

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 15, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$9,100,000

Project Information:

Name: Duarte Manor Apartments
Project Address: 1235 North Highland Avenue
Project City, County, Zip Code: Duarte, Los Angeles, 91010

Project Sponsor Information:

Name: Preservation Duarte Manor II, LP (Better Housing Foundation;
Duarte Western America, LLC)
Principals: Thomas Ledbetter, Carol Ledbetter and Joseph Ledbetter for
Better Housing Foundation; James Perley for Duarte Western
America, LLC
Property Management Company: Western America Properties, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adopted Date: May 26, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 41, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed project is an existing property located in the east central part of the City of Duarte in the County of Los Angeles. The complex was constructed in 1973 and consists of 26 2-bedroom and 16 3-bedroom units located in five 5 two-story, walk-up residential buildings constructed of wood frame and stucco exteriors with a combination of flat and pitched roofs with a mixture of composition shingle and concrete tiles. Parking consists of 20 open and 42 carport spaces, equating to a parking ratio of approx. 1.5 spaces per unit. Improvements to the site, common areas, and units include, but are not limited to, the following: New in-unit fixtures, including range hoods and refrigerators; new HVAC units, light fixtures, and low-flow plumbing fixtures in all units; new flooring in all units and common areas; new painting of all units and common area interiors; new windows, window coverings, and sliding doors in all units; and ADA upgrades for compliance with Section 504/UFAS; new play equipment; new security intercom system; new LED site lighting throughout; new landscaping, including tree trimming and ground cover rehabilitation; and a new playground and tot lot. Closing is projected for August of 2015 pending approval of bond allocation. Rehabilitation will begin immediately after closing. The rehabilitation is scheduled over nine months from start to finish (expected to be 100% complete in April 2016), followed by a stabilization period of three months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
12% (5 units) restricted to 50% or less of area median income households.
88% (36 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

There will be no service amenities provided in the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,824,894	
Estimated Hard Costs per Unit:	\$ 50,707	(\$2,079,000 /41 units)
Estimated per Unit Cost:	\$ 288,412	(\$11,824,894 /41 units)
Allocation per Unit:	\$ 221,951	(\$9,100,000 /41 units)
Allocation per Restricted Rental Unit:	\$ 221,951	(\$9,100,000 /41 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 9,100,000	\$ 7,950,000
Developer Equity	\$ 957,016	\$ 58,387
LIH Tax Credit Equity	\$ 1,391,217	\$ 3,393,212
Other (Income During Rehab)	\$ 376,660	\$ 423,295
Total Sources	\$ 11,824,893	\$ 11,824,894
 Uses of Funds:		
Acquisition/Land Purchase	\$ 6,500,000	
On & Off Site Costs	\$ 279,518	
Hard Construction Costs	\$ 1,120,295	
Architect & Engineering Fees	\$ 75,000	
Contractor Overhead & Profit	\$ 301,039	
Developer Fee	\$ 1,274,748	
Relocation	\$ 101,300	
Cost of Issuance	\$ 590,786	
Legal Fees	\$ 120,000	
Construction & Permanent Financing	\$ 679,187	
Contingency Cost	\$ 189,000	
Reserves	\$ 302,000	
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 292,021	
Total Uses	\$ 11,824,894	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 24 months. The interest rate for both the construction and permanent financing will be an estimated fixed rate of 4.62%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years with one six month option to extend. The bonds will be issued by the California Statewide Communities Development Authority.

Analyst Comments:

The property currently has a project-based HUD Section 8 Housing Assistance Payments (HAP) contract providing rental subsidies to 100% of the units. The Project is considered "Federally At-Risk" as the current HAP contract expires June 1, 2015; however, it is the Project Sponsor's intent to renew the contract for a new 20-year term at time of bond closing, in accordance with HUD renewal guidelines. This renewal is subject to a successful allocation of bonds and LIHTC.

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: 66.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$9,100,000 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	20
Exceeding Minimum Income Restrictions:	35	15	26
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
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	3
Negative Points	-10	-10	0
Total Points	130	110	66.5

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.