

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 20, 2016
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: \$12,726,810

Project Information:
Name: Hancock Gardens Senior Apartments
Project Address: 303 South Van Ness Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90020

Project Sponsor Information:
Name: Hancock Gardens Senior Housing L.P. (Housing Corporation of America and Hancock Gardens Senior Housing LLC)
Principals: Ronald Olson and Carol Cromar for Housing Corporation of America; Thomas Safran, Andrew Gross, and Jordan Pynes for Hancock Gardens Senior Housing LLC.
Property Management Company: Thomas Safran & Associates

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Citigroup Global Markets Inc.
Credit Enhancement Provider: PNC Bank, N.A.
Private Placement Purchaser: N.A.
TEFRA Adoption Date: November 10, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 65, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Hancock Gardens Senior Apartments consist of 65 one-bedroom units featuring 594 square feet of interior living space. The units come with full kitchens, full baths, separate bedrooms and living/dining spaces. The Project's unit amenities include blinds, carpet/vinyl flooring, grab bars in bathrooms, wall-mounted air conditioning units, garbage disposals, range/oven, and refrigerators. Additionally, ceiling fans and patios are available in select units. The proposed scope of rehabilitation includes updating appliances (as deemed necessary), building exterior and interiors, common areas and landscaping; structural upgrades; mechanical system replacement and life and safety upgrades. In addition, a business center / computer lab and security cameras will be added. Construction will begin immediately upon closing and is projected to be completed within approximately 12 months, on or about December 31, 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (13 units) restricted to 50% or less of area median income households.
80% (52 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

The proposed project will/will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 24,908,314
Estimated Hard Costs per Unit: \$ 72,255 (\$4,696,560 /65 units)
Estimated per Unit Cost: \$ 383,205 (\$24,908,314 /65 units)
Allocation per Unit: \$ 195,797 (\$12,726,810 /65 units)
Allocation per Restricted Rental Unit: \$ 195,797 (\$12,726,810 /65 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 12,726,810	\$ 0
Taxable Bond Proceeds	\$ 1,414,090	\$ 0
Permanent Loan (HUD)	\$ 0	\$ 14,140,900
LIH Tax Credit Equity	\$ 8,201,469	\$ 8,201,469
Seller Financing (8%/57 yrs.)	\$ 1,000,000	\$ 1,000,000
Deferred Developer Fee Loan	\$ 1,072,197	\$ 1,072,197
NOI during Construction	\$ 493,748	\$ 493,748
Total Sources	\$ 24,908,314	\$ 24,908,314

Uses of Funds:	
Acquisition/Land Purchase	\$ 14,700,000
Hard Construction Costs	\$ 4,696,560
Architect & Engineering Fees	\$ 230,000
Contractor Overhead & Profit	\$ 356,400
Developer Fee	\$ 2,500,000
Capitalized Interest	\$ 1,261,265
Relocation	\$ 33,000
Cost of Issuance	\$ 160,680
Operating Reserve	\$ 245,012
Other Soft Costs (Marketing, etc.)	\$ 725,397
Total Uses	\$ 24,908,314

Description of Financial Structure and Bond Issuance:

This is a PNC Bank, N.A. FHA credit enhanced bond transaction, with the bonds being issued by the City of Los Angeles. The financing of the project will have a loan term of 40 years with a fixed interest rate of 3.75% . There is no Permanent Bond Debt.

Analyst Comments:

N/A

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: 55 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,726,810 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	30
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	55

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.