

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$107,195,409

Project Information:
Name: Parcel M-Grand Avenue Apartments
Project Address: 225 South Grand Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90012

Project Sponsor Information:
Name: TBD affiliate of Related California Urban Housing, LLC
(Nicholas Real Estate Investments, LLC and Related General IV, L.P.)
Principals: For Nicholas Real Estate Investments, LLC: William A. Witte
Related General IV, L.P.: Stephen M. Ross
Property Management Company: Related Management Company

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: August 22, 2012

Description of Proposed Project:
State Ceiling Pool: Mixed Income
Total Number of Units: 270, plus 1 manager unit
Type: New Construction
Type of Units: Family

The Parcel M-Grand Avenue Apartments is located on a 0.90 acre parcel. The Project is a 19-story, Type 1, LEED Silver residential tower over four levels of structured parking. The Project comprises 271 residential rental units - 55 restricted unit for tenants earning 40% and 50% AMI and 216 market rate units (includes 1 manager's unit) and includes approximately 5,500 square feet of ground level restaurant and retail space. The amenities include a main lobby staffed by a concierge/doorman 24 hours a day, leasing office, fitness center, pool/yoga/lawn/outdoor space, technology center, theater, mailroom, and rooftop dining room and terrace. Wireless internet will be available in the common areas. Amenities are available to all tenants. Approximately 36 parking stalls for the rent-restricted units, retail, and guests will be located across the street.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%
20% (55 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

Service amenities will not be offered.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 121,390,598	
Estimated Hard Costs per Unit:	\$ 320,632	(\$86,570,631 /270 units)
Estimated per Unit Cost:	\$ 449,595	(\$121,390,598 /270 units)
Allocation per Unit:	\$ 397,020	(\$107,195,409 /270 units)
Allocation per Restricted Rental Unit:	\$ 1,949,007	(\$107,195,409 /55 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to multiple factors. The Project will offer approximately 5,500 square feet of ground floor retail and restaurant space. The residential tower will be constructed on four levels of podium structured parking of which one level will be subterranean. All residential tenants will have access to on-site amenities such as a fully staffed lobby, pool, outdoor barbeque area and garden, fitness center, technology center, screening room, and a rooftop terrace. All units will have refrigerators, electric ranges and ovens, garbage disposals, stacked washer and dryer appliances, and dishwashers. The Project shall be constructed as one contiguous building in a site constrained urban environment (e.g. the Project is north adjacent to a high rise apartment building and south adjacent to the Broad Collection Museum). As a result, the Project must be constructed in a single phase. The Broad Collection Museum is currently under construction, and the operation of the Project's and the Broad Collection Museum's tower cranes will require careful coordination by each development's respective general contractors. Due to the Project's construction type and the aforementioned unique features, total project costs will exceed \$400,000 per unit.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 107,195,409	\$ 100,437,163
LIH Tax Credit Equity	\$ 750,916	\$ 7,509,162
Direct & Indirect Public Funds	\$ 5,626,000	\$ 5,626,000
Other (The Los Angeles Grand Avenue Authority Affordable Housing Grant)	\$ 7,818,273	\$ 7,818,273
Total Sources	\$ 121,390,598	\$ 121,390,598

Uses of Funds:	
On & Off Site Costs	\$ 4,723,886
Hard Construction Costs	\$ 81,846,745
Architect & Engineering Fees	\$ 9,827,621
Contractor Overhead & Profit	\$ 3,729,369
Developer Fee	\$ 4,668,869
Cost of Issuance	\$ 759,077
Capitalized Interest	\$ 6,078,346
Other Soft Costs (Marketing, etc.)	\$ 9,756,685
Total Uses	\$ 121,390,598

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with Citibank, N.A.. The construction period funding loan will carry a variable rate equal to SIFMA plus a spread of 2.25% over a 30-month term. Currently, SIFMA is trading approximately 0.19% f, for a current all-in rate of 2.44%. The current estimated permanent funding loan rate is an underwriting fixed interest rate of 5.75% with a term of 4 years and an amortization of 35 years.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 57 out of 100

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve a waiver of the \$30 million maximum allocation limit.
Staff recommends that the Committee approve \$107,195,409 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	7
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	5
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	57

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.