

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 16, 2014**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Sarah Lester*

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**Applicant:** City of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$9,000,000

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**Project Information:**  
**Name:** Martha Bryant Manor Apartments  
**Project Address:** 8300 South Hoover  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90044

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**Project Sponsor Information:**  
**Name:** Martha Bryant Village II, LP (Greater Bethany Economics Development Corporation and VHJS Martha Bryant, LLC)  
**Principals:** Eddie Stewart, Lionel Coulter and Robert Robin for Greater Bethany Economics Development Corporation; and Peter Barker and Saki Middleton for VHJS Martha Bryant, LLC  
**Property Management Company:** Levine Management Group

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**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:** June 10, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 76, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing 77 unit low income family rental housing project located in the City and County of Los Angeles. The project site consists of a parcel which is approximately .295 acres within the south Los Angeles market area of the city. The units are located in two 3-story residential structures over parking with elevators. Project amenities include a community space, laundry facility, security entrance and camera system, telephone intercom system, on-site social services, playgrounds, and mature landscaping throughout the area. There are 23 one-bedroom units approximately 634 square feet (sf) in size, 30 two-bedroom units approximately 1,002 sf in size, 20 three-bedroom units approximately 1,251 sf in size and 4 four-bedroom units approximately 1,300 sf in size. According to the Applicant, the scope of rehabilitation work will include exterior improvements and unit interiors to achieve as many elements of sustainable design as possible. The targeted population will be persons who qualify for tax credit rents and also those households that qualify for a Section 8 voucher. Household incomes will not exceed 60% of the Area Median Income. The rehabilitation construction is anticipated to begin in July 2014, with a construction period of approximately eight to ten months in duration.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
34% (26 units) restricted to 50% or less of area median income households.  
66% (50 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3 & 4 bedrooms

There will be no services amenities included in the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	18,247,109	
<b>Estimated Hard Costs per Unit:</b>	\$	40,526	(\$3,080,000 /76 units)
<b>Estimated per Unit Cost:</b>	\$	240,094	(\$18,247,109 /76 units)
<b>Allocation per Unit:</b>	\$	118,421	(\$9,000,000 /76 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	118,421	(\$9,000,000 /76 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 4,381,700
Developer Equity	\$	\$ 498,434
LIH Tax Credit Equity	\$ 1,101,974	\$ 5,204,809
Direct & Indirect Public Funds	\$ 7,930,226	\$ 7,674,300
Other (Project NOI)	\$ 214,909	\$ 487,866
<b>Total Sources</b>	<b>\$ 18,247,109</b>	<b>\$ 18,247,109</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 10,293,360
Hard Construction Costs	\$ 3,080,000
Architect & Engineering Fees	\$ 147,000
Contractor Overhead & Profit	\$ 431,200
Developer Fee	\$ 1,993,607
Relocation	\$ 154,000
Cost of Issuance	\$ 116,950
Capitalized Interest	\$ 599,400
Other Soft Costs (Marketing, etc.)	\$ 1,431,592
<b>Total Uses</b>	<b>\$ 18,247,109</b>

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**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 (the "Bank") for both construction and permanent financing. The loan amount will be comprised of two Series of Bonds. During the construction phase (Series A Bonds - \$5,100,000), the loan term will be for 24 months with interest only payments. The interest rate will be a variable rate equal to 80% of the Federal Home Loan Bank Classic Advance 1 month Regular Advance Rate that is current 2 days prior to the closing plus 300 basis points. The interest rate will reset on the first day of each month thereafter during the term of the loan. During the permanent financing phase (Series B Bonds - \$3,900,000), the loan term will be for 15 years with an amortization period of 35 years. The interest rate will be a variable Forward Lock Interest Rate Swap. The swap contract will include a 24 month forward swap using a basis of 65% of 1 month LIBOR plus 265 basis points per annum. To the extent that conversion occurs prior to month 24, payments will be interest only and floating at 65% of 1 month LIBOR plus 265 basis points. The bonds will be issued by the City of Los Angeles.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 58 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$9,000,000 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	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]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>58</b>

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.