

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$23,000,000

Project Information:
Name: Chinatown Metro Apartments
Project Address: 808 & 810 N. Spring Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90012

Project Sponsor Information:
Name: Chinatown Metro Apartments, LP (WCH Affordable V, LLC;
and Chintatown Metro Apartments, LLC)
Principals: Graham Espley-Jones, Sandra Gibbons, David Connelly and
Leanne Truofreh for WCH Affordable V, LLC; John M.
Huskey, Kasey Burke, George Russo and Rutzel Castillo for
Chinatown Metro Apartments, LLC
Property Management Company: Western Seniors Housing

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A. (constr.) / California Community
Reinvestment Corporation (perm.)
TEFRA Hearing Date: August 12, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 122, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed Project is a new construction senior project located in the City of Los Angeles. The Project represents resumption of residential rehabilitation project set in adjoining 9- and 6-story concrete buildings constructed in 1916 and 1927. The buildings will be rehabilitated into a 123-unit single apartment building. Of the total 123 units, 122 units will be restricted to seniors 55 and older with household incomes no greater than 60% of the area median income plus one manager's unit. The unit breakdown will consist of 62 studios units, 52 one-bedroom units, and 8 two-bedroom units. The proposed Project is located within a qualified census tract and will include over 1,800 square feet of interior community space with a computer room, a fitness room and a common room. The building is planning to meet the LEED Silver certification standard. Construction is expected to start November 2011 and completed May 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
87% (106 units) restricted to 50% or less of area median income households.
13% (16 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The proposed Project will not include any service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 41,696,604	
Estimated Hard Costs per Unit:	\$ 162,126	(\$19,779,420 /122 units)
Estimated per Unit Cost:	\$ 341,775	(\$41,696,604 /122 units)
Allocation per Unit:	\$ 188,525	(\$23,000,000 /122 units)
Allocation per Restricted Rental Unit:	\$ 188,525	(\$23,000,000 /122 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 23,000,000	\$ 3,320,774
Developer Equity	\$ 1,424,673	\$ 1,100,000
LIH Tax Credit Equity	\$ 4,671,931	\$ 14,157,365
Direct & Indirect Public Funds	\$ 12,600,000	\$ 23,118,465
Total Sources	\$ 41,696,604	\$ 41,696,604

Uses of Funds:	
Acquisition Cost	\$ 7,025,000
On & Off Site Costs	\$ 525,000
Hard Construction Costs	\$ 19,254,420
Architect & Engineering Fees	\$ 710,721
Contractor Overhead & Profit	\$ 2,730,213
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 225,000
Capitalized Interest	\$ 1,062,600
Other Soft Costs (Marketing, etc.)	\$ 7,663,650
Total Uses	\$ 41,696,604

Description of Financial Structure and Bond Issuance:

The financial structure will be a Private Placement transaction through Bank of America, N.A for the construction phase of the project. The permanent financing will be provided through California Community Reinvestment Corporation. Bank of America ("BOA") will provide construction financing through its Special Bond Offering product (:SBO"), a proprietary direct placement tax-exempt "draw down" bond product. BOA will purchase no more than \$23,000,000 in floating rate tax-exempt bonds issued through Los Angeles Housing Department. Debt service on the Bonds will be interest-only at a floating rate noted below until the full repayment of the financing (the "Conversion Date") The Conversion Date will be scheduled to be 24 months from the closing date of the Facility. The borrower will pay BOA interest at a rate of 30-day LIBOR plus 225 basis points. The permanent tax-exempt bond financing will be in the amount of \$3,320,774 with an indicative rate equal to the greatest of the 15-year AAA Muni-bond index plus 175 basis points or 5.90% for the first 15 years of the bond and then 200 basis points plus the index in years 16-30. The current indicative rate is 5.90%. The actual interest rate will be determined at the time of final underwriting and locked 10 days prior to construction bond closing. The term and amortization period will both be 30 years. The project will be financed using tax-exempt bonds, public funds, low income housing tax credit equity and deferred developer fee.

Analyst Comments:

None

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: 87.5 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$23,000,000 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	35
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	10
Community Revitalization Area	15	15	10
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	87.5

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.