

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2011
REVISED
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$62,000,000

Project Information:
Name: Monarch Santa Monica & La Brea Apartments
Project Address: 1122 N. Detroit St., 7113 & 7119 Santa Monica Blvd., and
1111 N. La Brea Avenue
Project City, County, Zip Code: West Hollywood, Los Angeles, 90046

Project Sponsor Information:
Name: Monarch Santa Monica Venture, LP (Monarch Partners I, LP
and Monarch Investments II, LLC)
Principals: Rodney F. Stone

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Citibank, N.A.
Credit Enhancement Provider: Freddie Mac through Citibank, N.A.
TEFRA Hearing Date: April 4, 2011

Description of Proposed Project:
State Ceiling Pool: Mixed Income
Total Number of Units: 182, plus 2 manager units
Type: New Construction
Type of Units: Family

The Project is a new construction mixed-income and mixed-use property consisting of 184 total units (including 37 low-income units) and 13,350 square feet of ground floor retail space. Unit sizes will range from 713 square feet to 1,222 square feet. The retail component will consist of four retail spaces that will vary in size from 2,498 square feet to 4,386 square feet. There will be a total of 6 stories with elevator services. The Project will be transit-oriented and provide workforce housing. Common area amenities include a resident clubhouse with a state-of-the-art fitness center, movie theater, business center, roof terrace and deck with fire pits, modern lounge furniture, BBQs, courtyard area with swimming pool and patio area, and ground floor open-air pedestrian plaza featuring seating area and contemporary art work. The project's total amount of parking provided on-site on the ground floor and in subterranean parking will be 304 spaces, of which 226 spaces will be reserved for residential parking and 78 spaces for commercial parking. Construction is expected to begin around July 2011 and be completed by November 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%
20% (37 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The proposed project is intended to provide family and workforce housing. Of the 184 units to be newly constructed, 37 will be restricted for low-income households whose incomes are at or below 50% of the applicable median income. The proposed project will be within 1/4 mile of a public transit corridor and within 1/2 mile of a park/recreation facility, groceries and other essential shopping and public schools.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 79,771,045	
Estimated Hard Costs per Unit:	\$ 172,646	(\$31,421,497 /182 units)
Estimated per Unit Cost:	\$ 438,302	(\$79,771,045 /182 units)
Allocation per Unit:	\$ 340,659	(\$62,000,000 /182 units)
Allocation per Restricted Rental Unit:	\$ 340,659	(\$62,000,000 /37 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to the cost of the ground floor retail which elevates the costs per unit.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 62,000,000	\$ 44,350,000
Developer Equity	\$ 17,771,045	\$ 35,421,045
Total Sources	\$ 79,771,045	\$ 79,771,045
Uses of Funds:		
Land Purchase	\$ 26,129,913	
On & Off Site Costs	\$ 162,500	
Hard Construction Costs	\$ 31,258,997	
Architect & Engineering Fees	\$ 1,915,005	
Contractor Overhead & Profit	\$ 1,300,000	
Construction Management Fee	\$ 500,000	
Hard Cost Contingency	\$ 2,000,000	
Development Fees	\$ 1,500,000	
Cost of Issuance	\$ 419,799	
Capitalized Interest	\$ 4,231,536	
Other Soft Costs	\$ 10,353,295	
Total Uses	\$ 79,771,045	

Description of Financial Structure and Bond Issuance:

The bonds will be structured as a public offering with Freddie Mac credit enhancement and underwritten by Citibank, N.A. The Project will be financed using a combination of sources of funding, which will include tax-exempt bonds and developer equity. The tax-exempt bonds will carry a variable interest rate. During construction, the interest rate is expected to be at the 30-day LIBOR base rate plus 500 basis points. During the permanent phase, it is expected to be at the SIFMA base rate plus 250 basis points. The amortization period is 35 years and loan term is 30 years. The construction phase of the bonds will be for a period of 36 months or less with an optional 6-month extension period. The bonds will be recourse during construction and nonrecourse over the permanent phase.

Analyst Comments:

N/A

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:

59 out of 98

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$62,000,000 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	6
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	0
Community Revitalization Area	15	15	10
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	59

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.