

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 19, 2014
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: \$4,375,000

Project Information:
Name: Normandie Senior Housing Apartments
Project Address: 6301 S. Normandie Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90044

Project Sponsor Information:
Name: Normandie Senior Housing Preservation, LP (Normandie Non-Profit Housing, Inc.)
Principals: Herbert Marshall, Herman P. Thompson and Diane Thomas
Property Management Company: SK Management Company, LLC

Project Financing Information:
Bond Counsel: Kutak Rock, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Boston Private Bank & Trust Company
TEFRA Adopted Date: March 27, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 74, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed Project is an existing complex located in the City of Los Angeles that was originally developed in 1996 as a Tax-Credit development that serves tenants 62 years of age or older. The Project consists of 75 rental units and 30 surface parking spaces. The units are within a single three-story U-shaped building and includes an elevator and intercom entry system. The developer plans to offer all 75 of the proposed units to households with incomes at or below 40 of the area median income. Among the 75 units is a non-income producing manager's unit. All of the units will consist of studio/1 bath units. According to the application, the rehabilitation will include: a full replacement of roofs, hot water boilers, and thermal hot water system, an upgrade for mechanical, electrical, plumbing, and security systems. In addition to the major building systems, interior work will include upgrades for common areas, improved energy efficiency, new kitchen and bathroom equipment, painting, and window treatments. Exterior upgrades will include resurfacing of the parking lot and re-striping of the parking spaces, replacement of windows and patio doors, painting and landscaping. The application states that rehabilitation will be begin in June 2014 and end in January 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (74 units) restricted to 50% or less of area median income households.
Unit Mix: Studio

There will be no service amenities provided for the Project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,886,134	
Estimated Hard Costs per Unit:	\$ 19,355	(\$1,432,237 /74 units)
Estimated per Unit Cost:	\$ 160,623	(\$11,886,134 /74 units)
Allocation per Unit:	\$ 59,122	(\$4,375,000 /74 units)
Allocation per Restricted Rental Unit:	\$ 59,122	(\$4,375,000 /74 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,375,000	\$ 2,647,016
Developer Equity - Existing Repl. Reserves	\$ 97,186	\$ 210,501
Deferred Developer Fee	\$ 520,979	\$ 507,500
LIH Tax Credit Equity	\$ 1,072,163	\$ 2,700,311
Direct & Indirect Public Funds	\$ 5,820,806	\$ 5,820,806
Total Sources	\$ 11,886,134	\$ 11,886,134

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,670,000
Hard Construction Costs	\$ 1,432,237
Architect & Engineering Fees	\$ 150,000
Contractor Overhead & Profit	\$ 105,263
Developer Fee	\$ 1,041,958
Relocation	\$ 93,750
Cost of Issuance	\$ 444,769
Capitalized Interest	\$ 104,172
Other Soft Costs (Marketing, etc.)	\$ 843,985
Total Uses	\$ 11,886,134

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed Project will be a private placement transaction provided by Boston Private Bank & Trust Company for construction and permanent financing. The loan will be in the amount of \$4,375,000 and will be comprised of two Series of Bonds as follows: Series A Bonds for approximately \$1,727,984 and Series B Bonds for approximately \$2,647,016. The term for the Series A Bonds will be for 18 months with a variable interest rate equal to 80% of the Federal Home Loan Bank Classic Advance 1 month Regular Advance Rate (the "FHLB 1 Month Rate") that is current 2 days prior to the closing plus 195 basis points. The interest rate will reset on the first day of each month thereafter during the term. The term for the Series B Bonds will be for a term of 18 years with amortization period of 35 years. The interest rate will be a fixed rate equal to 80% of the 15 Year Federal Home Loan Bank Classic Advance Regular Advance Rate "Index" plus 85 basis points, with a floor about 4.40% - fixed rate at time of loan documents based on the index rate at that time. The Bonds will be issued by the City of Los Angeles.

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: 57.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,375,000 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	0
Site Amenities	10	10	7.5
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	57.5

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.