CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2018

Miramar Tower, located at 2000 Miramar Street in Los Angeles, requested and is being recommended for a reservation of $1,588,283 in annual federal tax credits to finance the acquisition and rehabilitation of 156 units of housing serving seniors with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Jonathan Rose Companies and is located in Senate District 24 and Assembly District 51.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-795

Project Name Miramar Tower
Site Address: 2000 Miramar Street
Los Angeles, CA 90057 County: Los Angeles
Census Tract: 2084.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,588,283	$0
Recommended:	$1,588,283	$0

Applicant Information

Applicant:	Jonathan Rose Companies
Contact:	Michael Arman
Address:	551 Fifth Avenue, 23rd Street New York, NY 10176
Phone:	(917) 542-3600
Email:	marman@rosecompanies.com

General Partner(s) or Principal Owner(s):	RCH Miramar Tower GP, LLC Wakeland Miramar, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Rose Companies Holdings, LLC Wakeland Housing & Community Development
Developer:	Jonathan Rose Companies
Investor/Consultant:	US Bancorp Community Development Corporation
Management Agent:	Rose Community Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	157
No. / % of Low Income Units:	156 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (156 Units - 100%)

Bond Information

Issuer:	California Statewide Communties Development Authority
Expected Date of Issuance:	February 1, 2019

Information

Housing Type:	Seniors
Geographic Area:	City of Los Angeles
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	16	10%
At or Below 60% AMI:	140	90%

Unit Mix

157 1-Bedroom Units

157 Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16	1 Bedroom	50%	50%	$909
140	1 Bedroom	60%	60%	$1,091
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$1,600

TCAC-confirmed Projected Lifetime Rent Benefit: $73,941,120

Project Cost Summary at Application

Land and Acquisition	$39,200,000
Construction Costs	$0
Rehabilitation Costs	$5,682,615
Construction Contingency	$568,262
Relocation	$628,000
Architectural/Engineering	$223,800
Const. Interest, Perm. Financing	$1,543,545
Legal Fees, Appraisals	$224,000
Reserves	$1,079,896
Other Costs	$461,490
Developer Fee	$5,972,665
Commercial Costs	$0
Total	**$55,584,273**

Residential

Construction Cost Per Square Foot:	$57
Per Unit Cost:	$354,040
True Cash Per Unit Cost*:	$296,113

Construction Financing

Source	Amount
Hunt Mortgage HUD 223(f)**	$30,500,000
US Bancorp Bridge Loan	$4,119,039
Seller Carryback Note	$6,000,000
Income from Operations	$265,746
Deferred Costs	$6,063,482
Tax Credit Equity	$8,636,006

Permanent Financing

Source	Amount
Hunt Mortgage HUD 223(f)**	$30,500,000
Seller Carryback Note	$6,000,000
Income from Operations	$265,746
Deferred Developer Fee	$3,094,527
Tax Credit Equity	$15,724,000
TOTAL	**$55,584,273**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**$30,000,000 Tax Exempt Bond, $500,000 Conventional Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,461,932
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$36,328,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,300,512
Qualified Basis (Acquisition):	$36,328,500
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$400,341
Maximum Annual Federal Credit, Acquisition:	$1,187,942
Total Maximum Annual Federal Credit:	$1,588,283
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,972,665
Investor/Consultant:	US Bancorp Community Development Corporation
Federal Tax Credit Factor:	$0.99000

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:	$45,790,432
Actual Eligible Basis:	$45,790,432
Unadjusted Threshold Basis Limit:	$40,295,306
Total Adjusted Threshold Basis Limit:	$48,354,368

Adjustments to Basis Limit

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: 10%

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 site is a portion of a 2.7 acre property with 157 existing units. Of the 2.7 acres, 2.0 acres of the property will be subdivided for the project, the remaining 0.70 acre will become a new separate parcel. Two lot line adjustments will take place with the City of Los Angeles and will be completed prior to or concurrent with closing of the acquisition.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. Specifically, the management company, Rose Community Management LLC, shall complete training as prescribed by TCAC prior to the project's placing in service.

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.