

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: Brian Clark

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$14,000,000

Project Information:
Name: LDK Senior Apartments
Project Address: 900-906 Crenshaw Blvd. & 540-542 S. Kingsley Dr.
Project City, County, Zip Code: Los Angeles, Los Angeles, 90019 & 90020

Project Sponsor Information:
Name: LDK Senior Apartments, LP (LTSC Community Development Corp., Korean Resource Center, Decro Alpha Corp. & Little Tokyo Service Center, Inc.)
Principals: Dean Matsubayashi, Erich Nakano & Scarlet Sy for LTSC Community Development Corp.; Kil Joo Lee, Bong Kyu Park, Yeon Ok Suh & Will Oh for Korean Resource Center; James P. Shaner, Christopher Willke & Alexander J. Nweeia for Decro Alpha Corp.; Glenn Sanda for Little Tokyo Service Center, Inc.
Property Management Company: Levine Management Group, Inc.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: June 10, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 65, plus 2 manager units
Type: New Construction
Type of Units: Senior Citizens

The proposed scattered-site senior project will be located on a .258 acre lot at 540-542 S. Kingsley Ave and a .337 acre lot at 900-906 Crenshaw Blvd. in the Koreatown area of Los Angeles. Both locations will consist of studio and one-bedroom apartments and will each have a single one-bedroom manager's unit. The Kingsley site will be a single five-story elevator-equipped building with 35 units, 21 parking spaces, a rooftop terrace, lounge, computer lab and multipurpose rooms. The Crenshaw site will be a single four-story elevator-equipped building with 32 units, 20 parking spaces, a courtyard, community room and the Korean Resource Center offices on the ground floor. The Korean Resource Center will offer employment, immigration and healthcare services to all tenants and the community free of charge. The Kingsley site's computer lab will also be available for use by all tenants and the community free of charge. All units will be income restricted and will feature air conditioning, stove and refrigerator. Construction is scheduled to begin in December 2014 and be completed by March 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (65 units) restricted to 50% or less of area median income households.
 (0 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 25,313,852	
Estimated Hard Costs per Unit:	\$ 189,854	(\$12,340,500 /65 units)
Estimated per Unit Cost:	\$ 389,444	(\$25,313,852 /65 units)
Allocation per Unit:	\$ 215,385	(\$14,000,000 /65 units)
Allocation per Restricted Rental Unit:	\$ 215,385	(\$14,000,000 /65 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 212,000
Deferred Developer Fee	\$ 152,400	\$ 0
LIH Tax Credit Equity	\$ 1,277,989	\$ 8,519,925
Direct & Indirect Public Funds	\$ 9,233,463	\$ 15,931,927
Other	\$ 650,000	\$ 650,000
Total Sources	\$ 25,313,852	\$ 25,313,852

Uses of Funds:	
Acquisition/Land Purchase	\$ 3,150,000
On & Off Site Costs	\$ 1,444,500
Hard Construction Costs	\$ 10,896,000
Architect & Engineering Fees	\$ 1,500,832
Contractor Overhead & Profit	\$ 1,702,470
Developer Fee	\$ 762,000
Cost of Issuance	\$ 323,000
Capitalized Interest	\$ 656,250
Other Soft Costs (Marketing, etc.)	\$ 4,878,800
Total Uses	\$ 25,313,852

Description of Financial Structure and Bond Issuance:

The construction bonds will be purchased as a private placement transaction by Citibank, N.A. in the amount of \$14,000,000 for a term of 24 months. During construction phase, the bonds will be interest-only at a monthly adjustable variable rate equal to one month LIBOR plus a spread of 2.00%, with an all in rate of 2.15%. The construction loan will have two tranches. Tranche A will provide construction-to-permanent phase financing. Tranche B will be for additional, construction phase only financing. Funding of both Tranches will be on a draw down basis. Upon conversion to permanent phase, the bonds will bear interest at a fixed rate equal to the 12-year MMD plus a spread of 2.25%, for an all-in rate of 4.77%. Permanent financing will be amortized over 10 years with a 10 year term. Collateral will be in the form of a first position lien on the land and any improvements, UCC filings for any fixtures, assignment of all leases and rents and assignment of all contracts, agreements & permits relating to the property.

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:

72.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,000,000 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	72.5

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.