

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 18, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$10,500,000

Project Information:
Name: Hollywoodland Apartments
Project Address: 1206 N. Gower St., 977 N. Wilton Pl., 5155 Marathon St., 1438 Gordon St.
Project City, County, Zip Code: Los Angeles, Los Angeles, 90038

Project Sponsor Information:
Name: Steele Hollywoodland LP (CHC Hollywoodland MGP LLC; Steele Hollywoodland GP LLC)
Principals: Neal Bharmre, Marty Dimas, and Hud Darshmer for CHC Hollywoodland MGP LLC; Chad Asarch, Stuart Heller, and Hud Karshmer for Steele Hollywoodland GP LLC
Property Management Company: Monroe Group Ltd.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: PNC Real Estate & Citibank, N.A.
TEFRA Hearing Date: June 18, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 82, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed acquisition and rehabilitation scattered site project are existing properties located in the City of Los Angeles. The property is located on four separate sites in the urban neighborhood of Hollywood in Los Angeles. The property targets senior citizens with incomes at 50 and 60 percent of the area median income. Actual household incomes, however, are often lower due to the HAP contract. Hollywoodland is comprised of the following unit configuration: 1206 & 1208 N. Gower Street consists of 8 one-bedroom units, 1222 N. Gower Street consists of 8 two-bedroom units, 1438 Gordon Street consists of 16 studio units, 5155-5169 Marathon Street consists of 34 studio units and 1 one-bedroom managers' unit, and 977 N. Wilton Place consists of 8 studio units and 8 one-bedroom units. The rehabilitation scope includes painting and patching exterior walls, energy efficiency windows, replacement of carpet and vinyl in the common areas, and replacement of bathroom fixtures.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
32% (26 units) restricted to 50% or less of area median income households.
68% (56 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 18,446,357	
Estimated Hard Costs per Unit:	\$ 19,938	(\$1,634,929 /82 units)
Estimated per Unit Cost:	\$ 224,956	(\$18,446,357 /82 units)
Allocation per Unit:	\$ 128,049	(\$10,500,000 /82 units)
Allocation per Restricted Rental Unit:	\$ 128,049	(\$10,500,000 /82 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,500,000	\$ 0
Taxable Debt Proceeds	\$ 11,760,000	\$ 11,760,000
Developer Equity	\$ 695,250	\$ 695,250
LIH Tax Credit Equity	\$ 4,492,629	\$ 4,975,777
Costs Deferred Until Post-Conversion	\$ 1,498,478	\$ 0
Other (Deferred Fee)	\$ 0	\$ 1,015,331
Tax-Exempt Bond Escrow	\$ -10,500,000	\$ 0
Total Sources	\$ 18,446,357	\$ 18,446,357

Uses of Funds:	
Acquisition/Land Purchase	\$ 11,400,000
Total Hard Construction Costs	\$ 1,634,929
Architect and Engineering Fees	\$ 94,288
Contractor Overhead & Profit	\$ 222,821
Developer Fee	\$ 1,955,797
Relocation	\$ 219,795
Cost of Issuance	\$ 1,044,387
Capitalized Interest	\$ 752,900
Other Soft Costs (Marketing, ect.)	\$ 1,121,440
Total Uses	\$ 18,446,357

Description of Financial Structure and Bond

This is a private placement bond transaction with the bonds being purchased by PNC Bank, National Association and Citibank, N.A. ("the Bank"). The bond structure that will be used for the Hollywoodland Apartments Project combines the issuance of short-term tax-exempt bonds with a FHA/GNMA loan processed under the 221(d)(4) loan program. The construction financing will be administered by the HUD lender pursuant to the 221(d)(A) program. It is expected that Citi Community Capital ("Citi") will acquire the bonds through a direct purchase and intend to hold the bonds until they are redeemed. The Funding Loan and Borrower Loan will bear interest at a fixed rate calculated by adding a 0.30% spread ("Spread") to the 2-year MMD Index which is currently at 0.43%, resulting in a rate of 0.73% based on current rates. Rates fluctuate constantly and will be locked just prior to closing of the Funding Loan And Borrower Loan. There will be no amortization. Payments on the Funding Loan and Borrower Loan during the Construction Phase will be interest only; principal will be due at maturity.

Analyst

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 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,500,000 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	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	0
Leveraging	10	10	0
Community Revitalization Area	15	15	10
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	60

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.