

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 18, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$13,600,000

Project Information:
Name: Leaster Apartments (Scattered Site)
Project Address: 825 Green Ave; 1422-1430 Miramar St.; 911 E. 120th St.
Project City, County, Zip Code: L. A., Los Angeles, 90017, 90026, 90059

Project Sponsor Information:
Name: Leaster Apartments, LP (Pico-Union Housing Corporation)
Principals: Gloria Frias, Mario Morales, Maria E. Venegas for Pico-Union Housing Corporation
Property Management Company: Pico-Union Housing Corporation

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: BBCN Bank
TEFRA Adoption Date: February 10, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 131, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Pico Union Housing Corporation intends to restructure the financing of 3 existing apartment complexes, combining them into one project utilizing tax exempt bonds and 4% tax credits. Greenview Apartments; this 48-unit building is located a few blocks west of the 110 freeway at 8th St. The property consists of 9 studio units, 15 one-bedroom units, 6 two-bedroom units, 17 three-bedroom units, 1 three-bedroom manager's unit and a community center and laundry room. Wadsworth Apartments; this 36-unit building is located in south Los Angeles, south of the 105 freeway and east of the 110 freeway. The property consists of 35 one-bedroom units, 1 one-bedroom manager's unit, reception area/lobby, community center with kitchen, library/computer center, laundry room and outdoor seating areas. Miramar Apartments; this 49-unit complex is located a few blocks west of the 110 freeway at 3rd St. The property consists of 44 studio units, 5 two-bedroom units and a laundry room. The scope of work will include Interior & exterior door replacement Replace windows and sliding glass doors. Replace kitchen cabinets, countertops and appliances. Replace bathroom vanities, countertops, toilets and sinks. Replace flooring on an as needed bases. Replace water heaters and HVAC systems where needed. Upgrade irrigation system. Upgrades to meet ADA compliance. Repaint all interiors and exteriors. Install new energy star laundry equipment.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
89% (117 units) restricted to 50% or less of area median income households.
11% (14 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

Miramar and Greenview locations will provide instructor-led educational, health and wellness or skill building classes. Wadsworth location will provide a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|------------|--------------------------------------|
| Estimated Total Development Cost: | \$ | 22,097,000 | |
| Estimated Hard Costs per Unit: | \$ | 46,468 | (\$6,087,360 /131 units) |
| Estimated per Unit Cost: | \$ | 168,679 | (\$22,097,000 /131 units) |
| Allocation per Unit: | \$ | 103,817 | (\$13,600,000 /131 units) |
| Allocation per Restricted Rental Unit: | \$ | 103,817 | (\$13,600,000 /131 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 13,600,000 | \$ 8,221,000 |
| LIH Tax Credit Equity | \$ 1,801,900 | \$ 7,208,000 |
| Other | \$ 6,695,100 | \$ 6,668,000 |
| Total Sources | \$ 22,097,000 | \$ 22,097,000 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 9,060,000 |
| On & Off Site Costs | \$ 387,574 |
| Hard Construction Costs | \$ 5,699,786 |
| Architect & Engineering Fees | \$ 445,000 |
| Contractor Overhead & Profit | \$ 231,343 |
| Developer Fee | \$ 2,500,000 |
| Relocation | \$ 125,000 |
| Cost of Issuance | \$ 149,000 |
| Capitalized Interest | \$ 766,500 |
| Other Soft Costs (Marketing, etc.) | \$ 2,732,797 |
| Total Uses | \$ 22,097,000 |

Description of Financial Structure and Bond Issuance:

This is a Privately Placed Bond project with the bonds being issued by the City of Los Angeles. It is anticipated that BBCN Bank will directly purchase up to \$13.6 million in private activity bonds at closing under its private placement structure. During the construction phase, bonds will carry a variable interest rate of 2% over Prime with a 5.5% floor. The construction loan will be for a term of 24 months, with interest only payments. BBCN will also provide a permanent loan that will carry a fixed-rate 35 year loan amortized over 35 years with an all in interest rate of 5.5%.

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: 56.79 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$13,600,000 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] | 0 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 1.794 |
| Leveraging | 10 | 10 | 0 |
| 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 |
| Total Points | 130 | 100 | 56.794 |

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.