

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 10, 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: \$437,500

The amount of allocation requested is supplemental to the \$4,375,000 of allocation the Project received on March 19, 2014.

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
Private Placement Purchaser: Boston Private Bank & Trust Company
TEFRA Adoption Date: July 1, 2014

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-stripping of the parking spaces, replacement of windows and patio doors, painting and landscaping. Rehabilitation is expected to begin in January 2015 and be completed by July 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:	\$ 11,687,908	
Estimated Hard Costs per Unit:	\$ 18,544	(\$1,372,278 /74 units)
Estimated per Unit Cost:	\$ 157,945	(\$11,687,908 /74 units)
Allocation per Unit:	\$ 65,034	(\$4,812,500 /74 units)
Allocation per Restricted Rental Unit:	\$ 65,034	(\$4,812,500 /74 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,812,500	\$ 2,498,813
Deferred Developer Fee	\$ 69,140	\$ 453,234
LIH Tax Credit Equity	\$ 826,969	\$ 2,756,562
Direct & Indirect Public Funds	\$ 5,979,300	\$ 5,979,300
Total Sources	\$ 11,687,908	\$ 11,687,908

Uses of Funds:	
Acquisition/Land Purchase	\$ 6,009,483
Hard Construction Costs	\$ 1,372,278
Architect & Engineering Fees	\$ 112,567
Contractor Overhead & Profit	\$ 184,210
Developer Fee	\$ 1,000,000
Relocation	\$ 93,750
Cost of Issuance	\$ 656,453
Capitalized Interest	\$ 175,000
Other Soft Costs (Marketing, etc.)	\$ 2,084,167
Total Uses	\$ 11,687,908

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 \$4,812,500 and will be comprised of two Series of Bonds: Series A Bonds for approximately \$2,313,688 and Series B Bonds for approximately \$2,498,812. 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 one-month Regular Advance Rate that is current 2 days prior to the closing plus 150 basis points. The interest rate will reset on the first day of each month thereafter during the term. Upon conversion, the term for the Series B Bonds will be extended for 16 years. The amortization period will be 35 years. The interest rate will be a variable rate equal to 65% of one-month LIBOR plus 230 basis points, based on the market for interest rate cap arrangements at the time of closing of the bonds. 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.

Recommendation:

Staff recommends that the Committee approve \$437,500 in tax exempt bond allocation on a carryforward basis.

