

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 20, 2016**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Louise Eller*

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**Applicant:** **Housing Authority of the County of Los Angeles**

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**Allocation Amount Requested:**  
**Tax-exempt:** \$9,450,000

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**Project Information:**  
**Name:** Sun Sage Homes Apartments (Scattered Site)  
**Project Addresses:** 11128 S. Osage Avenue, Lennox, Los Angeles, 90304  
10800 Laurel Avenue, Whittier, Los Angeles, 90605

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**Project Sponsor Information:**  
**Name:** Sun Sage Homes, L.P. (Sun Sage Homes, LLC)  
**Principals:** Robin Hughes, Rick Saperstein, Holly Benson, Luz Soto, Lara Regus, Gio Aliano and Karl Kauff for Sun Sage Homes LLC  
**Property Management Company:** Abode Communities

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**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Noticing Date:** April 12, 2016  
**TEFRA Adoption Date:** May 10, 2016

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 69, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

Sun Sage Homes is a scattered site located in the county of Los Angeles. Osage Apartments is located on a 0.76 acre site while Sunshine Terrace Apartments is located on a 2.77 acre site. Osage has 10 one-bedroom units and 10 two-bedroom units. Sunshine Terrace has 32 three-bedroom units and 17 four-bedroom units. Units at Osage Apartments have a gas range/oven, refrigerator, double steel sink, central A/C and heating, and a patio or balcony. Units at Sunshine Terrace have a gas range/oven, refrigerator, double steel sink and central heat. The rehabilitation of Osage will include installing a new high efficiency heat pump, repairing the roof, replacing lighting, replacing unit items (countertops, cabinets, stoves, refrigerators), and installing new windows and sliding doors. The rehabilitation of Sunshine Terrace will include replacing supply piping throughout the building, installing additional insulation, replacing closet doors, painting, installing new stoves, countertops, refrigerators, and cabinets in units as needed. Both projects will receive accessibility improvements and energy upgrades to improve energy efficiency. Rehabilitation is expected to begin in September 2016 and complete June 2017.

**Description of Public Benefits:**

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

93% (64 units) restricted to 50% or less of area median income households.

7% (5 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2, 3 & 4 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>      | \$ 19,074,223 |                                    |
| <b>Estimated Hard Costs per Unit:</b>         | \$ 55,066     | (\$3,799,573 /69 units)            |
| <b>Estimated per Unit Cost:</b>               | \$ 276,438    | (\$19,074,223 /69 units)           |
| <b>Allocation per Unit:</b>                   | \$ 136,957    | (\$9,450,000 /69 units)            |
| <b>Allocation per Restricted Rental Unit:</b> | \$ 136,957    | (\$9,450,000 /69 restricted units) |

| <b>Sources of Funds:</b>              | Construction         | Permanent            |
|---------------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds              | \$ 9,450,000         | \$ 1,599,200         |
| LIH Tax Credit Equity                 | \$ 1,109,080         | \$ 5,971,940         |
| LAC DCD Assumed Loans                 | \$ 4,723,809         | \$ 4,723,809         |
| HCD - RHCP                            | \$ 1,486,555         | \$ 1,486,555         |
| LA CDC CDBG Loan                      | \$ 330,000           | \$ 330,000           |
| Seller Note                           | \$ 0                 | \$ 3,081,979         |
| Deferred Developer Fee                | \$ 38,497            | \$ 38,497            |
| Deferred Costs                        | \$ 907,283           | \$ 0                 |
| Purchased Reserve Accounts            | \$ 385,000           | \$ 385,000           |
| General Partner Capital Contributions | \$ 644,000           | \$ 644,000           |
| Income During Construction            | \$ 0                 | \$ 63,243            |
| Citi Subordinate Loan Program         | \$ 0                 | \$ 750,000           |
| <b>Total Sources</b>                  | <b>\$ 19,074,224</b> | <b>\$ 19,074,223</b> |

| <b>Uses of Funds:</b>                             |                      |
|---|----------------------|
| Land Cost/Acquisition                             | \$ 9,122,407         |
| Predevelopment Interest/Holding Cost              | \$ 13,859            |
| Purchased Reserves                                | \$ 385,000           |
| Rehabilitation                                    | \$ 4,853,097         |
| Relocation  | \$ 162,300           |
| Contractor Overhead                               | \$ 282,175           |
| Architectural Fees                                | \$ 302,200           |
| Survey and Engineering                            | \$ 135,000           |
| Construction Interest and Fees                    | \$ 693,715           |
| Permanent Financing                               | \$ 15,000            |
| Legal Fees  | \$ 65,000            |
| Reserves  | \$ 234,983           |
| Appraisal   | \$ 20,000            |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 744,844           |
| Developer Costs                                   | \$ 2,044,643         |
| <b>Total Uses</b>                                 | <b>\$ 19,074,223</b> |

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

The bonds will be purchased is a private placement transaction by Citi Bank, N.A. During the construction financing phase the loan term will be for 18 months with an interest rate of 3.94%. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 35 years at a rate of 5.50%.

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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:** 77.9 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$9,450,000 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   | 12.9          |
| Exceeding Minimum Income Restrictions:   | 35   | 15   | 35            |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Preservation Project] | [10]   | [10]   | 0             |
| 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   | 10            |
| Service Amenities  | 10   | 10   | 0             |
| New Construction or Substantial Renovation   | 10   | 10   | 10            |
| Sustainable Building Methods   | 10   | 10   | 0             |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only)                              | 10   | 10   | 0             |
| Minimum Term of Restrictions<br>(Competitive Allocation Process Only)                                | 10   | 10   | 0             |
| Negative Points (No Maximum)   | -10  | -10  | 0             |
| <b>Total Points</b>  | <b>140</b>   | <b>110</b>                                       | <b>77.9</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.