

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 21, 2015**

HCHC Recap I, located at 1924 N. Argyle Street, 5425 Carlton Way, and 6501 Yucca Street in Los Angeles, CA, requested and is being recommended for a reservation of \$397,969 in annual federal tax credits to finance the acquisition and rehabilitation of 65 units of housing serving individuals, families, and seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Hollywood Community Housing Corporation and will be located in Senate District 26 and Assembly District 43.

HCHC Recap I is a re-syndication of three existing scattered-site Low Income Housing Tax Credit (LIHTC) projects; Carlton Way Apartments also known as The Carlton Apartments (CA-92-027), Werner Illing House also known as Argyle Community (CA-93-048), and Wilcox Apartments (CA-96-052). The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and McKinney-Vento Shelter Plus Care.

**Project Number** CA-15-904

**Project Name** HCHC Recap I  
 Site Address: 1924 N. Argyle Street, 5425 Carlton Way, 6501 Yucca Street  
 Los Angeles, CA 90068, 90028 and 90027 County: Los Angeles  
 Census Tract: 1895.00, 1905.10 and 1902.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$397,969	\$0
Recommended:	\$397,969	\$0

**Applicant Information**

Applicant: HCHC Recap I, L.P.  
 Contact: Maura Johnson  
 Address: 5020 Santa Monica Boulevard  
 Los Angeles, CA 90029  
 Phone: 323-454-6211 Fax: 323-454-4677  
 Email: mjohanson@hollywoodhousing.org

General Partner(s) or Principal Owner(s): Hollywood Community Housing Corporation  
 General Partner Type: Nonprofit  
 Parent Company(ies): Hollywood Community Housing Corporation  
 Developer: Hollywood Community Housing Corporation  
 Investor/Consultant: California Housing Partnership Corporation  
 Management Agent: Barker Property Management

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 3  
 Total # of Units: 68  
 No. & % of Tax Credit Units: 65 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME / HUD Shelter Plus Care (3 Units - 4%) /  
 HUD Section 8 Project-based Contract (20 Units - 30%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 20  
 Number of Units @ or below 60% of area median income: 45

**Bond Information**

Issuer: City of Los Angeles  
 Expected Date of Issuance: December 15, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: City of Los Angeles  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

19 SRO/Studio Units  
 10 1-Bedroom Units  
 17 2-Bedroom Units  
 13 3-Bedroom Units  
 9 4-Bedroom Units  


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 68 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 SRO/Studio	60%	35%	\$508
13 SRO/Studio	50%	50%	\$726
1 SRO/Studio	50%	32%	\$463
5 1 Bedroom	60%	25%	\$389
2 1 Bedroom	60%	35%	\$544
1 1 Bedroom	60%	28%	\$431
1 1 Bedroom	50%	50%	\$778
2 2 Bedrooms	60%	25%	\$467
4 2 Bedrooms	60%	35%	\$653
2 2 Bedrooms	50%	39%	\$729
2 2 Bedrooms	50%	35%	\$662
1 2 Bedrooms	60%	44%	\$827
1 2 Bedrooms	60%	52%	\$968
4 2 Bedrooms	60%	60%	\$1,120
1 3 Bedrooms	60%	60%	\$1,295
2 3 Bedrooms	60%	35%	\$755
1 3 Bedrooms	60%	36%	\$780
3 3 Bedrooms	60%	39%	\$843
3 3 Bedrooms	60%	50%	\$1,079
2 3 Bedrooms	60%	59%	\$1,274
1 4 Bedrooms	50%	35%	\$842
2 4 Bedrooms	60%	38%	\$905
3 4 Bedrooms	60%	60%	\$1,444
1 4 Bedrooms	60%	52%	\$1,242
2 4 Bedrooms	60%	50%	\$1,203
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,580,851
Construction Costs	\$0
Rehabilitation Costs	\$2,524,446
Construction Contingency	\$378,667
Relocation	\$75,000
Architectural/Engineering	\$219,000
Construction Interest, Perm Financing	\$459,011
Legal Fees, Appraisals	\$82,000
Reserves	\$152,264
Other Costs	\$276,219
Developer Fee	\$1,405,230
Commercial Costs	\$0
<b>Total</b>	<b>\$12,152,688</b>

**Project Financing**

Estimated Total Project Cost:	\$12,152,688
Estimated Residential Project Cost:	\$12,152,688

**Residential**

Construction Cost Per Square Foot:	\$29
Per Unit Cost:	\$178,716

**Construction Financing**

Source	Amount
JP Morgan Chase - Tax Exempt Bonds	\$6,552,754
HCIDLA - Recast CRA/LA	\$1,453,050
HCIDLA - Recast HOME	\$1,326,689
HCIDLA - Recast HOME/CDBG	\$433,311
Accrued/Deferred Interest	\$54,400
Reserve Accounts	\$278,461
Income During Construction	\$141,211
Costs Deferred During Construction	\$1,112,495
Seller Note	\$325,411
GP Equity	\$100
Tax Credit Equity	\$474,806

**Permanent Financing**

Source	Amount
JP Morgan Chase - Tax Ex. Bonds	\$1,113,600
HCIDLA -Recast CRA/LA	\$1,453,050
HCIDLA - Recast CRA/LA	\$2,662,517
HCIDLA - Recast HOME	\$1,326,689
HCIDLA - Recast HOME/CDBG	\$433,311
Accrued/Deferred Interest	\$54,400
Reserve Accounts	\$278,461
Income During Construction	\$141,211
Seller Note	\$325,411
Deferred Developer Fee	\$405,230
GP Equity	\$100
Tax Credit Equity	\$3,958,708
<b>TOTAL</b>	<b>\$12,152,688</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$4,287,431
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,486,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,573,660
Qualified Basis (Acquisition):	\$6,486,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$183,931
Maximum Annual Federal Credit, Acquisition:	\$214,038
Total Maximum Annual Federal Credit:	\$397,969
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,405,230
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99473

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:	\$10,773,431
Actual Eligible Basis:	\$10,773,431
Unadjusted Threshold Basis Limit:	\$19,213,736
Total Adjusted Threshold Basis Limit:	\$24,977,857

**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: 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 3.30% 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:** This scattered-site project involves the re-syndication of three existing tax-credit projects; Carlton Way Apartments also known as The Carlton Apartments (CA-92-027), Werner Illing House also known as Argyle Community (CA-93-048), and Wilcox Apartments (CA-96-052).

Werner Illing House/Argyle Community has an existing Section 8 project-based voucher HAP contract on 20 units of which only 18 units are currently receiving subsidy income from HUD as subsidy revenue units. Wilcox Apartments has 3 sponsor-based HUD McKinney-Vento Shelter Plus Care subsidized units.

The scattered-site project as a whole is a non-targeted housing type project. However, the Werner Illing House/Argyle Community site serves a senior age-restricted population and the other two sites serve individuals and families.

**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>\$397,969</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 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:** The applicant/owner is required to provide the tenants with the following service amenities 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:

- **Wilcox Apartments:** Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year.
- **Werner Illing House/Argyle Arms:** Contract with a full time equivalent bona fide service coordinator / social worker for a minimum of 0.034 Full-Time Equivalent (FTE) hours per year on-site.