

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 2012
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: \$7,500,000

Project Information:
Name: Seven Palms Apartments
Project Address: 12831 Sam Fernando Road
Project City, County, Zip Code: Los Angeles (Sylmar), Los Angeles, 91342

Project Sponsor Information:
Name: Seven Palms Sylmar, LP (Seven Palms Sylmar MGP, LLC; and Seven Palms Sylmar COGP, LLC)
Principals: Jonathan B. Webb and William W. Hirsch for Seven Palms Sylmar MGP, LLC; and Mark E. Hyatt, Paul F. Fruchbom, Chris Burns, Kathy Leach, Heidi K. Bass, and Scott J. Barker for Seven Palms Sylmar COGP, LLC
Property Management Company: VPM Management Inc.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: August 22, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 67, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing complex located within a State designated enterprise zone in Sylmar, the City and County of Los Angeles. The development was originally constructed in 1986 and consists of four 2-story garden style buildings. The site consists of a flat, rectangular-shaped land parcel indicated to be 1.68 net acres, or 73,181 square feet in size. The unit breakdown of the project consists of a total of 68 total units, of which 64 will be restricted to households with incomes no greater than 60% of the area median income, three (3) units will be market rate and one (1) unit will be reserved as a manager unit. Site improvements include two 2-story buildings, plus open and covered parking, and landscaping along the street frontages and within the center courtyard. Improvements to the site were originally completed in 1986. Exterior building and unit renovation work is scheduled to be completed in 2012.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 96%
10% (7 units) restricted to 50% or less of area median income households.
85% (57 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There will no service amenities provided for the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	10,149,357	
Estimated Hard Costs per Unit:	\$	18,670	(\$1,250,874 /67 units)
Estimated per Unit Cost:	\$	151,483	(\$10,149,357 /67 units)
Allocation per Unit:	\$	111,940	(\$7,500,000 /67 units)
Allocation per Restricted Rental Unit:	\$	117,188	(\$7,500,000 /64 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,500,000	\$ 5,442,000
Taxable Bond Proceeds	\$ 0	\$ 460,000
Developer Equity	\$ 0	\$ 1,095,761
LIH Tax Credit Equity	\$ 1,376,710	\$ 2,721,596
Other (project cash flow)	\$ 0	\$ 430,000
Total Sources	\$ 8,876,710	\$ 10,149,357

Uses of Funds:	
Acquisition/Land Purchase	\$ 6,700,000
Hard Construction Costs	\$ 1,250,874
Architect & Engineering Fees	\$ 15,350
Contractor Overhead & Profit	\$ 107,218
Developer Fee	\$ 1,111,452
Cost of Issuance	\$ 355,551
Capitalized Interest	\$ 366,887
Other Soft Costs (Marketing, etc.)	\$ 242,025
Total Uses	\$ 10,149,357

Description of Financial Structure and Bond Issuance:

The financial structure of the project will be a private placement transaction provided by Citibank, N.A., which will include a taxable loan as well. The terms of both the permanent tax-exempt loan and taxable loans will be 17 years with a 35 year amortization schedule. Both loans will be non-recourse. The tax-exempt loan will have two tranches: Tranche A will be funded first and will provide construction to the permanent phase financing. Tranche B will be for additional construction phase only financing. Funding for both tranches will be made on a draw down basis. The construction phase will be for a period of 24 months plus one 6 month extension. The payments on the loan during construction phase will be interest only. The interest rate for both the construction and permanent phases will be the sum of 17 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a 2.25% spread. The rate includes a 5bps servicing fee, however, does not include Issuer, Trustee, or miscellaneous third party fees. The rate will be committed at the time of closing of the construction Phase financing. The taxable bonds will be a fixed rate of 4.62%.

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: 61.6 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,500,000 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	24
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	5.1
Community Revitalization Area	15	15	15
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	61.6

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.