

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 16, 2015**  
**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:** City of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$7,500,000

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**Project Information:**  
**Name:** HCHC Recap I Apartments  
**Project Address:** 5425 Carlton Way; 6501 Yucca Street; 1924 N Argyle Avenue  
**Project City, County, Zip Code:** Los Angeles, LA, 90027, 90028, 90068

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**Project Sponsor Information:**  
**Name:** HCHC Recap I, L.P. (Hollywood Community Housing Corporation)  
**Principals:** William F. Harris, Kyle Arndt and Jerold B. Neuman, for Hollywood Community Housing Corporation  
**Property Management Company:** Barker Management Incorporated (BMI)

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**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** JP Morgan Chase Bank, N.A.  
**TEFRA Adoption Date:** August 14, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 65, plus 3 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

All three properties are located within a 0.7 mile radius of each other in the Hollywood area of Los Angeles. Carlton Way Apartments is a large-family housing development that was newly constructed in 1994. The building contains 10 two-bedroom, 8 three-bedroom, and 6 four-bedroom units. Amenities include a rooftop community room with adjacent landscaped deck, courtyard with play area, laundry, parking, secure entry and elevator. Werner Illing House Apartments is a fully rehabilitated 1923 3-story 21 unit apartment building that was placed in service in 1995. The Project is a senior project that provides 20 units for low-income seniors and one unrestricted unit for the resident manager. Project amenities include a community room, TV and piano, gardening space, laundry, elevator, secure entry and basement storage. Unit amenities include a refrigerator, stove, range, air conditioning unit and garbage disposal. Wilcox Apartments, completed in 1998, is the 23 unit rehabilitation of a four story apartment building built in 1925. The Project provides 22 units for low-income families, plus one unrestricted unit for the resident manager. Project amenities include an elevator, community room, children's playroom, computer lab, outdoor garden and on-site laundry. Construction start date is January 2016, finishing October 2016.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
52% (34 units) restricted to 50% or less of area median income households.  
48% (31 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1, 2 ,3 & 4 bedrooms

Carlton location will provide Instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year and Werner location will have available a bona fide service coordinator/social worker for a minimum of .034 FTE per year.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	14,296,317	
<b>Estimated Hard Costs per Unit:</b>	\$	51,363	(\$3,338,616 /65 units)
<b>Estimated per Unit Cost:</b>	\$	219,943	(\$14,296,317 /65 units)
<b>Allocation per Unit:</b>	\$	115,385	(\$7,500,000 /65 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	115,385	(\$7,500,000 /65 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,500,000	\$ 1,211,100
Developer Equity	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 620,747	\$ 4,680,713
Direct & Indirect Public Funds	\$ 3,923,970	\$ 6,870,939
Deferred Developer Fee	\$ 657,287	\$ 657,287
Seller Note	\$ 438,730	\$ 438,730
Other (Deferred Costs )	\$ 718,035	\$ 0
Other (Accrued Interest)	\$ 437,448	\$ 437,448
<b>Total Sources</b>	<b>\$ 14,296,317</b>	<b>\$ 14,296,317</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 7,628,461
Rehabilitation Costs	\$ 2,595,681
Relocation	\$ 75,000
Architectural	\$ 140,000
Survey & Engineering	\$ 47,000
Contingency Costs	\$ 511,126
Construction Period Expenses	\$ 290,075
Permanent Financing Expenses	\$ 227,431
Legal Fees	\$ 100,000
Capitalized Reserves	\$ 441,496
Other Soft Costs	\$ 582,760
Developer Costs	\$ 1,657,287
<b>Total Uses</b>	<b>\$ 14,296,317</b>

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

This is a JP Morgan Chase private placement transaction. During the construction financing phase the loan term will be for 9 months with a (fixed) interest rate of Libor + 210 bps. During the permanent financing phase, the loan term will be for 16.5 years at a 10 year interest rate swap plus 3.30% with an amortization period of 15 years. The indicative rate of 5.66%. There was no underwritten rate provided.

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

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**Recommendation:**

Staff recommends that the Committee approve \$7,500,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	3.46
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.56
Service Amenities	10	10	3.31
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>64.33</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.