

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 10, 2012

Project Number CA-12-885

Project Name Parcel M-Grand Avenue Apartments
Site Address: 225 South Grand Avenue
Los Angeles, CA 90012 County: Los Angeles
Census Tract: 2075.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$865,467	\$0
Recommended:	\$865,467	\$0

Applicant Information

Applicant: Grand Avenue M Housing Partners, LLC
Contact: Gino Canori
Address: 18201 Von Karman Avenue, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272 Fax: (949) 660-7273
Email: gcanori@related.com

General partner(s) or principal owner(s): Related/Parcel M Development Co., LLC
General Partner Type: For Profit
Developer: Related California Urban Housing, LLC
Investor: Boston Financial
Management Agent: Related Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 56
No. & % of Tax Credit Units: 55 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 55

Bond Information

Issuer: Los Angeles Housing Department
Expected Date of Issuance: November 15, 2012
Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: Los Angeles County
 TCAC Project Analyst: DC Navarrette

Unit Mix

15 SRO/Studio Units
 28 1-Bedroom Units
 13 2-Bedroom Units

 56 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	40%	40%	\$591
12 SRO/Studio	50%	50%	\$738
5 1 Bedroom	40%	40%	\$633
23 1 Bedroom	50%	50%	\$791
1 2 Bedrooms	40%	40%	\$759
11 2 Bedrooms	50%	50%	\$948
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$21,703,782
 Estimated Residential Project Cost: \$21,703,782

Residential

Construction Cost Per Square Foot: \$342
 Per Unit Cost: \$387,568

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$7,846,535
CRA LA	\$5,626,000
Broad Affordable Housing	\$7,818,272
Tax Credit Equity	\$412,976

Permanent Financing

<u>Source</u>	<u>Amount</u>
CRA LA	\$5,626,000
Broad Affordable Housing	\$7,818,272
Tax Credit Equity	\$8,259,510
TOTAL	\$21,703,782

Determination of Credit Amount(s)

Requested Eligible Basis: \$20,804,487
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis: \$27,045,833
 Applicable Rate: 3.20%
 Maximum Annual Federal Credit: \$865,467
 Approved Developer Fee (in Project Cost & Eligible Basis): \$2,500,000
 Investor: Boston Financial
 Federal Tax Credit Factor: \$0.95434

Per Regulation Section 10322(i)(4)(A), 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.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$20,804,487
Actual Eligible Basis:	\$20,804,487
Unadjusted Threshold Basis Limit:	\$11,768,066
Total Adjusted Threshold Basis Limit:	\$28,161,067

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income 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 are below 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 3.20% 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.

Special Issues/Other Significant Information: Operating expenses are slightly below the minimum threshold established in TCAC regulation section 10327(g)(1). The developer is advised they must meet the operating expense minimums set forth in section 10327(g)(1) by placed in service.

Local Reviewing Agency:

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

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$865,467	\$0

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.

Additional Conditions: None.