

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 18, 2016**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** City of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$5,000,000

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**Project Information:**  
**Name:** West A Homes Apartments  
**Project Address:** 4080 & 4100 S. Vermont  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90037

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**Project Sponsor Information:**  
**Name:** West Angeles Homes II, LP (WA Homes MGP, LLC and VHJS West A GP, LLC)  
**Principals:** Saki Middleton, Peter and Marian Barker, Byron and Ann S. Barker and Amy Barker for WA Homes MGP, LLC; Peter Barker for VHJS West A GP, LLC  
**Property Management Company:** Barker Management, Incorporated

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**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 Noticing Date:** January 15, 2016  
**TEFRA Adoption Date:** March 1, 2016

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 43, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing 44 unit apartment complex. The property consists of two regular shaped parcels separated by 41st Street. The subject parcels consist of a total of 55,815 square feet or approximately 1.28 acres. The subject, built in 1998, consists of two buildings. The first, at 4080 South Vermont, has one two- and three-story apartment building with an attached one-story common area building and one two-story apartment building. The second, has one two- and three-story apartment building with an attached one-story common area building, one two-story apartment building with an attached one-story common area laundry room building, and two two-story apartment buildings. Of the 44 units, the building includes 20 two-bedroom one-bathroom townhouse units and 24 three-bedroom two-bathroom apartment units. The scope of work will include complete refurbishment of the unit interiors including new floor coverings, new kitchens and baths, energy star appliances, and new fixtures and hardware. Exterior improvements will include landscape upgrades, a new roof, and exterior paint. The renovation is anticipated to take approximately 10 – 12 months.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (43 units) restricted to 50% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 9,756,764	
<b>Estimated Hard Costs per Unit:</b>	\$ 68,543	(\$2,947,328 /43 units)
<b>Estimated per Unit Cost:</b>	\$ 226,901	(\$9,756,764 /43 units)
<b>Allocation per Unit:</b>	\$ 116,279	(\$5,000,000 /43 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 116,279	(\$5,000,000 /43 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,000,000	\$ 2,060,000
HCID Loan	\$ 4,183,621	\$ 3,227,450
LIH Tax Credit Equity	\$ 573,143	\$ 4,183,621
NOI During Construction	\$ 0	\$ 125,000
Deferred Developer Fee	\$ 0	\$ 160,693
<b>Total Sources</b>	<b>\$ 9,756,764</b>	<b>\$ 9,756,764</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 4,527,602
Rehabilitation	\$ 2,947,328
Relocation	\$ 132,000
Architectural Fees	\$ 135,000
Survey & Engineering	\$ 25,000
Construction Interest and Fees	\$ 191,250
Permanent Financing	\$ 203,015
Legal Fees	\$ 100,000
Reserves	\$ 199,754
Appraisal	\$ 9,400
Contingency Cost	\$ 25,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 171,389
Developer Costs	\$ 1,090,026
<b>Total Uses</b>	<b>\$ 9,756,764</b>

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

The financial structure for the proposed project will be a private placement transaction provided by JPMorgan Chase Bank, N.A. During the construction financing phase the loan term will be for 24 months (plus one 6-month extension option) with a variable rate equal to 1 month LIBOR plus 200 bps. During the permanent financing phase, the loan term will be for 20.5 years with an amortization period of 35 years at a fixed rate at the 10 year interest rate swap plus 2.52%. The indicative all-in-rate, if closed at the time of commitment, was 4.84%. The rate will be locked at Construction Loan closing. The Bonds will be issued by the City of Los Angeles.

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**Analyst Comments:**

None

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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:**

70 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$5,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	5
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>70</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.