

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 21, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Leslie J. Campaz*

---

**Applicant:** City of Los Angeles

---

**Allocation Amount Requested:**  
**Tax-exempt:** \$8,750,000

---

**Project Information:**  
**Name:** The Berendos Apartments  
**Project Address:** 226, 235 South Berendo Street  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90004

---

**Project Sponsor Information:**  
**Name:** Berendos, L.P. (A Community of Friends)  
**Principals:** Dora Leong Gallo, Allen Freeman and Mitchell Menzer for A  
Community of Friends.  
**Property Management Company:** A Community of Friends

---

**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Wells Fargo Bank  
**Private Placement Purchaser:** Wells Fargo Bank, N.A.  
**TEFRA Adoption Date:** October 2, 2013

---

**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 70, with 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family/Special Needs

The proposed acquisition and rehabilitation project consists of two existing permanent supportive housing communities located in the City of Los Angeles. The project serves extremely low and very-low income formerly homeless tenants living with a mental illness in a secure, supportive environment. The building at 226 S. Berendo Street is comprised of 47 studio units and 1 manager's unit, and the building at 235 S. Berendo street is comprised of 12 studio units, 11 one-bedroom units and 1 manager's unit. 70 units will be restricted to households with incomes no greater than 60% of the area median income. The scope of work includes new kitchen cabinetry/countertops, bath cabinets, refrigerators, stove and hood lighting, carpeting, energy and water efficiency improvements, and solar energy systems on the roof.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
31% (22 units) restricted to 50% or less of area median income households.  
69% (48 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio & 1 bedroom

A bona fide service coordinator will be included as a service amenity for a minimum of 10 years.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 15,850,182	
<b>Estimated Hard Costs per Unit:</b>	\$ 45,061	(\$3,154,276 /70 units)
<b>Estimated per Unit Cost:</b>	\$ 226,431	(\$15,850,182 /70 units)
<b>Allocation per Unit:</b>	\$ 125,000	(\$8,750,000 /70 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 125,000	(\$8,750,000 /70 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,750,000	\$ 0
Assumed Loans (existing)	\$ 6,392,767	\$ 6,392,767
Deffered Costs	\$ 707,415	\$ 0
Developer Equity	\$ 0	\$ 1,347,880
LIH Tax Credit Equity	\$ 0	\$ 4,682,586
Direct & Indirect Public Funds	\$ 0	\$ 3,300,000
Other (Take-Back Financing, Equity during Const)	\$ 0	\$ 126,949
<b>Total Sources</b>	<b>\$ 15,850,182</b>	<b>\$ 15,850,182</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 7,474,335
On & Off Site Costs	\$ 320,000
Hard Construction Costs	\$ 2,834,276
Architect & Engineering Fees	\$ 433,333
Contractor Overhead & Profit	\$ 441,598
Developer Fee	\$ 1,503,166
Relocation	\$ 465,690
Capitalized Interest	\$ 224,322
Cost of Issuance	\$ 301,968
Other Soft Costs (Marketing, etc.)	\$ 1,851,494
<b>Total Uses</b>	<b>\$ 15,850,182</b>

---

**Description of Financial Structure and Bond Issuance:**

This will be a private placement bond transaction with the bonds being purchased by Wells Fargo Bank, N.A. The bonds will be issued by the City of Los Angeles. All of the proceeds of the Bonds will be used to finance a construction loan (the "Loan") for the purpose of financing the rehabilitation of a 24-unit and 48-unit affordable housing development. The loan shall mature 18 months after the recordation of the deed of trust securing the Loan and shall bear interest at a rate per annum equal to 30-day LIBOR plus 175 basis points and shall bear interest at a rate per annum (computed on the basis of a 360-day year, actual number of days elapsed) equal to 30-day LIBOR plus 175 basis points.

---

**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:** 70 out of 130

[See Attachment A]

---

**Recommendation:**

Staff recommends that the Committee approve \$8,750,000 in tax exempt bond allocation.

**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	0
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	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>70</b>

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.