

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	City of Los Angeles
-------------------	---------------------

Allocation Amount Requested:	Tax-exempt: \$200,000,000
-------------------------------------	----------------------------------

Project Information:	Name: Grand Avenue Parcel Q Apartments
	Project Address: 100 S. Grand Avenue and 151 S. Olive Street
	Project City, County, Zip Code: Los Angeles, Los Angeles, 90012

Project Sponsor Information:	Name: CORE/Related GALA Affordable, LP and CORE/Related GALA Rentals, LP (CORE/Related Grand Ave Holdings, LLC; CORE/Related GALA Rentals Holdco, LLC; and to-be-formed LLCs)
	Principals: Stephen M. Ross, Michael J. Brenner, Jeff T. Blau, Bruce A. Beal, Jr., Susan J. McGuire and Eugene Angelo for CORE/Related Grand Ave Holdings, LLC and for CORE/Related GALA Rentals Holdco, LLC
	Property Management Company: Related Management Company

Project Financing Information:	Bond Counsel: Kutak Rock LLP
	Private Placement Purchaser: Not Applicable
	Cash Flow Permanent Bond: Not Applicable
	Public Sale: Credit Enhanced
	Underwriter: Citibank, N.A.
	Credit Enhancement Provider: Citibank, N.A.
	Rating: A
	TEFRA Noticing Date: May 5, 2018
	TEFRA Adoption Date: June 13, 2018

Description of Proposed Project:	State Ceiling Pool: Mixed
	Total Number of Units: 323
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family

Grand Avenue Parcel Q Apartments is a new construction project located in Los Angeles on a 3.2-acre site. The project consists of 89 restricted rental units, 233 market rate units and 1 unrestricted manager unit distributed as 91 studio units, 140 one-bedroom units, 83 two-bedroom units and 9 three-bedroom units. The project will comprise 24 stories of a 42-story building to be constructed as a Type I concrete tower. Common amenities include a swimming pool, fitness center, demonstration kitchen, private dining room, media room, multipurpose room, landscaped outdoor seating areas and parking garage. Each unit will feature Energy Star-rated kitchen appliances and energy efficient lighting. The project will pursue LEED certification. Construction is expected to begin in September 2018 and be completed in November 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 28%
28% (89 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	223,018,106	
Estimated Hard Costs per Unit:	\$	376,479	(\$121,602,661 /323 units including mgr. units)
Estimated per Unit Cost:	\$	690,459	(\$223,018,106 /323 units including mgr. units)
Allocation per Unit:	\$	619,195	(\$200,000,000 /323 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	2,247,191	(\$200,000,000 /89 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 200,000,000	\$ 184,260,432
LIH Tax Credit Equity	\$ 0	\$ 11,257,674
Phase I Grand Avenue Streetscape	\$ 0	\$ 1,000,000
Offsite Publicly Owned Improvements Subsidies	\$ 5,000,000	\$ 5,000,000
Public Space Improvement Funded by County	\$ 0	\$ 4,600,000
Affordable Housing Loan	\$ 8,900,000	\$ 8,900,000
Reimbursement of Developer Extension Fees	\$ 8,000,000	\$ 8,000,000
Deferred Operating Reserve	\$ 1,118,106	\$ 0
Total Sources	\$ 223,018,106	\$ 223,018,106

Uses of Funds:	
Land Cost/Acquisition	\$ 10,328,644
New Construction	\$ 123,547,623
Architectural Fees	\$ 17,975,893
Construction Interest and Fees	\$ 31,291,491
Legal Fees	\$ 3,256,174
Reserves	\$ 493,106
Appraisal	\$ 113,934
Hard Cost Contingency	\$ 6,080,133
Local Development Impact Fees	\$ 6,325,339
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 8,194,818
Developer Costs	\$ 15,410,951
Total Uses	\$ 223,018,106

Analyst Comments:

The developer cited the following reasons to explain the project exceeding the CDLAC cost-per-unit threshold. The project selected a design created by world-renowned architect Frank Gehry. The architect line item alone represents a cost of nearly \$18 million. The project is required to use a “project labor agreement” that requires high-cost labor sources, adding over \$100k in per unit cost. Local authorities required incorporation of an expansive public plaza space of nearly 48,000 square feet into the design. Construction hard cost escalation of up to 15% per year also drove the high cost.

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:

45.5 out of 120 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$200,000,000 in tax-exempt bond allocation on a carryforward basis.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	8
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	45.5