

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$28,000,000

Project Information:
Name: 615 Manhattan Apartments
Project Address: 615 S. Manhattan Place
Project City, County, Zip Code: Los Angeles, Los Angeles, 90005

Project Sponsor Information:
Name: Manhattan Housing Partners, LP (Manhattan Housing Partners MGP, LLC; Manhattan Housing Management, LLC)
Principals: Jonathan Webb for Manhattan Housing Partners MGP, LLC and Steohen Whyte for Manhattan Housing Management, LLC
Property Management Company: USRG Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: January 29, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 154, with 2 Manager's Units
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed acquisition and rehabilitation project consists of 156 rental units within one 12 story building located in the City of Los Angeles. The project targets low and very-low income families. Out of the 156 units, 154 will be restricted to households with incomes no greater than 60% of the area median income. The units are all 1 bedroom units of 546 square feet. The scope of rehabilitation will include replacement of windows, complete re-roof of the building, new kitchens and baths, new flooring along with new appliances. Amenities will include a game room, senior classes and meeting room.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (16 units) restricted to 50% or less of area median income households.
90% (138 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 32,700,000
Estimated Hard Costs per Unit: \$ 30,487 (\$4,695,000 /154 units)
Estimated per Unit Cost: \$ 212,338 (\$32,700,000 /154 units)
Allocation per Unit: \$ 181,818 (\$28,000,000 /154 units)
Allocation per Restricted Rental Unit: \$ 181,818 (\$28,000,000 /154 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 28,000,000	\$ 21,500,000
Developer Equity	\$ 2,000,000	\$ 1,250,000
LIH Tax Credit Equity	\$ 2,700,000	\$ 9,950,000
Total Sources	\$ 32,700,000	\$ 32,700,000

Uses of Funds:	
Acquisition/Land Purchase	\$ 22,500,000
Hard Construction Costs	\$ 4,695,000
Architect & Engineering Fees	\$ 125,000
Contractor Overhead & Profit	\$ 398,000
Developer Fee	\$ 2,500,000
Relocation	\$ 75,000
Capitalized Interest	\$ 40,000
Cost of Issuance	\$ 486,000
Other Soft Costs (Marketing, etc.)	\$ 1,881,000
Total Uses	\$ 32,700,000

Description of Financial Structure and Bond Issuance:

This will be a private placement bond transaction with the bonds being purchased by Citibank, N.A. The bonds will be issued by the California Municipal Finance Authority. The construction phase term will be for 24 months, plus one 6-month extension. The interest rate - Tranche A will be a fixed rate equal to the sum of the 16 year LIBOR swap index plus a spread of 1.80%. Currently, the 16 year LIBOR swap index is 3.36% for a current indicate rate of 5.16%. Tranche B interest rate will be a variable rate equal to one month LIBOR plus a spread of 2.50%. Currently, one month LIBOR is trading at approximately 0.16%, for an all-in rate of 2.66%. At the permanent financing phase, the bonds shall bear a fixed rate equal to the sum of the 16 year LIBOR swap index plus a spread of 1.80%. The term for the permanent loan is 30 years with a 35 year amortization period.

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 \$28,000,000 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	20
Exceeding Minimum Income Restrictions:	35	15	25
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	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	110	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.