

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
February 2, 2011

Project Number CA-2011-805

Project Name 5555 Hollywood
Site Address: 5555 Hollywood Blvd.
Los Angeles, CA 90028 County: Los Angeles
Census Tract: 1903.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,385,580	\$0
Recommended:	\$1,385,580	\$0

Applicant Information

Applicant: 5555 Hollywood, LP
Contact: Tim Soule
Address: 1640 S. Sepulveda Blvd., Ste. 425
Los Angeles, CA 90025
Phone: (310) 575-3543 Fax: (310) 575-3563
Email: tsoule@metahousing.com

General partner(s) or principal owner(s): WCH Affordable V, LLC
5555 Hollywood, LLC
General Partner Type: Joint Venture
Developer: Meta Housing Corporation
Investor/Consultant: Red Stone Equity Partners
Management Agent: Western Senior Housing

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 120
No. & % of Tax Credit Units: 119 100%
Federal Set-Aside Elected: 20%/50%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 16
Number of Units @ or below 50% of area median income: 103

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Vélia Martínez Greenwood

Bond Information

Issuer: Los Angeles Housing Department
 Expected Date of Issuance: 4/25/2011
 Credit Enhancement: N/A

Unit Mix

64 1-Bedroom Units
 56 2-Bedroom Units
 120 Total Units

<u>Unit Type & 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>
8 1 Bedroom	30%	30%	\$466
7 1 Bedroom	40%	40%	\$621
49 1 Bedroom	50%	50%	\$776
8 2 Bedrooms	30%	30%	\$559
7 2 Bedrooms	40%	38%	\$709
40 2 Bedrooms	50%	46%	\$851
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,864

Project Financing

Estimated Residential Project Cost: \$40,498,213 Construction Cost Per Square Foot: \$125
 Estimated Commercial Project Cost: \$848,026 Per Unit Cost: \$337,485

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$21,750,000	Citi Community Capital	\$4,620,000
Los Angeles Housing Department	\$4,904,920	HCD - Transit Oriented Development	\$9,000,000
CRA/LA	\$4,680,000	HCD - Infill Infrastructure Grant	\$5,000,000
HCD - Infill Infrastructure Grant	\$5,000,000	CRA/LA	\$4,680,000
Deferred Costs	\$1,398,923	Los Angeles Housing Department	\$4,904,920
Tax Credit Equity	\$3,612,396	Deferred Developer Fee	\$1,100,000
		Tax Credit Equity	\$12,041,319
		TOTAL	\$41,346,239

Determination of Credit Amount(s)

Requested Eligible Basis:	\$31,347,965
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$40,752,355
Applicable Rate:	3.40%
Maximum Annual Federal Credit:	\$1,385,580
Total Maximum Annual Federal Credit:	\$1,385,580
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Red Stone Equity Partners
Federal Tax Credit Factor:	\$0.86905

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:	\$31,347,965
Actual Eligible Basis:	\$31,347,965
Unadjusted Threshold Basis Limit:	\$25,562,752
Total Adjusted Threshold Basis Limit:	\$65,186,503

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

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

- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Local Development Impact Fees

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: 86%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 26%

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: None.

Local Reviewing Agency:

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

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,385,580	\$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 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 educational classes and contract 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.

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted: 1) exceed Title 24 energy standards by at least 10%; 2) use water saving fixtures or flow restrictors in the kitchen (2 gallons per minute or less) and bathrooms (1.5 gallons per minute or less); 3) use of at least one high-efficiency toilet (1.3 gallons per flush or less) or dual flush toilet per unit; and 4) CRI Green-label, low-VOC carpeting and pad and low-VOC adhesive 25 grams per liter or less.