

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$12,000,000

Project Information:
Name: High Place East Apartments
Project Address: Virginia Avenue
Project City, County, Zip Code: Santa Monica, Los Angeles, 90404

Project Sponsor Information:
Name: TBD (Community Corporation of Santa Monica)
Principals: Sarah Letts and Shylesh Viswanathan
Property Management Company: Community Corporation of Santa Monica

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A.
TEFRA Hearing Date: January 24, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 43, plus 1 manager unit
Type: New Construction
Type of Units: Family

The Project is a new construction 44 unit affordable housing development over one level of subterranean parking located on Virginia Avenue in Santa Monica. There are 44 three bedroom units. With the exception of the manager's unit, 100% of the units will be restricted for occupancy by low income households. There will be a community room, children's play area, and a laundry room for tenants. The units are dispersed amongst six 3-story buildings arranged around a common courtyard. The proposed tenant population will be large families with household incomes that range from 50% to 60% of the area median income.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
12% (5 units) restricted to 50% or less of area median income households.
88% (38 units) restricted to 60% or less of area median income households.
Unit Mix: 3 bedrooms

Service amenities will not be offered.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 23,567,838	
Estimated Hard Costs per Unit:	\$ 303,903	(\$13,067,848 /43 units)
Estimated per Unit Cost:	\$ 548,089	(\$23,567,838 /43 units)
Allocation per Unit:	\$ 279,070	(\$12,000,000 /43 units)
Allocation per Restricted Rental Unit:	\$ 279,070	(\$12,000,000 /43 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 1) Architectural Review Board requires higher glazing requirements, special design elements and increased landscaping requirements. The building is situated in the R-2 District, which requires coverage not to exceed 50% of site area. Thus, to obtain ARB approval and comply with zoning, the development was required to be broken into seven separate buildings, which increased costs because of more building surface area. 2) The City of Santa Monica also requires enhanced "Green Standards," including uses of several recycled products and enhanced urban runoff mitigation for the site. 3) The City of Santa Monica requires new projects to provide fully subterranean parking, which increased incumbent costs. 4) Site location is adjacent to I-10 Freeway, which required higher sound insulation for windows and general building insulation. 5) In order to maximize efficiency of the site and provide a safe environment for tenants, part of the overall design required vacating a street running through the development, requiring the sponsor to build a new access road to the west side of the property to provide access to neighbor's parking. This increased overall construction costs and off-site costs for the project substantially.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 12,000,000	\$ 2,566,813
LIH Tax Credit Equity	\$ 798,542	\$ 7,985,000
Direct & Indirect Public Funds	\$ 10,046,765	\$ 13,016,025
Total Sources	\$ 22,845,307	\$ 23,567,838

Uses of Funds:	
Acquisition	\$ 2,229,973
New Construction Costs	\$ 14,993,954
Relocation	\$ 57,105
Architectural	\$ 719,228
Survey & Engineering	\$ 113,658
Contingency Costs	\$ 1,165,655
Construction Period Expenses	\$ 1,558,108
Legal Fees	\$ 342,485
Capitalized Reserves	\$ 339,730
Reports & Studies	\$ 260,086
Other	\$ 1,131,156
Developer Costs	<u>\$ 656,700</u>
Total Uses	\$ 23,567,838

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds for the Project will be issued by the California Statewide Communities Development Authority in the amount of approximately \$12,000,000 and purchased privately by Bank of America, N.A. The loan will have a two-year term. The construction loan will be payable on an interest-only basis at a variable rate of the BBA LIBOR Daily Floating Rate plus 1.9% per annum. The permanent loan will be approximately \$2,566,813 and will be amortized over 15 years. The interest rate on the permanent loan will be determined prior to bond closing based upon then applicable market rates for like tenor and character loans.

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: 76 out of 120
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,000,000 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	26
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	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	120	100	76

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.