

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 18, 2013**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** Housing Authority of the County of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$4,500,000

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**Project Information:**  
**Name:** Santa Monica RHCP Apartments  
**Project Address:** 1855 9th St., 1450 14th St., 2006 20th St.  
**Project City, County, Zip Code:** Santa Monica, Los Angeles, 90404

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**Project Sponsor Information:**  
**Name:** Santa Monica-Villa Nueva LP (Los Angeles County Housing Development Corporation)  
**Principals:** Richard Wirth and Marlon L. Thompson  
**Property Management Company:** Levine Management Group, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** July 9, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 40, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The project was originally constructed circa 1985. Each has similar architecture and consists of a two-story woodframe structure atop a subterranean concrete garage podium. Each property has three buildings situated atop the deck that surround a open courtyard with planter boxes and a seating / play area. All apartments feature kitchens with range and refrigerator, and disposal. Bedrooms are located on the upstairs level with a bathroom (the 3-bedroom units have a half-bath on the ground floor.) Interior repairs will include replacement of kitchen and bath cabinets and countertops, new plumbing fixtures and miscellaneous flooring repairs as required. Exterior repairs include new paint, roofing repairs, site upgrades to emphasize low-water planting material, improved site lighting, and upgrades to the community seating area and play area.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
63% (25 units) restricted to 50% or less of area median income households.  
38% (15 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

No service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	8,860,110	
<b>Estimated Hard Costs per Unit:</b>	\$	28,865	(\$1,154,606 /40 units)
<b>Estimated per Unit Cost:</b>	\$	221,503	(\$8,860,110 /40 units)
<b>Allocation per Unit:</b>	\$	112,500	(\$4,500,000 /40 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	112,500	(\$4,500,000 /40 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,500,000	\$ 2,660,000
Developer Equity	\$ 275,000	\$ 275,000
Deferred Developer Fee	\$ 0	\$ 350,000
LIH Tax Credit Equity	\$ 847,641	\$ 2,525,110
Direct & Indirect Public Funds	\$ 2,200,000	\$ 3,050,000
Other (Deferred Costs)	\$ 1,037,469	\$ 0
<b>Total Sources</b>	<b>\$ 8,860,110</b>	<b>\$ 8,860,110</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 5,150,000
On & Off Site Costs	\$ 55,000
Hard Construction Costs	\$ 1,099,606
Architect & Engineering Fees	\$ 95,000
Contractor Overhead & Profit	\$ 78,880
Developer Fee	\$ 1,021,837
Relocation	\$ 81,000
Cost of Issuance	\$ 333,625
Capitalized Interest	\$ 54,832
Other Soft Costs (Marketing, etc.)	\$ 890,330
<b>Total Uses</b>	<b>\$ 8,860,110</b>

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

The bonds will be non-rated and will be secured by first deed of trust on the property. Repayment will be guaranteed by the partner until completion of rehab when stabilized operations are achieved. The bonds will initially bear interest at a variable rate based on the Citibank Prime Rate or LIBOR plus a margin. Upon completion of construction and stabilized occupancy, a portion of the bonds will be repaid from permanent sources and the remainder will convert to a fixed rate of approximately 6.0%. The permanent bonds will be repaid on fully amortized basis over a 15 year term.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:**

65 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$4,500,000 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
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	5
Service Amenities	10	10	0
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>65</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.