

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 20, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

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| Applicant: | City of Los Angeles |
|-------------------|---------------------|

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|-------------------------------------|--------------|
| Allocation Amount Requested: | |
| Tax-exempt: | \$17,546,237 |

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|--|---|
| Project Information: | |
| Name: | Six Four Nine Lofts Apartments (fka 649 Lofts Apartments) |
| Project Address: | 649 S. Wall Street |
| Project City, County, Zip Code: | Los Angeles, Los Angeles, 90014 |

| | |
|-------------------------------------|----------------------------------|
| Project Sponsor Information: | |
| Name: | 649 Lofts, LP (649 Lofts GP LLC) |
| Principals: | Mike Alvidrez and Dana Trujillo |
| Property Management Company: | SRHT Property Management Company |

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|---------------------------------------|-----------------------|
| Project Financing Information: | |
| Bond Counsel: | Kutak Rock LLP |
| Private Placement Purchaser: | MUFG Union Bank, N.A. |
| Cash Flow Permanent Bond: | Not Applicable |
| Public Sale: | Not Applicable |
| Underwriter: | Not Applicable |
| Credit Enhancement Provider: | Not Applicable |
| Rating: | Not Applicable |
| TEFRA Noticing Date: | May 1, 2017 |
| TEFRA Adoption Date: | May 31, 2017 |

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| Description of Proposed Project: | |
| State Ceiling Pool: | General |
| Total Number of Units: | 55 |
| Manager's Units: | 1 Unrestricted |
| Type: | New Construction |
| Population Served: | Family |

Six Four Nine Lofts Apartments (fka 649 Lofts Apartments) is a new construction project located in Los Angeles on a 0.35-acre site. The project consists of 54 restricted rental units and 1 unrestricted manager unit. The project will have 54 studio units and 1 two-bedroom unit for the on-site property manager. The building will be 7 stories tall. Common amenities include a large community room and management office. The project will be pursuing LEED Gold rating. The project will promote sustainable living by incorporating energy-efficient systems and appliances, recycled materials, low-VOC materials, renewable energy through solar PV and solar thermal systems, as well as reduced and efficient water usage throughout the project. The construction is expected to begin October 2017 and completed in April 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
98% (54 units) restricted to 50% or less of area median income households.
Unit Mix: Studio

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: | \$ 27,279,715 | |
| Estimated Hard Costs per Unit: | \$ 217,558 | (\$11,965,681 /55 units including mgr. units) |
| Estimated per Unit Cost: | \$ 495,995 | (\$27,279,715 /55 units including mgr. units) |
| Allocation per Unit: | \$ 319,022 | (\$17,546,237 /55 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ 324,930 | (\$17,546,237 /54 restricted units) |

| Sources of Funds: | Construction | Permanent |
|---------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 17,546,237 | \$ 1,476,000 |
| LIH Tax Credit Equity | \$ 911,501 | \$ 9,115,006 |
| GP Equity | \$ 0 | \$ 200,000 |
| Deferred Developer Fee | \$ 758,683 | \$ 758,683 |
| Deferred Costs | \$ 771,300 | \$ 0 |
| FHLB AHP | \$ 0 | \$ 1,340,000 |
| LA HCID HHH Funds | \$ 5,500,000 | \$ 5,500,000 |
| CDC Co of LA AHT Funds | \$ 1,500,000 | \$ 1,500,000 |
| Accrued/Deferred Interest | \$ 291,994 | \$ 291,994 |
| HCD MHP | \$ 0 | \$ 3,898,032 |
| HCD AHSC | \$ 0 | \$ 3,200,000 |
| Total Sources | \$ 27,279,715 | \$ 27,279,715 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 2,240,120 |
| Relocation | \$ 704,517 |
| New Construction | \$ 13,171,251 |
| Contractor Overhead & Profit | \$ 723,340 |
| Architectural Fees | \$ 1,282,715 |
| Survey and Engineering | \$ 145,290 |
| Construction Interest and Fees | \$ 1,894,900 |
| Permanent Financing | \$ 10,000 |
| Legal Fees | \$ 270,300 |
| Reserves | \$ 463,195 |
| Appraisal | \$ 2,500 |
| Hard Cost Contingency | \$ 1,147,690 |
| Local Development Impact Fees | \$ 81,270 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 2,180,228 |
| Developer Costs | \$ 2,962,399 |
| Total Uses | \$ 27,279,715 |

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:

60 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$17,546,237 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 |
|--|--|--|---------------|
| 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] | 0 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 0 |
| 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 | N/A |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | N/A |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 120 | 60 |