

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**January 21, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Devon King*

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**Applicant:** City of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$27,000,000

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**Project Information:**  
**Name:** Wilshire Manor Apartments  
**Project Address:** 616 South Normandie Avenue  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90005

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**Project Sponsor Information:**  
**Name:** Wilshire Towers LP (Wilshire Manor LLC; Housing Corporation of America)  
**Principals:** Thomas Safran of Wilshire Manor LLC; Ronald Olson and Carol Cromar of Housing Corporation of America  
**Property Management Company:** Thomas Safran & Associates, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** November 7, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 280, plus 3 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens

The proposed Acquisition and Rehabilitation project is located in the City of Los Angeles. The development was originally constructed in 1969 and consists of one 287 unit 17-story high rise elevator serviced building. The project currently offers 210 studio units, 76 one-bedroom units, including 1 one-bedroom manager's unit, and 1 two-bedroom manager's unit. Post renovation, the proposed apartment project will reduce the number of units and offer 208 studio units, and 72 one-bedroom units for residents along with 2 one-bedroom and 1 two-bedroom manager's units for a total of 283 units. The reduction in units is a part of the renovation with three units turned into community space and two units into an additional manager's unit. 57 units will be restricted to seniors making 50% AMI, 223 units will be restricted to seniors making 60% AMI. The proposed scope of renovation will include enhancing the common areas, property exteriors, ground, and seismic retrofitting. The renovation will add ceiling fans, microwaves, and a computer lab. The proposed rehabilitation start date is September 2014, with an estimated completion date of January 2015.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

20% (57 units) restricted to 50% or less of area median income households.

80% (223 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio & 1 bedroom

The proposed project will provide instructor led educational, health, and wellness or skill building classes (such as financial literacy, computer training, home- buyer education, GED, resume building, ESL, nutrition, exercise, health info/ awareness, art, parenting, on site food cultivation and preparation and smoking cessation) for a minimum of 84 hours per year.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

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**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 52,443,992	
<b>Estimated Hard Costs per Unit:</b>	\$ 108,421	(\$30,357,976 /280 units)
<b>Estimated per Unit Cost:</b>	\$ 187,300	(\$52,443,992 /280 units)
<b>Allocation per Unit:</b>	\$ 96,429	(\$27,000,000 /280 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 96,429	(\$27,000,000 /280 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 27,000,000	\$ 0
Taxable Bond Proceeds	\$ 2,181,300	\$ 29,181,300
Deferred Developer Fee	\$ 2,500,000	\$ 1,690,209
LIH Tax Credit Equity	\$ 19,118,989	\$ 19,928,780
Other	\$ 1,643,703	\$ 1,643,703
Total Sources	\$ 52,443,992	\$ 52,443,992

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 8,500,000
Hard Construction Costs	\$ 30,357,976
Architect & Engineering Fees	\$ 825,000
Contractor Overhead & Profit	\$ 2,863,960
Developer Fee	\$ 2,500,000
Relocation	\$ 750,000
Cost of Issuance	\$ 230,625
Capitalized Interest	\$ 2,987,096
Other Soft Costs (Marketing, etc.)	\$ 3,429,335
Total Uses	\$ 52,443,992

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**Description of Financial Structure and Bond Issuance:**

The proposed financing will be a private transaction provided by Citibank, N.A for the construction phase of the project. The bonds will be issued but the Los Angeles Housing Department and Citi will provide a loan to cover \$27,000,000 with interest only payments required over a 24 month term or the construction phase. Full payment will be required at maturity. A 12 month lockout period after which no pre-payment penalty is assessed for early redemption. The interest rate will be fixed at closing, and the rate is based on recent competitive sales of similarly structured bonds. The permanent lender will PNC Bank, N.A. PNC Bank will provide taxable financing in the form of a 221(d)4 FHA insured construction-to-permanent financing loan. Financing terms provided by PNC bank will not exceed \$28,294,000 with a 41.5 year term (which is the construction period +40 Years) Interest only payments will be required over an 18 month term coinciding with the construction period. The scheduled amortization payments will be required based on a 40 year amortization schedule. The interest rate will be fixed approximately two weeks prior to closing and is currently quoted at 4.25%

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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:** 60 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$27,000,000 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	30
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	2.5
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>60</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.