

**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*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$45,134,720

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**Project Information:**  
**Name:** The Village Santa Monica Site B (Belmar Apts.)  
**Project Address:** 1725 Ocean Avenue  
**Project City, County, Zip Code:** Santa Monica, Los Angeles, 90401

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**Project Sponsor Information:**  
**Name:** Santa Monica Housing Partners, LP (Related/Santa Monica Development Co., LLC; Community Corporation of Santa Monica; and The Nicholas Company, Inc.)  
**Principals:** William A. Witte for both Related/Santa Monica Development Co., LLC and The Nicholas Company, Inc.; Sarah Letts, Chris Mobley, Shylesh Viswanathan for Community Corporation of Santa Monica  
**Property Management Company:** Related Management Company, LP

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Wells Fargo Bank, N.A.  
**Credit Enhancement Provider:** Wells Fargo Bank, N.A. / Fannie Mae  
**Private Placement Purchaser:** Wells Fargo Bank, N.A.  
**TEFRA Hearing Date:** June 14, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 158, plus 2 manager units  
**Type:** New Construction  
**Type of Units:** Family

The proposed Project is site B (Belmar Apartments) of The Village Santa Monica development, an urban, mixed-use, mixed-income, master-planned community. The development is comprised of three components Site A, B and C. Sites A and C consists of market rate condominiums and retail. Site B is the proposed Project and consists of three elevator serviced buildings, four to six stories that will be connected by a single podium/subterranean parking garage. It is a new construction project, which contains 160 affordable units for large families and is located on a 1.94 acre site in the Civic Center area of the City of Santa Monica. The Project is 100% affordable with a unit breakdown of: 10 Studio units, 28 one-bedroom units, 54 two-bedroom units, 66 three-bedroom units and 2 two-bedroom manager's units. The Project's targeted population is large families with household incomes no greater than 60% of the area median income. Construction is expected to begin in October 2011 and completed by January 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
66% (105 units) restricted to 50% or less of area median income households.  
34% (53 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1, 2 & 3 bedrooms

The proposed project will provide a bona fide service coordinator/social worker.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 69,960,767  
**Estimated Hard Costs per Unit:** \$ 426,967 (\$67,460,767 /158 units)  
**Estimated per Unit Cost:** \$ 442,790 (\$69,960,767 /158 units)  
**Allocation per Unit:** \$ 285,663 (\$45,134,720 /158 units)  
**Allocation per Restricted Rental Unit:** \$ 285,663 (\$45,134,720 /158 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 type III construction, commercial prevailing wage, extensive and costly shoring and excavation measures due to a common three-story subterranean parking garage shared with Site A, purchase and installation of photovoltaic panels on the roof, compliance with LEED Silver standards, and impact and exaction fees.

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 45,134,720	\$ 7,660,000
Deferred Developer Fee	\$ 1,900,000	\$ 1,300,000
LIH Tax Credit Equity	\$ 3,080,034	\$ 30,800,338
Direct & Indirect Public Funds	\$ 19,400,000	\$ 29,400,000
Other(Def. Reserves, Photovoltaic Fed. Tax Creds. & Cal. Energy Comm. Rebate)	\$ 446,013	\$ 800,429
Total Sources	<u>\$ 69,960,767</u>	<u>\$ 69,960,767</u>
 <b>Uses of Funds:</b>		
Land Purchase	\$ 0	
On & Off Site Costs	\$ 9,420,092	
Hard Construction Costs	\$ 38,377,281	
Architect & Engineering Fees	\$ 4,527,500	
Contractor Overhead & Profit	\$ 3,767,026	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 1,622,637	
Capitalized Interest	\$ 3,920,000	
Other Soft Costs (Marketing, etc.)	\$ 5,826,231	
Total Uses	<u>\$ 69,960,767</u>	

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

The proposed Project will be financial structured through Wells Fargo Bank, N.A. using a Fannie Mae credit enhanced bond swap product (Facility A) for \$7,600,000 and a private placement structure (Facility B) for \$37,474,720 for a total of \$45,134,720 in tax-exempt bonds. Facility A will carry a fixed interest rate during construction that is pegged to the tax exempt bond rate or 4.65% as an indicative rate. It will convert to a fixed interest rate upon conversion to permanent financing that is pegged to the tax exempt bond rate plus a credit enhancement and issuance fee of 6.0% as an indicative rate. Facility B will carry a variable construction period interest rate pegged at LIBOR plus 1.90% or 4.0% as an indicative rate. The Guarantor will be The Related Companies, LP. The permanent financing term is contemplated to be an 18 year term with a 35-year amortization sized to a 1.30 x DSC and an indicative all in rate of 6.00%. The anticipated closing date is October 17, 2011.

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**Analyst Comments:**

Not Applicable

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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:**

113 out of 118

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$45,134,720 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	5
Leveraging	10	10	10
Community Revitalization Area	15	15	15
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>113</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.