

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

**Project Number** CA-2010-832

**Project Name** Providence Gardens (aka Baptist Gardens)  
 Site Address: 1011 Pine Avenue  
 Long Beach, CA 90813 County: Los Angeles  
 Census Tract: 5758.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$645,399	\$0
Recommended:	\$645,399	\$0

**Applicant Information**

Applicant: Providence Gardens, L.P.  
 Contact: Stephen L. Doty  
 Address: 3787 Worsham Avenue  
 Long Beach, CA 90808  
 Phone: (562) 595-7567 Fax: (562) 492-6674  
 Email: sdoty@lomco.com

General partner(s) or principal owner(s): Providence Housing - PG, LLC - AGP  
 Las Palmas Housing and Development Corp. - MGP  
 General Partner Type: Joint Venture  
 Developer: Doty-Burton Associates  
 Investor/Consultant: Boston Financial  
 Management Agent: Living Opportunities Management Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 200  
 No. & % of Tax Credit Units: 198 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 (79% / 157 units)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 60  
 Number of Units @ or below 60% of area median income: 138

**Information**

Housing Type: Seniors  
 Geographic Area: Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Bond Information**

Issuer: CalHFA  
 Expected Date of Issuance: December 1, 2010  
 Credit Enhancement: N/A

**Unit Mix**

199 1-Bedroom Units  
 199 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
42 1 Bedroom	50%	31%	\$483
18 1 Bedroom	50%	50%	\$776
138 1 Bedroom	60%	59%	\$919
2 1 Bedroom	Manager's Unit	Manager's Unit	\$483

**Project Financing**

Estimated Total Project Cost: \$21,319,128      Construction Cost Per Square Foot: \$44  
 Per Unit Cost: \$106,596

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
PNC Real Estate	\$14,575,000	PNC Real Estate	\$12,975,000
Project Reserves	\$645,000	PNC Real Estate - IRP based loan	\$1,600,000
Deferred Developer Fee	\$2,181,849	Project Reserves	\$645,000
Tax Credit Equity	\$3,917,279	Deferred Developer Fee	\$1,439,349
		Tax Credit Equity	\$4,659,779
		<b>TOTAL</b>	<b>\$21,319,128</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$7,516,011
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,211,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,770,814
Qualified Basis (Acquisition):	\$9,211,500
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$332,208
Maximum Annual Federal Credit, Acquisition:	\$313,191
Total Maximum Annual Federal Credit:	\$645,399
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,181,849
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.72200

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:	\$16,727,511
Actual Eligible Basis:	\$16,727,511
Unadjusted Threshold Basis Limit:	\$38,669,282
Total Adjusted Threshold Basis Limit:	\$54,214,722

**Adjustments to Basis Limit:**

95% of Upper Floor Units are Elevator-Serviced  
 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 3.40% 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:** The project has a HUD Section 8 rental subsidy contract on 157 units of the 198 low-income units (79%).

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$645,399</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 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 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 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 high-speed Internet service in each unit and contracts for services such as assistance with daily living or provision of senior counseling 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.

The applicant/owner is required to complete the Sustainable Building Methods items in accordance with the bond allocation from CDLAC as shown in the CDLAC Resolution, and provide the applicable certifications and documentation to TCAC when the placed-in-service application is submitted.