

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Gramercy Place Apartments, located at 2239-2375 W. Washington Blvd. and 1849 S. Gramercy Place in Los Angeles, requested and is being recommended for a reservation of \$1,334,849 in annual federal tax credits to finance the new construction of 62 units of housing serving seniors and special needs tenants 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 24 and Assembly District 53.

The project will be receiving rental assistance in the form of the County of Los Angeles Department of Health Services Flexible Housing Subsidy Pool (FHSP) rental subsidy.

Project Number CA-18-768

Project Name Gramercy Place Apartments
Site Address: 2239-2375 W. Washington Blvd., 1849 S. Gramercy Place
Los Angeles, CA 90018 County: Los Angeles
Census Tract: 2213.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,334,849	\$0
Recommended:	\$1,334,849	\$0

Applicant Information

Applicant: Gramercy Place Apartments, L.P.
Contact: Sarah Letts
Address: 5020 W. Santa Monica Boulevard
Los Angeles, CA 90029
Phone: 323-454-6210
Email: sletts@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 Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 64
 No. / % of Low Income Units: 62 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: City of Los Angeles Housing & Community Investment Department
 Expected Date of Issuance: January 18, 2019

Information

Housing Type: Special Needs
 Geographic Area: City of Los Angeles
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 34	55%
At or Below 60% AMI: 28	45%

Unit Mix

58 1-Bedroom Units
6 2-Bedroom Units
64 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
22 1 Bedroom	50%	50%	\$901
1 2 Bedrooms	50%	46%	\$1,013
11 1 Bedroom	50%	30%	\$545
5 1 Bedroom	60%	59%	\$1,064
3 2 Bedrooms	60%	55%	\$1,197
20 1 Bedroom	60%	30%	\$545
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$22,388,520

Project Cost Summary at Application

Land and Acquisition	\$412,366
Construction Costs	\$21,708,361
Rehabilitation Costs	\$0
Construction Contingency	\$1,163,137
Relocation	\$0
Architectural/Engineering	\$1,237,470
Const. Interest, Perm. Financing	\$2,315,896
Legal Fees, Appraisals	\$95,300
Reserves	\$372,434
Other Costs	\$2,147,075
Developer Fee	\$4,121,024
Commercial Costs	\$1,409,233
Total	\$34,982,294

Residential

Construction Cost Per Square Foot:	\$313
Per Unit Cost:	\$521,553
True Cash Per Unit Cost*:	\$521,553

Construction Financing

Source	Amount
Wells Fargo Bank	\$22,810,000
HCIDLA - HHH Fund Loan	\$1,984,000
HCIDLA - In Lieu Fund Loan	\$4,000,000
LACDC - MHHF Loan	\$2,950,000
AHP	\$680,000
Costs Deferred Until Conversion	\$426,967
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$1,131,327

Permanent Financing

Source	Amount
CCRC - Tranche A	\$760,000
CCRC - Tranche B	\$2,338,000
HCIDLA - HHH Fund Loan	\$9,920,000
HCIDLA - In Lieu Fund Loan	\$4,000,000
LACDC - MHHF Loan	\$3,000,000
AHP	\$680,000
GP Capital Contribution	\$1,621,024
Tax Credit Equity	\$12,663,270
TOTAL	\$34,982,294

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$31,400,826
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$40,821,074
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$1,334,849
Approved Developer Fee in Project Cost:	\$4,121,024
Approved Developer Fee in Eligible Basis:	\$3,927,336
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94867

Per Regulation Section 10327(c)(6), 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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$31,400,826
Actual Eligible Basis:	\$31,400,826
Unadjusted Threshold Basis Limit:	\$16,743,764
Total Adjusted Threshold Basis Limit:	\$32,524,684

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is used

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: 54%

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

This project is anticipating a residential cost per unit of \$521,443. Some of the reasons for this project's slightly high relative cost is that it is an urban infill site with challenging construction staging and an extended construction period, it requires subterranean parking for 63 parking spaces, and its design consists of 6 towers (multi-wing design) to provide an enhanced environment for the senior tenants but which also adds to the construction cost.

This project will have 31 affordable units (50%) for homeless seniors with disabilities, aged 55 and older, that will receive rental subsidies from the County of Los Angeles Department of Health Services' Flexible Housing Subsidy Pool (FHSP), and 31 affordable units for seniors aged 55 and older.

Local Reviewing Agency

The Local Reviewing Agency, the Los Angeles Housing Community and Investment Department, has completed a site review of this project and strongly supports this project.

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

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED)
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.