

**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:** California Municipal Finance Authority

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**Allocation Amount Requested:** Tax-exempt: \$14,500,000

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**Project Information:**

**Name:** Simone Apartments  
**Project Address:** 520 San Julian Street  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90013

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**Project Sponsor Information:**

**Name:** Simone 2015 L.P. (Simone 2015 GP LLC)  
**Principals:** Mike Alvidrez and Dana Trujillo for Simone 2015 GP LLC  
**Property Management Company:** SRHT Property Management Company

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**Project Financing Information:**

**Bond Counsel:** Quint & Thimmig LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Wells Fargo  
**TEFRA Noticing Date:** June 1, 2016  
**TEFRA Adoption Date:** June 15, 2016

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 113, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family/Special Needs

Simone Apartments is an existing project located in Los Angeles on a 0.11 acre site. The project consists of 113 studio units spread across five levels. Of the 113 units, 84 are reserved for special needs. The target population for all future vacancies will include people experiencing homelessness, many of whom are disabled or have special needs. The focus of the renovation will be on major building systems, interior finishes, sustainability upgrades, modernization of common areas and units, and accessibility upgrades. The renovations will be carried out as an occupied rehab, meaning that the tenants will remain in the buildings during the construction period, but asked to leave their units during normal business hours only on the days that their units are under construction. The rehabilitation is expected to begin December 2016 and complete December 2017.

**Description of Public Benefits:**

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

50% (57 units) restricted to 50% or less of area median income households.

50% (56 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio

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>	\$	23,926,622	
<b>Estimated Hard Costs per Unit:</b>	\$	58,131	(\$6,568,810 /113 units)
<b>Estimated per Unit Cost:</b>	\$	211,740	(\$23,926,622 /113 units)
<b>Allocation per Unit:</b>	\$	128,319	(\$14,500,000 /113 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	128,319	(\$14,500,000 /113 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 14,500,000	\$ 0
LIH Tax Credit Equity	\$ 1,092,987	\$ 9,592,505
Developer Equity	\$ 100	\$ 0
Seller Carryback Loan	\$ 1,333,583	\$ 1,333,583
Deferred Costs	\$ 1,084,022	\$ 0
GP Equity	\$ 0	\$ 1,356,720
GP Loan	\$ 0	\$ 586,175
FHLB AHP	\$ 0	\$ 2,000,000
HCD RHCP - Recast Loan	\$ 2,635,239	\$ 2,635,239
HCD - VHHP Loan	\$ 0	\$ 3,141,710
City of LA Housing & Community Investment Dept	\$ 2,690,691	\$ 2,690,691
HA of the County of LA - Assignment	\$ 590,000	\$ 590,000
<b>Total Sources</b>	<b>\$ 23,926,622</b>	<b>\$ 23,926,623</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 7,461,000
Rehabilitation	\$ 7,481,528
Relocation	\$ 75,124
Contractor Overhead	\$ 201,992
Architectural Fees	\$ 584,871
Survey and Engineering	\$ 66,211
Construction Interest and Fees	\$ 1,068,258
Permanent Financing	\$ 545,000
Legal Fees	\$ 166,000
Reserves	\$ 495,192
Appraisal	\$ 9,000
Contingency Cost	\$ 1,423,531
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,592,195
Developer Costs	\$ 2,756,720
<b>Total Uses</b>	<b>\$ 23,926,622</b>

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

This is a private placement transaction by Wells Fargo. During the construction financing phase the loan term will be for 24 months with an interest equal to 30-day LIBOR plus 175 basis points. The loan will be underwritten using a 150 bps cushion and a 25 bps floor on the 30-day LIBOR rate. There is no permanent bond financing.

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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:** 87.5 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$14,500,000 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
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>110</b>	<b>87.5</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.