

**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: Devon King*

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**Applicant:** City of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$10,000,000

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**Project Information:**  
**Name:** T.Bailey Manor Apartments  
**Project Address:** 4121 Eagle Rock Blvd  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90065

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**Project Sponsor Information:**  
**Name:** Women Organizing Resources Knowledge & Services (W.O.R.K.S)  
**Principals:** Channa Grace, Brenda Shockley, Mary Jane Wagle, Jaqueline Thomas, Nora Lichtash for W.O.R.K.S.  
**Property Management Company:** Solari Enterprises

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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 Adoption Date:** April 17, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 45, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family/Special Needs

The proposed project is a rectangular parcel of approximately 19,875 sq. ft. (.456 acres). T. Bailey Manor will be the mixed use development of a newly constructed 46 unit apartment building that will share a site with a small existing commercial structure. The residential building will include 4 stories over semi-subterranean parking, and will consist of 46 units: 3 efficiency units, 42 one-bedroom units, and 1 two-bedroom manager unit. The apartments feature kitchens with range and refrigerator, one bathroom, vinyl flooring, window treatments, individual forced air heating units, and individual electric meters. Hot water will be provided by the owner through a centralized hot water heating system. The overall building will include approximately 40,000 square feet of living and community space, and approximately 15,000 square feet of parking. The multi-purpose/ community room, meeting rooms, computer room, laundry room and offices will total over 3,500 square feet. The project will serve certain target populations. The target population is special needs households with 1-2 persons. 16 units will be reserved for persons with developmental disabilities, 10 units will be reserved for homeless persons with HIV/AIDS, and 19 units will be reserved for homeless veterans with chronic health conditions. Site acquisition occurred in January 2011. Construction is expected to commence in October/November 2015 and be complete by June 2017.



**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (45 units) restricted to 50% or less of area median income households.  
**Unit Mix:** Studio & 1 bedroom

There will be no service amenities for the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

|   |               |                                     |
|---|---------------|-------------------------------------|
| <b>Estimated Total Development Cost:</b>      | \$ 18,755,323 |                                     |
| <b>Estimated Hard Costs per Unit:</b>         | \$ 226,150    | (\$10,176,768 /45 units)            |
| <b>Estimated per Unit Cost:</b>               | \$ 416,785    | (\$18,755,323 /45 units)            |
| <b>Allocation per Unit:</b>                   | \$ 222,222    | (\$10,000,000 /45 units)            |
| <b>Allocation per Restricted Rental Unit:</b> | \$ 222,222    | (\$10,000,000 /45 restricted units) |

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to two additional reserve requirements needed to address local and state governments concerns. The original cost per unit was \$395,451 but there is a HCD MHP transition reserve. This reserve is used in case the project loses its Section 8 contract. The other reserve came during the projects plan check action review where it was determined by city planners that the site was in a Liquefaction zone (earthquake zone) under the state’s newly revised earthquake zone maps and therefore additional monies needed to be set aside to mitigate those issues. Attached below are costs associated with each reserve requirement.

Additional construction allowance for seismic / soils conditions - \$700,000

Transition reserve per MHP requirement - \$260,000

Total is \$960,000 (\$21,333 per unit)

Adjusted cost per unit = \$395,451

| <b>Sources of Funds:</b>           | Construction         | Permanent            |
|------------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds           | \$ 10,000,000        | \$ 0                 |
| Deferred Developer Fee             | \$ 298,000           | \$ 298,000           |
| LIH Tax Credit Equity              | \$ 185,704           | \$ 7,688,705         |
| Direct & Indirect Public Funds     | \$ 7,467,770         | \$ 9,964,769         |
| Other(Developer Equity)            | \$ 803,849           | \$ 803,849           |
| <b>Total Sources</b>               | <b>\$ 18,755,323</b> | <b>\$ 18,755,323</b> |
| <br><b>Uses of Funds:</b>          |                      |                      |
| Acquisition/Land Purchase          | \$ 925,000           |                      |
| On & Off Site Costs                | \$ 1,537,610         |                      |
| Hard Construction Costs            | \$ 8,639,158         |                      |
| Architect & Engineering Fees       | \$ 816,720           |                      |
| Contractor Overhead & Profit       | \$ 1,317,173         |                      |
| Developer Fee                      | \$ 2,003,849         |                      |
| Relocation                         | \$ 284,339           |                      |
| Cost of Issuance                   | \$ 533,000           |                      |
| Capitalized Interest               | \$ 548,222           |                      |
| Other Soft Costs (Marketing, etc.) | \$ 2,150,252         |                      |
| <b>Total Uses</b>                  | <b>\$ 18,755,323</b> |                      |

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

The proposed financial structure shall be a private placement purchase provided by Citibank N.A. The loan shall cover the construction period only. The construction period interest rate shall be 3.5% fixed. The construction period shall be for 24 months, with a 6 month extension period. The loan will be allowed to be closed out upon the finding of an acceptable permanent source of financing for the project.

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**Analyst Comments:**

The proposed project will build 46 new affordable housing units; however, to get these units the project will tear down existing housing that is on the project, and permanently relocate the residents. Our regulations require that a project must build 100% brand new units to market if they are going to receive points for New Construction. However since this project is tearing down housing units it is not bring all new affordable units. The project is also special needs.

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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 \$10,000,000 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<br>[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   | 0             |
| Service Amenities   | 10   | 10   | 0             |
| 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.