

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$17,500,000

Project Information:
Name: El Segundo Boulevard Apartments
Project Address: 535-611 W. El Segundo Boulevard
Project City, County, Zip Code: Los Angeles, Los Angeles, 90044

Project Sponsor Information:
Name: El Segundo Apartments, LP (El Segundo Apartments, LLC and WCH Affordable XVI, LLC)
Principals: John Huskey, Kasey Burke and George Russo for El Segundo Apartments, LLC; Graham Espley-Jones, Sandra Gibbons and Leanne Truofreh for WCH Affordable XVI, LLC
Property Management Company: John Stewart Company

Project Financing Information:
Bond Counsel: Kutak Rock, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JPMorgan Chase Bank, NA (const.)
California Community Reinvestment Corporation (perm.)
TEFRA Noticing Date: March 7, 2016
TEFRA Adoption Date: April 19, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 74, plus 1 manager unit
Type: New Construction
Type of Units: Family/Special Needs

The proposed Project, consisting of a single elevator-served building with 59 surface parking spaces, will be located on a 1.39 acre site in south Los Angeles. The Project will contain 74 tenant units (24 studio units, 13 one-bedroom units, 14 two-bedroom units and 23 three-bedroom units) and a single two-bedroom manager's unit. 50% of the tenant units will be targeted towards extremely low-income, chronically homeless Veterans who qualify for VA services. The other 50% of the tenant units will be targeted towards low income families, with 12 units further targeted towards homeless and chronically homeless tenants of which 3 units will have preference towards dishonorably discharged veterans. Unit amenities will include blinds, hardwood flooring, central heat/AC, furnishings, ceiling fans, internet access, granite countertops, stove/oven, refrigerator, dishwasher, microwave, and garbage disposal. Site amenities will include a clubhouse, computer lab, exercise facility, laundry facility, on-site, management, picnic area, wireless internet, media room, library, controlled access, gated perimeter, and video surveillance system. Construction is expected to begin in November 2016 and be completed in February 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (74 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 25,553,190	
Estimated Hard Costs per Unit:	\$ 134,459	(\$9,950,002 /74 units)
Estimated per Unit Cost:	\$ 345,313	(\$25,553,190 /74 units)
Allocation per Unit:	\$ 236,486	(\$17,500,000 /74 units)
Allocation per Restricted Rental Unit:	\$ 236,486	(\$17,500,000 /74 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,500,000	\$ 2,087,246
LIH Tax Credit Equity	\$ 2,247,445	\$ 8,989,779
Deferred Fees & Costs	\$ 2,005,745	\$ 801,165
HCIDLA AHTF Loan	\$ 2,500,000	\$ 4,000,000
HCD Infill Infrastructure Grant	\$ 1,300,000	\$ 1,300,000
HCD VHHP Loan	\$ 0	\$ 3,275,000
HCD SHMHP Loan	\$ 0	\$ 3,200,000
HCD AHSC Grant	\$ 0	\$ 56,250
HCD AHSC Loan	\$ 0	\$ 1,843,750
Total Sources	\$ 25,553,190	\$ 25,553,190

Uses of Funds:	
Land Cost/Acquisition	\$ 2,515,000
New Construction	\$ 13,802,150
Development Impact Fees	\$ 950,000
Architectural Fees	\$ 875,000
Survey & Engineering Fees	\$ 500,000
Construction Interest & Fees	\$ 1,221,287
Permanent Financing Costs	\$ 674,213
Legal Fees	\$ 275,000
Reserves	\$ 724,326
Appraisal Costs	\$ 18,500
Contingency	\$ 676,716
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,320,998
Developer Costs	\$ 2,000,000
Total Uses	\$ 25,553,190

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in private placement transactions by JPMorgan Chase Bank, NA (const.) and California Community Reinvestment Corporation (perm.). During the construction financing phase the loan term will be for 24 months with a fixed interest rate equal to the sum of the 1-month LIBOR rate plus 160 bps, for a current indicative rate of 2.04%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 15 years at a fixed rate equal to the greater of 4.30% or the 15-year muni bond index plus 175 bps. The current indicative rate is 4.30%.

Analyst Comments:

None

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:

80 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$17,500,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	80

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.