

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 16, 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:** \$25,000,000

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**Project Information:**  
**Name:** Sylmar Court  
**Project Address:** 12415 San Fernando Road  
**Project City, County, Zip Code:** Sylmar, Los Angeles, 91342

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**Project Sponsor Information:**  
**Name:** 12415 San Fernando Apartments, LP (12415 San Fernando Apartments, LLC and WCH Affordable IX, LLC)  
**Principals:** John Huskey, Kasey Burke, Aaron Mandel, George Russo for 12415 San Fernando Apartments, LLC; Graham Espley Jones, Sandra Gibbons, Leanne Truofreh for WCH Affordable IX, LLC  
**Property Management Company:** Solari Enterprises Incorporated

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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:** 100, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family/Special Needs

The proposed project will be located in the city of Sylmar and the county of Los Angeles. The Subject site is approximately 0.97 acres. The site is currently vacant and flat, with portions of the site fenced off. The project will consist of 100 rent restricted units of which 25 units will target homeless and chronically homeless residents earning at or below 30% AMI. The 75 remaining units will be 37 2-Bedroom units and 38 3-Bedroom units restricted to 60% of AMI. The 1, 2 and 3-Bedroom units will be 554, 805 and 1093 square feet, respectively. The project is comprised of 4 stories of residential units and community space, in Type-V construction, over a Type-I on-grade parking garage and retail area. The manager's unit is situated near the most commonly used residential facilities and entrances, allowing for oversight of these facilities. The lobby, 3,484 square feet of retail and 116 parking spaces will be featured on the ground level. 14 spaces are reserved for retail/commercial use, and 101 spaces for the residential portion of the project. The second floor will have a community room, open courtyards with a barbeque area, children's play area, classroom, laundry and library. The perimeter and courtyard areas of Sylmar Court will be fully landscaped to fit with both the building and the neighborhood. The developer's projected will break ground in September 2015 with a completion date of February 2017, which will also serve as the market entry date.



**Description of Public Benefits:**

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

62% (62 units) restricted to 50% or less of area median income households.

38% (38 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

There are no service amenities for the project

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

|   |               |                                      |
|---|---------------|--------------------------------------|
| <b>Estimated Total Development Cost:</b>      | \$ 38,054,011 |                                      |
| <b>Estimated Hard Costs per Unit:</b>         | \$ 227,327    | (\$22,732,704 /100 units)            |
| <b>Estimated per Unit Cost:</b>               | \$ 380,540    | (\$38,054,011 /100 units)            |
| <b>Allocation per Unit:</b>                   | \$ 250,000    | (\$25,000,000 /100 units)            |
| <b>Allocation per Restricted Rental Unit:</b> | \$ 250,000    | (\$25,000,000 /100 restricted units) |

| <b>Sources of Funds:</b>       | Construction         | Permanent            |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds       | \$ 25,000,000        | \$ 8,383,533         |
| Taxable Bond Proceeds          | \$ 0                 | \$ 0                 |
| Deferred Developer Fee         | \$ 1,086,207         | \$ 0                 |
| LIH Tax Credit Equity          | \$ 2,954,452         | \$ 15,848,403        |
| Direct & Indirect Public Funds | \$ 8,450,000         | \$ 12,950,000        |
| Other                          | \$ 563,352           | \$ 872,075           |
| <b>Total Sources</b>           | <b>\$ 38,054,011</b> | <b>\$ 38,054,011</b> |

| <b>Uses of Funds:</b>                 |                      |
|---------------------------------------|----------------------|
| Acquisition/Land Purchase             | \$ 3,008,850         |
| On & Off Site Costs                   | \$ 1,081,250         |
| Hard Construction Costs               | \$ 21,651,454        |
| Architect & Engineering Fees          | \$ 1,425,548         |
| Contractor Overhead & Profit          | \$ 861,916           |
| Developer Fee                         | \$ 2,500,000         |
| Legal Fees                            | \$ 234,488           |
| Reserves                              | \$ 563,352           |
| Cost of Issuance                      | \$ 0                 |
| Construction and Permanent Financing  | \$ 1,862,140         |
| Contingency Cost                      | \$ 1,193,918         |
| Other (Local Development Impact Fees) | \$ 1,033,029         |
| Other Soft Costs (Marketing, etc.)    | \$ 2,638,066         |
| <b>Total Uses</b>                     | <b>\$ 38,054,011</b> |

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

The proposed financial structure for the project will be a private bond placement purchased by Citibank N.A. During the construction financing phase the loan term will be for 21 months with a fixed interest rate of 2.85%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate of 4.65%. The permanent financing will consist of a Tranche A and Tranche B. The Tranche A will have a maximum amount of \$5,460,127 and Tranche B will have a maximum amount of 2,923,406 for the Subsidy Overhang Piece. There was no underwritten rate provided.

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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:** 80 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$25,000,000 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  | 5             |
| Leveraging  | 10   | 10   | 10            |
| Community Revitalization Area   | 15   | 15   | 0             |
| Site Amenities  | 10   | 10   | 5             |
| Service Amenities   | 10   | 10   | 0             |
| New Construction  | 10   | 10   | 10            |
| Sustainable Building Methods  | 10   | 10   | 0             |
| Negative Points   | -10  | -10  | 0             |
| <b>Total Points</b>   | <b>130</b>   | <b>100</b>                                       | <b>80</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.