Agenda Item No. 8.5
Application No. 13-037

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2013
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:	$63,683,756
Project Information:	
Name:	**Harbor Village Apartments**
Project Address:	981 Habor Village Drive
Project City, County, Zip Code:	Harbor City (Los Angeles), Los Angeles, 90710
Project Sponsor Information:	
Name:	Harbor Village Housing Partners, LP (Related/Harbor Village Development Co., LLC and La Cienega, LOMOD, Inc.)
Principals:	William A. Witte for Related/Harbor Village Development Co., LLC and Tina Booth for La Cienega, LOMOD, Inc.
Property Management Company:	Related Management Company
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:	March 27, 2013
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	398, plus 2 manager units
Type:	Acquisition and Rehabilitation
Type of Units:	Family

The proposed project is an existing property located in Harbor City (Los Angeles) in the County of Los Angeles. It is comprised of 131 buildings consisting of 400 units, of which 398 are affordable plus 2 manager units. There are 13 building of 18 units, six (6) building of nine (9) units, and 112 detached houses consisting of three and four bedroom units located on a 17.8 acre site. Two hundred (200) units will have an average affordability restriction at or below 60% of the AMI, and athe remaining unit's rents will be set at or below 50% of the AMI. The project currently has an existing Project Based Section 8 HAP Contract, which covers 398 units. The project serves a large family population of the area. The site has 246 two-bedroom units, 92 three-bedroom units, and 62 four-bedroom units. The scope of the rehabililtation will include the following interior improvements: new Energy Star rated appliances, refurbished cabinets and countertops, new carpet and flooring, new plumbing fixtures, light fixtures, window blinds, hardware, roofing dual glazed windows, interior door as needed, water heaters/boilers as needed, washer and dryers and interior paint. Also, the following exterior improvements will include: repainting, deck coating and garage door replacement. The proposed construction state date is August 2013 and construction is anticipated to be completed in 12 months by August 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

50% (198 units) restricted to 50% or less of area median income households.

50% (200 units) restricted to 60% or less of area median income households.

Unit Mix: 2, 3 & 4 bedrooms

The proposed project will provide after school programs and instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	68,918,528	
Estimated Hard Costs per Unit:	$	35,663	($14,193,953 /398 units)
Estimated per Unit Cost:	$	173,162	($68,918,528 /398 units)
Allocation per Unit:	$	160,009	($63,683,756 /398 units)
Allocation per Restricted Rental Unit:	$	160,009	($63,683,756 /398 restricted units)

Sources of Funds:		Construction		Permanent
Tax-Exempt Bond Proceeds	$	63,683,756	$	45,132,039
Deferred Developer Fee	$	250,000	$	0
LIH Tax Credit Equity	$	2,089,080	$	20,890,797
Other (Net Operating Income)	$	2,895,692	$	2,895,692
Total Sources	$	68,918,528	$	68,918,528

Uses of Funds:		
Acquisition/Land Purchase	$	39,260,000
Hard Construction Costs	$	14,193,953
Architect & Engineering Fees	$	898,000
Contractor Overhead & Profit	$	1,987,154
Developer Fee	$	2,500,000
Relocation	$	400,000
Cost of Issuance	$	453,387
Capitalized Interest	$	2,518,000
Other Soft Costs (Marketing, etc.)	$	6,708,034
Total Uses	$	68,918,528

Description of Financial Structure and Bond Issuance:

The proposed Project will be a private placement transaction provided by Citibank, N.A. ("Bank") for $63,683,756 in tax-exempt bonds financing. The total development cost (TDC) of the project is estimated at $68,918,528. The remainder of the TDC during construction will be financed by California Tax Credit Allocation Committee (TCAC) 4% Low Income Housing Tax Credits equity of approximately $2,089,080. The Bank or it's affiliate will provide for a direct purchase of the Bonds during the construction period. The proceeds from the direct purchase of the bonds will be utilized to construct the Project. Upon completion, the construction facility will be converted to a permanent facility. The construction period will be for a term of 24 months and will have a loan interest rate equal to SIFMA Municipal Swap Index, plus a spread of 2.25%. The loan amount during the permanent phase will be for the maximum amount of approximately $45,135,000 and will have a loan term for 30 years with an amortized period of 35 years. The interest rate will be equal to the sum of 16 year maturity "AAA" bond rates as published by Thompson Municipal Market monitor ("MMD") plus a spread of 2.25%. The bonds will be issued by the City of Los Angeles.

Analyst Comments:

The Project was originally financed with 9% Tax Credits and constructed in two 200-unit phases. As a result, the Project has two separate TCAC Regulatory Agreements, 200 of the units are required to be occupied by tenants such that the average income of the tenants is at or below 40% of the AMI (with one manager's unit), and 200 of the units must be occupied by tenants at or below 50% of AMI. At the time of the initial application, TCAC only required one manager's units for the entire Project. According to the applicant, even though the Project has operated efficiently with one manager's unit, they have elected to add an additional manager's unit, resulting in a total of two manager's units.

The units which are restricted to an average affordability at or below 40% of AMI allows for tenants to be approved and qualified up to 60% of AMI, with overall rents for these units not to exceed 40% of AMI. As a result, with regard to the new TCAC Regulatory Agreement, which will be placed on the Project after this re-syndication/refinancing, the 200 units with average affordability restriction will be restricted at or below 60% of AMI, and the remaining unit's rents will be set at or below 50% of AMI.

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: 75 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $63,683,756 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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	**130**	**100**	**75**

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.