

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: \$10,500,000

Project Information:
Name: Beverly Terrace Apartments
Project Address: 3314-3330 West Beverly Boulevard
Project City, County, Zip Code: Los Angeles, Los Angeles, 90004

Project Sponsor Information:
Name: Beverly PSH, L.P. (Supportive Housing LLC and St. Anne's Maternity Home)
Principals: Dora Leong Gallo, Helena Jubany, Sean Leonard, Allen Freeman and Mitchell Menzer for Supportive Housing LLC; Tony Walker, Patrick Pascal, Dale Pelch, Vito Costanzo and Franco Seif for St. Anne's Maternity Home
Property Management Company: Barker Management, Inc.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A./ no perm debt
TEFRA Adoption Date: April 17, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 39, plus 1 manager unit
Type: New Construction
Type of Units: Family/Special Needs

This site is a 19,750 sq. ft. corner property that is composed of two lots. Beverly Terrace will be 100% targeted to a head of household who are homeless and living with a mental illness. Thirteen 1-bedroom units and seven 2-bedroom units will be restricted to households earning at or below 30% of the Area Median Income. Fourteen one-bedroom units and five two-bedroom units will be restricted to households earning at or below 50% of Area Median Income. Fourteen units will be specifically designated for individuals and families who have been chronically homeless. Twenty-Five units will be targeted for families with one or more children aged 0-5 years. Onsite laundry facilities and a community room for services and social gatherings have also been included. The project will be developed with sustainable building methods. Also included will be Energy Star appliances, including a range and refrigerator. Bedroom and dining furniture will be provided for all units. A secure parking garage will provide 30 spaces. The project is expected to start construction in October 2015 and will be completed in December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (39 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

Provided service amenities such licensed childcare and a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|-------------------------------------|
| Estimated Total Development Cost: | \$ 20,277,675 | |
| Estimated Hard Costs per Unit: | \$ 288,294 | (\$11,243,481 /39 units) |
| Estimated per Unit Cost: | \$ 519,940 | (\$20,277,675 /39 units) |
| Allocation per Unit: | \$ 269,231 | (\$10,500,000 /39 units) |
| Allocation per Restricted Rental Unit: | \$ 269,231 | (\$10,500,000 /39 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 the site being an irregularly shaped lot with 5 sides. The site is sloped with elevation differential of 9 feet and slopes on two sides that will require shoring and retaining on two sides. Substantial grading and export will be required from the lower portion of the slope to the highest working level and requires a man lift during the construction of the project above the third floor. The height of the structure from the street may require a material crane for loading of rough materials to the top two floors. The structure will be podium deck with parking underneath, however, unlike other podium level parking which allow for a naturally ventilated garage, the garage will be set into a hill which does not allow for natural ventilation and requires a mechanical ventilation system. The site is in the Vermont Western Specific Plan requires 50% glazed exterior façade at the ground floor, which requires material change on the exterior façade at 30'-0" intervals both horizontally and vertically. It does not allow for the use of open space within 20'-0" of a parapet edge. This placed the open space on the upper roof deck with a lift for access. The specific plan has increasing setbacks as the building height increases. The floor area reduction as the height of the building increased pushed the height of the structure into a type III wood framed building from a type V wood framed building. The difference is in fire treated lumber and an additional elevator stop. The reducing of floor area as the building increased in height creates a stepping envelope, increased flashing costs and increased roofing costs.

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|------------------------------------|---------------------|------------------|
| Tax-Exempt Bond Proceeds | \$ 10,500,000 | \$ 0 |
| Deferred Developer Fee | \$ 1,022,887 | \$ 1,022,887 |
| Developer Equity | \$ 1,250,000 | \$ 1,250,000 |
| LIH Tax Credit Equity | \$ 1,067,023 | \$ 7,113,488 |
| Direct & Indirect Public Funds | \$ 5,128,392 | \$ 10,611,700 |
| Other(Costs Deferred until Compl.) | \$ 1,309,373 | \$ 279,600 |
| Total Sources | \$ 20,277,675 | \$ 20,277,675 |

| Uses of Funds: | |
|---|---------------|
| Acquisition/Land Purchase | \$ 1,150,000 |
| On & Off Site Costs | \$ 667,435 |
| Hard Construction Costs | \$ 10,576,046 |
| Architect & Engineering Fees | \$ 569,500 |
| Contractor Overhead & Profit | \$ 573,356 |
| Developer Fee | \$ 2,059,820 |
| Transition Reserve | \$ 500,000 |
| Cost of Issuance | \$ 309,683 |
| Capitalized Interest | \$ 626,200 |
| Other Sft. Costs (Marketing, Reserves & Services) | \$ 3,245,635 |
| Total Uses | \$ 20,277,675 |

Agenda Item No. 7.26
Application No. 15-349

Description of Financial Structure and Bond Issuance:

These bonds will be issued by the City of Los Angeles. The tax-exempt bonds for Beverly Terrace Apartments will be privately placed with Wells Fargo Bank, N. A. (construction phase). During construction, the bonds will carry a variable interest rate (uncapped) based on the 30-day LIBOR index (trailing average). Upon completion of initial lease-up and stabilization, the borrower will redeem all of the bonds using an installment of limited partner equity. Tax-exempt bond amount is \$10,500,000 with a term of 21 months and a interest rate of 30-day LIBOR + 190 bps variable. Loan to Value of 80% and anticipated issuance date of August 2015.

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:

90 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,500,000 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 | 10 |
| Service Amenities | 10 | 10 | 10 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 90 |

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.