

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 18, 2018**

Grand Avenue Parcel Q Apartments, located at 100 S. Grand Avenue and 151 S. Olive Street in Los Angeles, requested and is being recommended for a reservation of \$1,185,018 in annual federal tax credits to finance the new construction of 89 units of housing serving tenants with rents affordable to households earning 40-50% of area median income (AMI). The project will be developed by Grand Avenue Parcel Q Developer, LLC and will be located in Senate District 24 and Assembly District 53.

Project Number CA-18-772

Project Name Grand Avenue Parcel Q Apartments
Site Address: 100 S. Grand Avenue and 151 S. Olive Street
Los Angeles, CA 90012 County: Los Angeles
Census Tract: 2074.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,185,018	\$0
Recommended:	\$1,185,018	\$0

Applicant Information

Applicant: CORE/Related GALA Rentals, LP
Contact: Steven Oh
Address: 333 S. Grand Avenue, Ste. 4450
Los Angeles, CA 90071
Phone: (213) 984-4110
Email: Steven.Oh@Related.com

General Partner(s) or Principal Owner(s): CORE/Related GALA Rentals Holdco, LLC
General Partner Type: For Profit
Parent Company(ies): The Related Companies, LP
Developer: Grand Avenue Parcel Q Developer, LLC
Investor/Consultant: Union Bank
Management Agent: Related Management Company, L.P.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 90
No. / % of Low Income Units: 89 100.00%
Federal Set-Aside Elected: 20%/50%
Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Los Angeles Housing and Community Investment Department
Expected Date of Issuance: September 18, 2018

Information

Housing Type: Non-Targeted
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 89	100%

Unit Mix

21 SRO/Studio Units
36 1-Bedroom Units
30 2-Bedroom Units
3 3-Bedroom Units
90 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 SRO/Studio	40%	40%	\$679
18 SRO/Studio	50%	50%	\$848
6 1 Bedroom	40%	40%	\$727
30 1 Bedroom	50%	50%	\$909
4 2 Bedrooms	40%	40%	\$873
25 2 Bedrooms	50%	50%	\$1,091
1 3 Bedrooms	40%	40%	\$1,008
2 3 Bedrooms	50%	50%	\$1,260
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$89,662,980

Project Cost Summary at Application

Land and Acquisition	\$1,492,768
Construction Costs	\$29,764,771
Rehabilitation Costs	\$0
Construction Contingency	\$1,383,590
Relocation	\$0
Architectural/Engineering	\$4,688,169
Const. Interest, Perm. Financing	\$7,816,237
Legal Fees, Appraisals	\$878,934
Reserves	\$493,106
Other Costs	\$4,054,051
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$53,071,626

Residential

Construction Cost Per Square Foot:	\$435
Per Unit Cost:	\$589,685
True Cash Per Unit Cost*:	\$589,685

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank, N.A. - T.E. Bonds	\$30,053,520	Citibank, N.A. - T.E. Bonds	\$14,313,952
Affordable Housing Loan**	\$8,900,000	Affordable Housing Loan**	\$8,900,000
Offsite Improvement Grant**	\$5,000,000	Offsite Improvement Grant**	\$5,000,000
Extension Fee Grant***	\$8,000,000	Phase I Streetscape Grant**	\$1,000,000
Deferred Costs	\$493,106	Public Space Grant**	\$4,600,000
Deferred Developer Fee	\$625,000	Extension Fee Grant***	\$8,000,000
		Tax Credit Equity	\$11,257,674
		TOTAL	\$53,071,626

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Source provided by Community Redevelopment Agency of Los Angeles

***Reimbursement of developer extension fees by Los Angeles Grand Avenue Authority

Determination of Credit Amount(s)

Requested Eligible Basis:	\$47,581,453
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$47,581,453
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$1,185,018
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$0.95721

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$47,581,453
Actual Eligible Basis:	\$47,581,453
Unadjusted Threshold Basis Limit:	\$24,391,194
Total Adjusted Threshold Basis Limit:	\$51,986,495

Adjustments to Basis Limit

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are

Income Targeted between 50% AMI & 36% AMI: 100%

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 3.27% 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.

Significant Information / Additional Conditions

The project will consist of one, 24-level residential building with 323 mixed income rental apartment units. There will be 89 tax credit units, 1 manager unit, and 233 market rate units. The market rate units are not part of this TCAC application. During construction, the project owner will subdivide the site. The 89 tax credit units and manager unit will be a legal lot separate from the market rate units.

Resyndication and Resyndication Transfer Event. None.

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.

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.

CDLAC Additional Conditions. None.