CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 20, 2008

Project Number CA-2008-889

Project Name Hollywood Bungalow Courts Apartments
Address: 1721–1729 ½ N. Kingsley Dr. & 1516-1520, 1544-1552, 1554-1576 N. Serrano Ave.
Hollywood, CA 90027 County: Los Angeles

Applicant Information
Applicant: Hollywood Community Housing Corporation
Contact Victoria Welch
Address: 1640 N. Wilcox Avenue
Los Angeles, CA 90028
Phone: (323) 469-0710 Fax: (323) 469-1899
Sponsors Type: Joint Venture

Information
Housing Type: Homeless/Persons with AIDS/HIV & Non-Targeted

Bond Information
Issuer: CRA of the City of Los Angeles
Expected Date of Issuance: December 2008
Credit Enhancement: None

Eligible Basis
Actual: $8,653,559
Requested: $8,653,559
Maximum Permitted: $10,469,942

Extra Feature Adjustments 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 40% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$393,737	$0
Recommended:	$393,737	$0

Project Information
Construction Type: Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 41
Total # Residential Buildings: 20

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 41 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 32
Number of Units @ or below 60% of area median income: 9

Unit Type & Number		2008 Rents % of Area Median Income	Proposed Rent (including utilities)
1	Studio	30%	$398
13	One-Bedroom	30%	$426
17	One-Bedroom	50%	$711
7	One-Bedroom	60%	$852
1	Two-Bedroom	30%	$511
2	Two-Bedroom	60%	$1,023

The general partner or principal owner is Hollywood Community Housing Corporation.

The project developer is Hollywood Community Housing Corporation.

The management services will be provided by Barker Management.

The market analysis was provided by Market Insights.

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.

Project Financing

Estimated Total Project Cost: $21,666,098 Per Unit Cost: $528,441 Construction Cost Per Sq. Foot: $235

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citi Community Capital-Tax Ex. Bond	$13,500,000	Citi Community Capital– T.E. Bond	$407,832
CRA – LA	$6,673,500	CRA – LA	$7,500,000
Deferred Developer Fee	$479,282	City of Los Angeles	$4,000,000
Costs Deferred Unit Completion	$553,448	HCD – MHP	$3,166,550
Investor Equity	$546,869	FHLB – AHP	$315,000
		Historic Tax Credits	$2,222,681
		Deferred Fees	$479,282
		Investor Equity	$3,574,753
		TOTAL	**$21,666,098**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$8,653,559
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$11,249,627
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit (Rehab):	$393,737
Approved Developer Fee:	$1,494,447
Tax Credit Factor: Union Bank	$0.9079

Applicant requests and staff recommends annual federal credits of $393,737 based on a qualified rehabilitation basis of $11,249,627 and a funding shortfall of $3,574,753.

Cost Analysis and Line Item Review
The requested eligible basis $8,653,559 is below TCAC's adjusted threshold basis limit $10,469,942. The basis limit includes the adjustment for extraordinary features for 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 limitation.

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: 15 of the units are targeted for formerly homeless individuals and their families and persons with AIDS/HIV.

The project cost is somewhat high for Los Angeles at approximately $528,000 per unit. This is primarily because these are historic bungalows which will be restored to the standards required by the Department of the Interior using historic tax credits. This rehabilitation work will require specialized workmanship and the payment of prevailing wages. In addition, the CRALA determined that these bungalows were a priority for preservation. They were purchased during the height of the real estate market in 2005 & 2006 during which time CRALA determined they were at risk of losing these historic bungalows to condominium development. As a result, premium prices were paid for these properties.

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
$393,737	**$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 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 educational classes and contracts for services, on-site and 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.

Project Analyst: Jack Waegell