

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 16, 2014**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Brian Clark*

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**Applicant:** City of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$10,600,000

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**Project Information:**  
**Name:** The Paseo at Californian Apartments  
**Project Address:** 1901 - 1919 W. Sixth Street  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90057

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**Project Sponsor Information:**  
**Name:** The Californian Partners, LP (Central Valley Coalition for Affordable Housing & The Californian Developers, LLC)  
**Principals:** Alan Jenkins, Sid McIntyre, Steve Simmons, Jennifer Bertuccio & Renee Downum for Central Valley Coalition for Affordable Housing; Mark Walther & Frank Fonseca for The Californian Developers, LLC  
**Property Management Company:** The John Stewart Company

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**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Wells Fargo Bank, NA  
**TEFRA Adopted Date:** June 10, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 52, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

The proposed project will be constructed on a vacant 0.54 acre lot located at the northwest corner of Sixth Street & Bonnie Brae, in an area of dense multi-family and commercial properties approximately two blocks east of MacArthur Park in Los Angeles. The project will consist of a single elevator equipped mission style building housing 52 one, two and three-bedroom units and a single two-bedroom manager's unit. All units will be income restricted & will feature central heat/air conditioning, blinds, living room and bedroom carpeting, kitchen and bathroom laminate flooring, private balcony, refrigerator, stove, dishwasher and garbage disposal. The proposed project will also have 54 tenant-restricted parking spaces, laundry room, a courtyard/playground, landscaped rear yard, first floor lobby with mail room and manager's office, and a second floor community room featuring a small kitchen, lounge, TV and computer facilities. Construction is anticipated to begin October 1, 2014 and be completed September 1, 2016.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

60% (31 units) restricted to 50% or less of area median income households.

40% (21 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

There are no service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 20,797,824

**Estimated Hard Costs per Unit:** \$ 221,252 (\$11,505,100 /52 units)

**Estimated per Unit Cost:** \$ 399,958 (\$20,797,824 /52 units)

**Allocation per Unit:** \$ 203,846 (\$10,600,000 /52 units)

**Allocation per Restricted Rental Unit:** \$ 203,846 (\$10,600,000 /52 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,600,000	\$ 2,340,000
Developer Equity	\$ 1,677,680	\$ 475,218
LIH Tax Credit Equity	\$ 1,658,727	\$ 7,329,859
Direct & Indirect Public Funds	\$ 6,861,417	\$ 10,652,747
<b>Total Sources</b>	<b>\$ 20,797,824</b>	<b>\$ 20,797,824</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 2,914,663
On-site & Off-site Costs	\$ 956,700
Hard Construction Costs	\$ 10,548,400
Architect & Engineering Fees	\$ 700,000
Contractor Overhead & Profit	\$ 824,000
Developer Fee	\$ 2,000,000
Cost of Issuance	\$ 399,030
Capitalized Interest	\$ 550,000
Other Soft Costs (Marketing, etc.)	\$ 1,905,031
<b>Total Uses</b>	<b>\$ 20,797,824</b>

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

The construction bonds will be purchased as a private placement transaction by Wells Fargo Bank, NA in the amount of \$10,600,000 for a term of 24 months. The bonds will bear interest at a fixed rate equal to 30-day LIBOR plus 180 basis points. The project will be underwritten with a 1.54% interest rate cushion at 3.50%. The construction phase bond financing will be first position debt secured by a deed of trust during the construction phase. Upon conversion to the permanent financing phase, the bonds will be paid down to \$2,340,000 and the remaining outstanding bonds will be purchased by the California Community Reinvestment Corporation, which will provide permanent financing. During the permanent phase, the bonds will bear interest at a fixed rate to be set at issuance that is the greater of 5.50% or the 15-year muni bond index plus 175 bps, amortized over 35 years with an 18 year term. The permanent phase bond financing will be first position debt secured by a deed of trust.

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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:** 85 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$10,600,000 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	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>85</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.