

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 21, 2013

Project Number CA-13-850

Project Name Hollywoodland Apartments
Site Address: 1206 & 1222 N. Gower St.,
977 N. Wilton Place,
5155 & 5169 Marathon St., and 1438 Gordon St.
Los Angeles, CA 90038 Los Angeles, CA 90028
County: Los Angeles
Census Tract: 1909.02, 1917.20,

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$525,370	\$0
Recommended:	\$525,370	\$0

Applicant Information

Applicant: Steele Hollywoodland LP
Contact: Brian Muszynski
Address: 6795 E. Tennessee Ave., Suite 510
Denver, CO 80224
Phone: 303-226-9125 **Fax:** 303-322-2320
Email: bmuszynski@steelellc.com

General Partner(s) or Principal Owner(s): Steele Hollywoodland GP LLC
CHC Hollywoodland MGP LLC
General Partner Type: Joint Venture
Parent Company(ies): Steele Properties Holdings LLC
Community Housing Concepts, Inc.
Developer: Steele Properties LLC
Investor/Consultant: PNC Real Estate
Management Agent: Monroe Group Ltd.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 7
Total # of Units: 83
No. & % of Tax Credit Units: 82 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (82 Units / 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 26
Number of Units @ or below 60% of area median income: 56

Bond Information

Issuer: City of Los Angeles Housing Department
 Expected Date of Issuance: September 18, 2013
 Credit Enhancement: N/A

Information

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

Unit Mix

58 SRO/Studio Units
 16 1-Bedroom Units
 8 2-Bedroom Units

 82 Total Units

Unit Type & Number	2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4 SRO/Studio	50%	50%	\$725
6 SRO/Studio	50%	50%	\$725
4 SRO/Studio	50%	50%	\$725
4 SRO/Studio	50%	50%	\$725
4 SRO/Studio	60%	60%	\$870
12 SRO/Studio	60%	60%	\$870
12 SRO/Studio	60%	60%	\$870
12 SRO/Studio	60%	60%	\$870
3 1 Bedroom	50%	50%	\$776
2 1 Bedroom	50%	50%	\$776
5 1 Bedroom	60%	60%	\$931
6 1 Bedroom	60%	60%	\$932
3 2 Bedrooms	50%	50%	\$932
5 2 Bedrooms	60%	60%	\$1,119
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$18,445,343
Estimated Residential Project Cost:	\$18,445,343

Residential

Construction Cost Per Square Foot:	\$40
Per Unit Cost:	\$222,233

Construction Financing

Source	Amount
Citibank - Tax Exempt Bonds	\$10,500,000
Taxable FHA 221(d)(4) Loan (PNC)	\$1,250,000
Nonprofit General Partner Loan	\$90,000
General Partner Contribution	\$605,250
Deferred Developer Fee	\$1,493,705
Tax Credit Equity	\$4,506,389

Permanent Financing

Source	Amount
Taxable FHA 221(d)(4) Loan (PNC)	\$11,750,000
Nonprofit General Partner Loan	\$90,000
General Partner Contribution	\$605,250
Deferred Developer Fee	\$1,009,077
Tax Credit Equity	\$4,991,016
TOTAL	\$18,445,343

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,756,002
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,235,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,182,802
Qualified Basis (Acquisition):	\$10,235,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$197,850
Maximum Annual Federal Credit, Acquisition:	\$327,520
Total Maximum Annual Federal Credit:	\$525,370
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,955,295
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	\$0.95000

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:	\$14,991,002
Actual Eligible Basis:	\$14,991,002
Unadjusted Threshold Basis Limit:	\$15,565,210
Total Adjusted Threshold Basis Limit:	\$20,390,425

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 31%

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 3.20% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information:

Staff noted that the Sustainable Building Methods and Energy Efficiency Requirements Workbook and accompanying documentation was not provided in the application. The required documentation must be submitted to TCAC within 30 days of the credit reservation date.

Local Reviewing Agency:

The Local Reviewing Agency, the City of 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
\$525,370	\$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 a reservation 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: None.