

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 6, 2024**

Rose Hill Courts Phase II, located at 3521 North Mckenzie Avenue in Los Angeles on a 3.45 acre site, requested and is being recommended for a reservation of \$4,238,372 in annual federal tax credits and \$46,444,290 of tax-exempt bond cap to finance the new construction of 96 units of housing, consisting of 95 restricted rental units, and 1 unrestricted manager's unit. The project will have 37 one-bedroom units, 33 two-bedroom units, 22 three-bedroom units, and 4 four-bedroom units, serving families with rents affordable to households earning 30%-60% of area median income (AMI). The building will be 3 stories and type V-A construction with stucco and trespa exterior. Common amenities include play spaces, community room, picnic tables, lounge seating, exercise area and vegetable garden. Each unit will have refrigerator, range/oven, dishwasher and Units F-I with in-unit washers and dryers. The construction is expected to begin in March 2025 and be completed in March 2027. The project will be developed by Related Irvine Development Company of California and will be 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-24-547

Project Name Rose Hill Courts Phase II
Site Address: 3521 North Mckenzie Avenue
Los Angeles, CA 90032
County: Los Angeles
Census Tract: 2013.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,238,372	\$0
Recommended:	\$4,238,372	\$0

Tax-Exempt Bond Allocation
Recommended: \$46,444,290

CTCAC Applicant Information
CTCAC Applicant/CDLAC Sponsor: Rose Hill Courts II Housing Partners, L.P.
Contact: Frank Cardone
Address: 18201 Von Karman Ave, Suite 900
Irvine, CA 92612
Phone: (949) 660-7272
Email: fcardone@related.com

Bond Financing Information
CDLAC Applicant/Bond Issuer: Housing Authority of City of Los Angeles
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: JP Morgan Chase Bank, N. A.

Development Team

General Partner(s) or Principal Owner(s): Related/Rose Hill Courts II Development Co., LLC
 LOMOD RHC II, LLC

General Partner Type: Joint Venture

Parent Company(ies): The Related Companies of CA, LLC
 La Cienega LOMOD, Inc.

Developer: Related Irvine Development Company of California

Investor/Consultant: Raymond James

Management Agent: Related Management Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 7

Total # of Units: 96

No. / % of Low Income Units: 95 100.00%

Average Targeted Affordability: 38.31%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (95 Units - 100%)

Information

Housing Type: Large Family

Geographic Area: City of Los Angeles

State Ceiling Pool: Preservation

CDLAC Project Analyst: Erin Deblaquiere

CTCAC Project Analyst: Jacob Paixao

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	47	49%
40% AMI:	14	15%
50% AMI:	17	18%
60% AMI:	17	18%

Unit Mix

37 1-Bedroom Units
33 2-Bedroom Units
22 3-Bedroom Units
4 4-Bedroom Units
96 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
24 1 Bedroom	30%	\$709
3 1 Bedroom	40%	\$946
5 1 Bedroom	50%	\$1,110
5 1 Bedroom	60%	\$1,110
15 2 Bedrooms	30%	\$851
5 2 Bedrooms	40%	\$1,135
6 2 Bedrooms	50%	\$1,418
6 2 Bedrooms	60%	\$1,418
7 3 Bedrooms	30%	\$983
5 3 Bedrooms	40%	\$1,311
5 3 Bedrooms	50%	\$1,639
5 3 Bedrooms	60%	\$1,639
1 4 Bedrooms	30%	\$1,097
1 4 Bedrooms	40%	\$1,463
1 4 Bedrooms	50%	\$1,828
1 4 Bedrooms	60%	\$1,828
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,350,000
Construction Costs	\$55,661,467
Construction Hard Cost Contingency	\$2,783,073
Soft Cost Contingency	\$350,000
Architectural/Engineering	\$3,845,262
Const. Interest, Perm. Financing	\$5,837,250
Legal Fees	\$890,000
Reserves	\$1,461,874
Other Costs	\$4,767,400
Developer Fee	\$10,300,000
Total	\$92,246,326

Residential

Construction Cost Per Square Foot:	\$597
Per Unit Cost:	\$960,899
Estimated Hard Per Unit Cost:	\$513,651
True Cash Per Unit Cost*:	\$860,899
Bond Allocation Per Unit:	\$483,795
Bond Allocation Per Restricted Rental Unit:	\$488,887

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Chase: Tax-Exempt	\$46,444,290	Chase: Tranche A	\$1,184,000
Chase: Taxable	\$10,445,363	Chase: Tranche B	\$25,662,000
HACLA: Gap Loan	\$5,135,000	HACLA: Gap Loan	\$5,135,000
HACLA: Supplemental Gap Loan	\$9,000,000	HACLA: Supplemental Gap Loan	\$9,000,000
Capitalized Lease Prepayment	\$4,950,000	Capitalized Lease Prepayment	\$4,950,000
Deferred Costs	\$1,461,874	Deferred Developer Fee	\$4,650,000
Deferred Developer Fee	\$9,025,000	General Partner Equity	\$3,100,000
Tax Credit Equity	\$5,784,799	Tax Credit Equity	\$38,565,326
		TOTAL	\$92,246,326

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$81,507,150
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$105,959,295
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$4,238,372
Approved Developer Fee (in Project Cost & Eligible Basis):	\$10,300,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.90991

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.

CTCAC Significant Information / Additional Conditions

Staff noted per unit development cost of \$860,899. The applicant stated that the per unit cost is attributed to high land cost, extensive site work due to steep sloping, prevailing wages, premium design elements, and funding delays resulting in higher costs. In addition, the applicant noted the project was deemed eligible for the National Register of Historic Places as a Historic District, which requires additional staffing during excavation and a 2 year impact study, resulting in additional costs.

CDLAC Analyst Comments

None

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	20
New Construction Density and Local Incentives	10	0	0
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	0
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	0
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	110

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 109.443%