

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 16, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$86,200,000

Project Information:
Name: One Santa Fe Apartments
Project Address: First Street and Santa Fe Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90012

Project Sponsor Information:
Name: 1SF-R, LP (1SF-R GP, LLC and Heartstone Housing Foundation)
Principals: William T. McGregor, Chuck G. Cowley and Toran Brown
for 1SF-R GP, LLC; Socorro Vasques for Heartstone
Housing Foundation
Property Management Company: The McGregor Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Red Capital Markets
Credit Enhancement Provider: HUD under the FHA insurance program
Private Placement Purchaser: NIBP Guaranteed Purchase
TEFRA Hearing Date: July 13, 2011

Description of Proposed Project:
State Ceiling Pool: Mixed Income
Total Number of Units: 432, plus 6 manager units
Type: New Construction
Type of Units: Family

One Santa Fe is a mixed-use oriented development consisting of 468 apartments units containing approximately 515,000 gross square feet consisting of 335,000 of residential square feet and 77,000 of commercial square feet. The project will be developed on approximately 4 acres of land the equivalent of 2.5 blocks, which is currently leased from the Los Angeles County Metropolitan Transportation Authority for a 65 year term. The project will be constructed as a Type IIIA wood frame and stud construction over Type I concrete podium deck. The site is located in the most dynamic part of Los Angeles' Art District. The project will include an expansive rooftop sundeck with a pool, Jacuzzi and barbeque, fitness facility with a gym, dressing room, showers, yoga studio and steam room. The community room will incorporate a library, kitchenette and screening facilities.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%

20% (88 units) restricted to 50% or less of area median income households.

Unit Mix: Studio, 1 & 2 bedrooms

The project is within close proximity to public transportation, shopping and public schools.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	138,241,246	
Estimated Hard Costs per Unit:	\$	241,106	(\$104,157,926 /432 units)
Estimated per Unit Cost:	\$	320,003	(\$138,241,246 /432 units)
Allocation per Unit:	\$	199,537	(\$86,200,000 /432 units)
Allocation per Restricted Rental Unit:	\$	979,545	(\$86,200,000 /88 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 70,665,000	\$ 70,665,000
Developer Equity	\$ 33,668,626	\$ 33,668,626
LIH Tax Credit Equity	\$ 7,624,178	\$ 7,624,178
Direct & Indirect Public Funds	\$ 14,630,000	\$ 14,630,000
Other (New Market Tax Credit Equity)	\$ 11,653,442	\$ 11,653,442
Total Sources	\$ 138,241,246	\$ 138,241,246

Uses of Funds:	
Land Purchase	\$ 2,738,822
On & Off Site Costs	\$ 9,988,684
Hard Construction Costs	\$ 94,169,242
Architect & Engineering Fees	\$ 3,763,403
Contractor Overhead & Profit	\$ 1,915,488
Developer Fee	\$ 3,978,000
Cost of Issuance	\$ 2,477,012
Capitalized Interest	\$ 1,975,274
Other Soft Costs (Marketing, Inc.)	\$ 17,235,321
Total Uses	\$ 138,241,246

Description of Financial Structure and Bond Issuance:

A portion of the tax-exempt bond allocation in the amount of \$77,835,000, will be issued through the New Issue Bond Program ("NIBP") and collateralized by a Ginnie Mae ("GNMA") Mortgage Loan. Specifically, GNMA will guarantee to maintain scheduled payments of principals and interest regardless of the actual performance of the underlying mortgage loan. The interest rate will be fixed at 2.32% with a maturity date of December 1, 2051. Red Capital Markets will publicly offer \$8,365,000 of the bonds also guaranteed by GNMA which will secure a Moody rating of "Aaa".

Analyst Comments:

Not Applicable

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:

51.5 out of 98

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$86,200,000 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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	51.5

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.