

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$5,288,149

Project Information:
Name: Linda Vista Apartments
Project Address: 610 & 630 S. Saint Louis Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90023

Project Sponsor Information:
Name: AMCAL Multi-Housing, Inc.
Principals: Percival Vaz, Arjun Nagarkatti, Luxmi Vaz
Property Management Company: Western Seniors Housing

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: U.S. Bank
TEFRA Hearing Date: November 4, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 22, plus 1 manager unit
Type: New Construction (Adaptive Reuse)
Type of Units: Senior Citizens

Linda Vista Senior Apartments will be a multi-phased development that will be built in three phases and provide a total of 97 affordable apartments and a medical facility for seniors. The project is an adaptive reuse of the vacant and functionally obsolete Linda Vista Community Hospital in the City of Los Angeles. The former hospital and employee dormitory are listed on the National Historic Registry and have not been used for little more than occasional film production over the last twenty years. The adaptive reuse plan will provide high quality housing for lower income seniors and connect those seniors to frequently used health care services and medical facilities. The current allocation request of \$5,288,149 is for phase 1, which is the re-use of the Nurse's Building and will house individuals aged 55 years or older. While preserving its historic character, the building will provide 4 studio units and 18 one-bedroom units for seniors with household income at 50% of AMI. The building will also have on-site property management and a 1,100 square feet community room for the delivery of free resident services. Parking will be provided on site at a ratio of 0.5 spaces per units. Construction will begin in early spring 2013 and will take approximately eight months to complete. The development scope for the Nurse's Building includes abatement of all hazardous materials, replacement of all major systems, and demolition of interior walls to create units with private baths and kitchens.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (22 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Service amenities include education classes and a contract for services.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	9,650,085	
Estimated Hard Costs per Unit:	\$	193,939	(\$4,266,668 /22 units)
Estimated per Unit Cost:	\$	438,640	(\$9,650,085 /22 units)
Allocation per Unit:	\$	240,370	(\$5,288,149 /22 units)
Allocation per Restricted Rental Unit:	\$	240,370	(\$5,288,149 /22 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to a variety of factors. Being on the National Historic Registry, additional expenses are required to retain and preserve historic features while completing the rehabilitation. The development is also subject to the payment of prevailing wages due to the sources of financing, which have a multiplier effect on the labor costs. The redesign will require demolition at approximately \$15,000 per unit including the majority of the interior partition walls and communal bath facilities. The rehabilitation will require significant remediation of lead and asbestos and structural upgrades to accommodate the redesign and address seismic concerns. Asbestos was found in pipe insulation, mastic, flooring, countertops, wall coating, roofing, and exterior stucco. Lead was found in paint on stucco, window frames, railing, stairs, door frames, wall tiles, and plaster walls and ceilings. The building's major systems (mechanical, electrical, plumbing, sprinklers, and roof) will all be replaced. The hard cost budget for the rehabilitation is nearly \$4.7 million or \$204,000 per unit because new residential units are being created and do not have the benefit of the efficiency of ground up construction.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,288,149	\$ 566,839
Developer Equity	\$ 52,655	\$ 52,655
LIH Tax Credit Equity	\$ 241,032	\$ 2,410,320
Direct & Indirect Public Funds	\$ 4,068,250	\$ 5,811,785
Other (Historic Tax Credit)	\$ 0	\$ 808,487
Total Sources	\$ 9,650,086	\$ 9,650,086
Uses of Funds:		
Land Purchase	\$ 1,700,000	
On & Off Site Costs	\$ 176,229	
Rehabilitation Costs	\$ 4,090,439	
Architect & Engineering Fees	\$ 468,750	
Contractor Overhead & Profit	\$ 426,665	
Developer Fee	\$ 878,013	
Cost of Issuance	\$ 455,574	
Capitalized Interest	\$ 138,814	
Contingency, Reserve & Other Soft Costs	\$ 1,315,602	
Total Uses	\$ 9,650,086	

Description of Financial Structure and Bond Issuance:

The financing for the Linda Vista Senior Apartments is structured using a private placement of tax-exempt bonds to be issued by the City of Los Angeles. U.S. Bank, N.A. will purchase the bond amount of \$5,288,149 with proceeds to be used to finance the construction and permanent mortgage for the development. Tranche A of \$566,839 represents the long term portion of the debt and will have a fixed interest rate based on the applicable U.S. Bank CIP rate for a 17 year term loan (30 year amortization) plus 200 basis points. Initially for the first 18 months the rate will be floating. At month 18, the rate will roll into the term loan rate and at that time P & I start. Tranche B of \$4,721,310 represents the additional fund required for the construction period and will have a term of 17 years and amortization period of 30 years with a rate of one-month LIBOR plus 200 bps reset monthly, on the first business day of each month, adjusted by tax-exempt factor. The project will also be financed with NSP2 funds from LAHD, tax-exempt bonds issued by the City of Los Angeles, non-competitive 4% low income housing tax credits and historic rehabilitation credits.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points:

98 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,288,149 in tax exempt bond allocation on a carryforward basis.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	98

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.