

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 20, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$14,000,000

Project Information:
Name: PATH Metro Villas I Apartments
Project Address: 340 N. Madison Ave. (proposed 345 N. Westmorland Ave.)
Project City, County, Zip Code: Los Angeles, Los Angeles, 90004

Project Sponsor Information:
Name: Metro Villas 345, LP (AHG Metro 345, LLC and PATH VENTURES 345, LLC)
Principals: James Silverwood and Nicki Cometa for AHG Metro 345, LLC; Amy Anderson and Hewsu Cobb-Phillips for PATH VENTURES 345, 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, N.A.
TEFRA Adopted Date: April 17, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 67, plus 1 manager unit
Type: New Construction
Type of Units: Family/Special Needs

The proposed project is the first phase of a three-phase, 190-unit, transit-oriented development that is being developed on the rear parking lot of the PATH Mall and the lot adjacent to the PATH Mall. The project is composed of 34 studio units, 33 one-bedroom units and a single two-bedroom manager's unit. The project will contain social service programming space, a community room and 72 parking spaces. The County of Los Angeles will have leasing preference and will provide operating subsidies and services to the 51 Supportive Housing Units designated for homeless individuals with a history of mental illness, substance abuse and/or chronic health conditions. Site amenities include a large park, a plaza with seating and BBQ areas, a communal kitchen, a rooftop deck, lounges on each residential floor, laundry facilities, bicycle parking and security cameras. Construction is expected to start in September, 2015 and should be complete by January, 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
76% (51 units) restricted to 50% or less of area median income households.
24% (16 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

There will be no service amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 23,172,000
Estimated Hard Costs per Unit: \$ 173,647 (\$11,634,321 /67 units)
Estimated per Unit Cost: \$ 345,851 (\$23,172,000 /67 units)
Allocation per Unit: \$ 208,955 (\$14,000,000 /67 units)
Allocation per Restricted Rental Unit: \$ 208,955 (\$14,000,000 /67 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 1,500,000
LIH Tax Credit Equity	\$ 4,122,000	\$ 11,263,200
Direct & Indirect Public Funds	\$ 2,883,000	\$ 9,019,800
Deferred Developer Fee	\$ 2,167,000	\$ 1,389,000
Total Sources	<u>\$ 23,172,000</u>	<u>\$ 23,172,000</u>
Uses of Funds:		
Acquisition/Land Purchase	\$ 1,000,000	
On-site & Off-site Costs	\$ 1,140,538	
Hard Construction Costs	\$ 10,493,783	
Architect & Engineering Fees	\$ 1,031,000	
Contractor Overhead & Profit	\$ 1,216,305	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 160,000	
Capitalized Interest	\$ 789,000	
Local Development Impact Fees	\$ 470,000	
Other Soft Costs (Marketing, etc.)	\$ 4,371,374	
Total Uses	<u>\$ 23,172,000</u>	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by JPMorgan Chase, N.A. (the "Bank") for construction financing only. There will be no permanent tax-exempt debt on the project. During the construction phase, the loan term will be for 24 months. The interest rate will be a fixed rate of interest reset every 30 days at 160 basis points in excess of the 30 day LIBOR rate. Draws funded between rate reset days will bear interest at a floating rate that approximately equals the fixed rate. The bonds will be issued by the City of Los Angeles.

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: 80 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,000,000 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	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	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.