

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$18,500,000

Project Information:
Name: 127th Street Apartments
Project Address: 536-548 127th Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90044

Project Sponsor Information:
Name: 127th Street Apartments, LP (127th Street Apartments, LLC and WCH Affordable XIV, LLC)
Principals: John Huskey, Kasey Burke, Aaron Mandel, George Russo for 127th Street Apartments, LLC; Graham Espley Jones, Sandra Gibbons and Leanne Truofreh for WCH Affordable XIV, LLC
Property Management Company: John Stewart Company

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JP Morgan Chase Bank, N.A.
TEFRA Adoption Date: November 10, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 84, plus 1 manager unit
Type: New Construction
Type of Units: Family/Special Needs

127th Street Apartments will be located within the Harbor Gateway district of Los Angeles. The project site is 1.17 acres, vacant, and flat. A 4-story, 61,043 SF, corridor apartment building will be constructed. The project includes 85 units (42 studio units, 42 one bedroom units, and 1 two bedroom manager unit). Of the 85 LIHTC units, 100% will serve the special needs, chronically homeless and mentally disabled population. The project will designate supportive services targeting the adult tenant population earning between 25-35 percent of the area medium income. The first level will contain a lobby, offices, laundry rooms, community spaces, residential units, and a large courtyard with a water feature, yard, BBQ area, bike storage area, surface parking spaces, and other amenities. The other levels will be units, additional laundry rooms, maintenance storage, and community sitting areas. Construction will start in the 2nd quarter of 2016 and will be completed in the 1st quarter of 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (84 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 24,767,787	
Estimated Hard Costs per Unit:	\$ 149,306	(\$12,541,745 /84 units)
Estimated per Unit Cost:	\$ 294,855	(\$24,767,787 /84 units)
Allocation per Unit:	\$ 220,238	(\$18,500,000 /84 units)
Allocation per Restricted Rental Unit:	\$ 220,238	(\$18,500,000 /84 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,500,000	\$ 3,163,890
Direct and Indirect Public Funds	\$ 3,100,000	\$ 11,550,000
LIH Tax Credit Equity	\$ 1,340,396	\$ 8,935,974
Deferred Developer Fee	\$ 1,827,391	\$ 1,117,923
Total Sources	\$ 24,767,787	\$ 24,767,787

Uses of Funds:	
Acquisition/Land Purchase	\$ 2,433,000
Hard Construction Costs	\$ 12,541,745
Architect & Engineering Fees	\$ 1,275,000
Contractor Overhead & Profit	\$ 884,000
Developer Fee	\$ 2,500,000
Legal Fees	\$ 250,000
Cost of Issuance	\$ 220,000
Operating Reserve	\$ 827,024
Construction and Permanent Financing	\$ 1,588,373
Permit Processing Fees	\$ 295,000
Contingency and Appraisal Costs	\$ 689,787
Local Development Impact Fees	\$ 505,000
Interior Design and Furnishings	\$ 200,000
Other Soft Costs (Marketing, etc.)	\$ 558,858
Total Uses	\$ 24,767,787

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement provided JP Morgan and Chase Bank N.A (construction) and CCRC (perm). During the construction financing phase the loan term will be for 24 months with a fixed interest rate reset every 30 days at 160 basis points in excess of the 30 day LIBOR. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 15 years at a fixed rate which shall be the greatest of 4.50% or the 15 year muni bond index + 175bps. There was no underwritten rate provided

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: 60 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$18,500,000 in tax exempt bond allocation on a carryforward basis.

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	0
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	60

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.