

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 20, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$8,786,918

Project Information:
Name: Skid Row Southeast 1 Apartments (Scattered Site)
Project Address: 1201 E. 7th Street; 1205 E. 6th Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90021

Project Sponsor Information:
Name: Skid Row Southeast 1 LP (Skid Row Southeast 1 GP LLC and SRHT Property Holding Company LLC)
Principals: Mike Alvidrez, Gigi Szabo and Dana Trujillo for both Skid Row Southeast 1 GP LLC and SRHT Property Holding Company LLC
Property Management Company: SRHT Property Management Company

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo, N.A.
TEFRA Adoption Date: April 17, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 104, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Special Needs

Skid Row Southeast 1 is a scattered site recapitalization project consisting of the Olympia and the Las Americas, two existing buildings wholly owned by Skid Row Housing Trust (the "Trust") along the southeast region of Skid Row in Downtown, Los Angeles. Together, the two sites currently provide 108 units of affordable housing for low income individuals. Most of the existing residents are formerly homeless and disabled. The rehab will include the elimination of 2 currently vacant units at the Olympia and reduction of basement storage at the Las Americas in order to create dedicated services offices. All renovation work will comply with applicable housing regulations, including fire and life safety codes and Americans with Disabilities Act ("ADA") guidelines for fair housing. Additionally, the new elevator at the Las Americas will be a fully accessible handicap elevator serving all floors. At both sites, the shared kitchen/community lounge areas will be reimagined as open, efficient, well thought-out and activated shared living spaces. The community kitchens will be upgraded to include new cabinetry, storage, countertops, and finishes, and the lounge areas will be furnished to encourage better programming such as movie events, game nights, and peer-support groups. Rehabilitation is anticipated to begin in August 2015 and be completed in December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (104 units) restricted to 50% 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:	\$ 20,535,747	
Estimated Hard Costs per Unit:	\$ 43,666	(\$4,541,244 /104 units)
Estimated per Unit Cost:	\$ 197,459	(\$20,535,747 /104 units)
Allocation per Unit:	\$ 84,490	(\$8,786,918 /104 units)
Allocation per Restricted Rental Unit:	\$ 84,490	(\$8,786,918 /104 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,786,918	\$ 0
Deferred Developer Fee	\$ 985,667	\$ 985,667
LIH Tax Credit Equity	\$ 357,453	\$ 7,149,068
Direct & Indirect Public Funds	\$ 10,055,709	\$ 12,055,709
Other (Costs Deferred During Const.& Res.)	\$ 350,000	\$ 345,303
Total Sources	\$ 20,535,747	\$ 20,535,747

Uses of Funds:	
Acquisition/Land Purchase	\$ 9,648,772
On & Off Site Costs	\$ 22,300
Hard Construction Costs	\$ 4,518,944
Architect & Engineering Fees	\$ 875,977
Contractor Overhead & Profit	\$ 244,811
Developer Fee	\$ 1,985,667
Relocation	\$ 69,512
Cost of Issuance	\$ 324,110
Capitalized Interest	\$ 736,315
Other Soft Costs (Marketing, etc.)	\$ 2,109,339
Total Uses	\$ 20,535,747

Description of Financial Structure and Bond Issuance:

This project's bonds will be issued by the City of Los Angeles. Wells Fargo, N.A. (WFB) is providing the Construction loan. The loan shall bear interest at a rate per annum (computed on the basis of a 360-day year, actual number of days elapsed) equal to 30-day LIBOR plus 190 basis points. WFB reserves the right to increase the spread over the 30-day LIBOR rate to reflect market conditions including the cost of funds during the term of this commitment. The loan will be underwritten using a 150 bps cushion. An interest reserve sufficient to cover the initial term of the loan is required. As used herein, the term "Libor" means the rate of interest, rounded upward to the nearest whole multiple of one-sixteenth of one percent (0.0625%). The rate will be adjusted monthly by Lender on or about the first business day of each calendar month. Permanent Financing will be provided through a California Department of Housing and Community Development Loan, City of Los Angeles Loan, A County of Los Angeles Loan and Affordable Housing Program fund.

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: 67.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,786,918 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	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	100	67.5

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.