

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: Richard Fischer

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$10,924,067

Project Information:
Name: West Valley Towers Apartments
Project Address: 14650 Sherman Way
Project City, County, Zip Code: Los Angeles, Los Angeles, 91405

Project Sponsor Information:
Name: West Valley Towers RHF Partners, L.P. (Retirement Housing Foundation and St. Marks Episcopal Church)
Principals: Laverne R. Joseph, John Trnka, Darryl M. Sexton, Christina E. Potter, Tom S. Masuda and Deborah J. Stouff for Retirement Housing Foundation; Steve Skinner and Bonnie Theobald for St. Marks Episcopal Church
Property Management Company: Foundation Property 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: April 9, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 96, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is a 97-unit eight-story Senior Low Income Housing Project located in Van Nuys area of Los Angeles. The scope of the proposed rehabilitation includes: repair to the exterior sidewalks, fencing, roof concrete, exterior painting, installation of new windows, handrails and lighting. The elevators fire alarms and HVAC system, plumbing will be repaired/replaced as necessary. All units will be renovated with new appliances, cabinets, lighting flooring, carpeting and plumbing fixtures in both kitchens and bathrooms.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (29 units) restricted to 50% or less of area median income households.
70% (67 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

Service amenity will include a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	23,524,196	
Estimated Hard Costs per Unit:	\$	41,892	(\$4,021,620 /96 units)
Estimated per Unit Cost:	\$	245,044	(\$23,524,196 /96 units)
Allocation per Unit:	\$	113,792	(\$10,924,067 /96 units)
Allocation per Restricted Rental Unit:	\$	113,792	(\$10,924,067 /96 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 10,924,067	\$ 6,987,990
Seller Loan	\$ 7,351,108	\$ 7,351,108
GP Equity	\$ 776	\$ 776
LIH Tax Credit Equity	\$ 1,551,938	\$ 7,759,688
Reserves	\$ 332,227	\$ 332,227
Construction Interest	\$ 0	\$ 1,092,407
Total Sources	\$ 20,160,116	\$ 23,524,196

Uses of Funds:	
Acquisition/Land Purchase	\$ 12,170,000
Rehabilitation Costs	\$ 4,717,998
Relocation	\$ 627,565
Architectural	\$ 250,000
Survey & Engineering	\$ 10,000
Contingency Costs	\$ 504,814
Construction Period Expenses	\$ 1,447,304
Permanent Financing Expenses	\$ 40,000
Legal Fees	\$ 240,000
Capitalized Reserves	\$ 646,061
Reports & Studies	\$ 50,000
Other (Marketing, Financial consulting)	\$ 453,651
Developer Costs	\$ 2,366,803
Total Uses	\$ 23,524,196

Description of Financial Structure and Bond Issuance:

This is a Citibank private placement bond transaction. During the construction phase, a fixed rate of the 2-year SIFMA Swap plus a spread of 275 bbps during the construction phase, including a 5bhp servicing fee. Currently, the 2-year SIFMA Swap is trading at approximately .26% for a current all-in rate of 3.01%. This rate does not include Issuer, Trustee or misc. 3rd party fees. During the permanent phase a fixed rate equal to the sum of 17 year maturity AAA bond rates as published by Thompson Municipal Market Monitor (MMD) plus a spread of 2.25 %. Currently, the MMD is 2.34% for a current indicated rate of 4.59 % . The rate includes a 5bhps servicing fee. This rate does not include Issuer, Trustee or misc. 3rd party fees.

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: 60.7 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,924,067 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]	2.7
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	60.7

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.