

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 3, 2008**

**Project Number** CA-2008-902

**Project Name** Hollywood & Vine Apartments  
**Address:** 1600 North Vine Street  
Los Angeles, CA 90028 County: Los Angeles

**Applicant Information**

**Applicant:** Legacy Partners Hollywood & Vine, L.P.  
**Contact** Vanessa Doyle  
**Address:** 5141 California Avenue, Suite 100  
Irvine, CA 92617  
**Phone:** (949) 930-7872 **Fax:** (949) 833-3062  
**Sponsors Type:** Joint Venture

**Bond Information**

**Issuer:** Community Redevelopment Agency of the City of Los Angeles  
**Date of Issuance:** May 15, 2007  
**Credit Enhancement:** FNMA

**Housing Type:** Large Family

**Eligible Basis**

**Actual:** \$209,679,857  
**Requested:** \$167,692,913  
**Maximum Permitted:** \$167,692,913

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%   
Parking Beneath Residential Units: 7%  Local Development Impact Fees:   
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted  
Between 50% AMI & 36% AMI: 100%

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,229,736	\$0
Recommended:	\$1,229,736	\$0

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**Total # of Units:** 375  
**Total # Residential Buildings:** 1

**Income/Rent Targeting**

**Federal Setaside Elected:** 20%/50%  
**% & No. of Targeted Units:** 20% - 78 units  
**55-Year Use/Affordability Restriction:** Yes  
**Number of Units @ or below 50% of area median income:** 78  
**Number of Units @ or below 60% of area median income:** 0

<u>Unit Type &amp; Number</u>	<u>2008 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
23 SRO / Studio	50%	\$580
29 One-Bedroom	50%	\$623
26 Two-Bedroom	50%	\$744
1 One-Bedroom	Manager's Unit	\$3,800
87 SRO / Studio	Market Rate	\$2,977
75 One-Bedroom	Market Rate	\$2,625
19 One-Bedroom	Market Rate	\$2,950
15 One-Bedroom	Market Rate	\$4,033
32 Two-Bedroom	Market Rate	\$3,800
10 Two-Bedroom	Market Rate	\$4,100
32 Two-Bedroom	Market Rate	\$4,800
16 Two-Bedroom	Market Rate	\$5,800
9 Two-Bedroom	Market Rate	\$6,600
1 Three-Bedroom	Market Rate	\$8,500

The general partners or principal owners are Hearthstone Housing Foundation and Legacy Partners Hollywood & Vine, LLC.

The project developer is Legacy Partners Residential, LLC.

The management services will be provided by Legacy Partners Residential, Inc.

The market analysis was provided by Ann Roulac & Company.

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

**Project Financing**

Est. Total Residential Cost:	\$251,732,260	Per Unit Cost: \$671,286	Construction Cost Per Sq. Foot: \$440
Estimated Total Project Cost:	\$278,305,044		
Est. Total Commercial Cost:	\$26,572,784		

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
LACRA – Tax Exempt Bonds	\$180,000,000	LACRA – Tax Exempt Bonds	\$180,000,000
Deutsche Bank Berkshire Mortgage	\$44,400,000	State of California PERS - Equity	\$69,070,335
State of California PERS - Equity	\$36,586,801	Legacy Partners 1002, LLC - Equity	\$3,635,281
Legacy Partners 1002, LLC - Equity	\$1,925,621	Interest Earned on Bond Proceeds	\$14,261,187
Interest Earned on Bond Proceeds	\$14,261,187	Income from Operations	\$1,131,435
Income from Operations	\$1,131,435	Investor Equity	\$10,206,806
		<b>TOTAL</b>	<b>\$278,305,044</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$167,692,913
130% High Cost Adjustment:	Yes
Applicable Fraction: (based on square footage)	16.12%
Qualified Basis:	\$35,135,324
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	\$1,229,736
Approved Developer Fee in Project Cost: (Commercial)	\$1,220,684
Approved Developer Fee in Project Cost: (Residential)	\$11,668,819
Approved Developer Fee in Project Cost: (Tax Credit Portion)	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,500,000
Tax Credit Factor: Legacy Partners	\$0.83

Applicant requests and staff recommends annual federal credits of \$1,229,736 based on a qualified basis of \$35,135,324 and a funding shortfall of \$10,206,806.

**Cost Analysis and Line Item Review**

The requested eligible basis \$167,692,913 is equal to TCAC's adjusted threshold basis limit \$167,692,913. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, projects that include 95% of upper floor units are elevator-serviced, local development impact fees, and the 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 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 3.50% 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:** The per unit cost of this project is very high in part because of the construction requirements for a high-rise design (11 stories), fire and safety code requirement for buildings greater than 75 feet, subterranean parking, additional parking/loading docs for the mixed retail/residential design, and an MTA bus layover facility. Relocation expenses, bond financing costs, agreements with MTA and LACRA, and legal costs all contributed to the higher than typical project cost. In addition, the project is targeting an upper-end market requiring higher quality construction materials and appliances within the units as well as extensive project amenities.

**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>\$1,229,736</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 high-speed Internet service in each unit 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.  
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**Project Analyst:** Jack Waegell