35 of the tax credit units.

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 Tax Credits/Annual	State Tax Credits/Total
\$452,304	\$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 high-speed Internet access in each unit, educational classes, and contracts for services, 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.

Project Analyst: Jack Waegell