CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Avenue 34, located at 123-167 West Avenue 34 and 3401 Pasadena Avenue in Los Angeles, requested and is being recommended for a reservation of $851,827 in annual federal tax credits to finance the new construction of 66 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Avenue 34 Development, LLC and will be located in Senate District 24 and Assembly District 51.

Project Number CA-20-633

Project Name Avenue 34
Site Address: 123-167 West Avenue 34 and 3401 Pasadena Avenue
Los Angeles, CA 90031 County: Los Angeles
Census Tract: 06-037-1990.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$851,827	$0
Recommended:	$851,827	$0

Applicant Information
Applicant: R Cap Avenue 34, LLC
Contact: Kevin Ratner
Address: 3401 Tuttle Road, Suite 350
Shaker Heights, OH 44122
Phone: (310) 429-1122
Email: KevinRatner@rmscorporations.com

General Partner(s) or Principal Owner(s): Avenue 34 Development, LLC
RCC MGP LLC
General Partner Type: Joint Venture
Parent Company(ies): Avenue 34 Development, LLC
Riverside Charitable Corporation
Developer: Avenue 34 Development, LLC
Investor/Consultant: PNC Real Estate
Management Agent: Alliance Communities, Inc.

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	2	
Total # of Units:	67	
No. / % of Low Income Units:	66	100.00%
Federal Set-Aside Elected:	20%/50%	
Federal Subsidy:	Tax-Exempt	

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	January 31, 2021
Credit Enhancement:	Federal Home Loan Bank and EastWest Bank

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
50% AMI:	66	100%

Unit Mix

33	SRO/Studio Units
21	1-Bedroom Units
13	2-Bedroom Units
67	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9	SRO/Studio	50%	50%	$986
24	SRO/Studio	50%	50%	$986
2	1 Bedroom	50%	50%	$1,056
1	1 Bedroom	50%	50%	$1,056
17	1 Bedroom	50%	50%	$1,056
9	2 Bedrooms	50%	50%	$1,267
1	2 Bedrooms	50%	50%	$1,267
3	2 Bedrooms	50%	50%	$1,267
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$4,917,513
Construction Costs	$14,883,535
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$918,453
Soft Cost Contingency	$201,653
Relocation	$0
Architectural/Engineering	$1,029,723
Const. Interest, Perm. Financing	$1,437,698
Legal Fees	$253,601
Reserves	$163,867
Other Costs	$1,253,440
Developer Fee	$2,537,930
Commercial Costs	$0
Total	**$27,597,414**

Residential

Construction Cost Per Square Foot:	$142
Per Unit Cost:	$411,902
True Cash Per Unit Cost*:	$411,324

Construction Financing

Source	Amount
EastWest Bank - Tax Exempt	$14,318,214
EastWest Bank - Taxable	$5,016,446
Deferred Costs	$38,713
Sponsor Equity	$5,924,109
Tax Credit Equity	$2,299,932

Permanent Financing

Source	Amount
EastWest Bank - Tax Exempt	$5,121,163
Deferred Developer Fee	$38,713
Sponsor Equity	$14,771,098
Tax Credit Equity	$7,666,440
TOTAL	**$27,597,414**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$21,337,413
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$27,738,637
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$851,827
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,537,930
Investor/Consultant:	PNC Real Estate
Federal Tax Credit Factor:	$0.90000

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:	$21,337,413
Actual Eligible Basis:	$21,337,413
Unadjusted Threshold Basis Limit:	$22,087,488
Total Adjusted Threshold Basis Limit:	$46,383,725

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: 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 meet or 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 3.24% 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 part of larger development with 315 total units (Phase 1). Phase I consists of 66 affordable units plus 1 manager unit, and 248 market rate units. A separate development, Phase II, will be constructed on the current parcel, and the parcel will be legally separated between Phase I and Phase II. There will be separate ownership structures for Phase I and II; in addition, Phase I will have a separate ownership entity for the 67 tax credit units. The parcel lot line adjustments will be completed prior to submission of the placed in service application.

The 67 units of this project will be disbursed throughout the two buildings of Phase I and will be legally separated through air space subdivision. In the placed in service application, the project owner must provide a legal opinion stating how the legal separation of the 67 units meets the IRS definition of a building(s). In addition, in the placed in service application the project owner must provide a narrative and visual representation of shared common space and parking, and any legal agreement related to this. If the Phase I project owners are proposing any kind of proportionate cost of common areas and parking for space not owned by this project (common area and parking owned only by Phase I market), a tax attorney or CPA must provide an opinion of how proportioning a cost and corresponding eligible basis to an entity that does not own the space is permissible under IRS LIHTC and/or tax law. The opinion must include an estimated cost breakdown and the methodology for how these shared area costs were proportioned.

Resyndication and Resyndication Transfer Event: None

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.