

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$14,000,000

Project Information:

Name: Watts - Athens Apartments
Project Addresses: 2010 Chariton St., 10202 S. Broadway, 10206 S. Broadway, 10210 S. Broadway, 10201 S. Broadway, 10207 S. Broadway, 10213 S. Broadway, 10217 S. Broadway, 10223 S. Broadway, 1371 W. Vernon Ave., 5270 S. Avalon Blvd., 503 W. 70th St., 538 W. 81st St., 602 W. 81st St., 717 W. 81st St., 623 W. 92nd St., 310 W. 103rd St.
Project City, County, Zip Code: Los Angeles, Los Angeles, 90003

Project Sponsor Information:

Name: Watts Athens Village, LP (WCH III, LLC and VH Watts Athens GP, LLC)
Principals: Graham Espley-Jones for WCH III, LLC; Peter Barker for VH Watts Athens GP, LLC
Property Management Company: Barker Management, Incorporated

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Noticing Date: October 14, 2015
TEFRA Adoption Date: November 6, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 98, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

This scattered-site Project is comprised of 17 buildings at 8 sites in south Los Angeles. The buildings were constructed between 1962 and 1985 and were renovated in 2000. The combined Project contains 121 parking spaces, 99 tenant units (2 one-bedroom units, 72 two-bedroom units and 24 three-bedroom units) and 2 two-bedroom managers' units (one each at 2010 Chariton St. and 5270 S. Avalon Blvd.). Unit amenities include blinds, carpeting, coat closet, walk-in closets, patio/balcony, refrigerator, stove/oven, garbage disposal and washer/dryer hook ups. Community laundry facilities are available at each site. Unit interiors will be completely refurbished; including new kitchens, baths, windows, floor coverings, appliances, fixtures and hardware. Exterior renovations will include painting, landscaping upgrades and new roofing. Rehabilitation is expected to begin in March 2016 and be completed in March 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

58% (57 units) restricted to 50% or less of area median income households.

42% (41 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 22,342,295	
Estimated Hard Costs per Unit:	\$ 56,249	(\$5,512,400 /98 units)
Estimated per Unit Cost:	\$ 227,983	(\$22,342,295 /98 units)
Allocation per Unit:	\$ 142,857	(\$14,000,000 /98 units)
Allocation per Restricted Rental Unit:	\$ 142,857	(\$14,000,000 /98 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 7,768,657
Serrero Carryback Loan	\$ 3,250,000	\$ 3,250,000
LIH Tax Credit Equity	\$ 4,592,295	\$ 9,090,000
Deferred Developer Fee	\$ 500,000	\$ 2,233,638
Total Sources	\$ 22,342,295	\$ 22,342,295

Uses of Funds:	
Land Cost/Acquisition	\$ 11,300,000
Rehabilitation Costs	\$ 6,311,690
Relocation	\$ 200,000
Architectural Fees	\$ 140,000
Survey & Engineering Fees	\$ 37,598
Construction Interest & Fees	\$ 681,250
Permanent Financing	\$ 356,100
Legal Fees	\$ 150,000
Reserves	\$ 561,807
Appraisal	\$ 10,000
Contingency	\$ 25,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 228,781
Developer Costs	\$ 2,340,069
Total Uses	\$ 22,342,295

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 24 months with a fixed rate estimated at 4.50% for Tranche A and a variable interest rate equal to 1-month LIBOR plus a spread of 2.50% for Tranche B. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate estimated at 4.50%.

Analyst Comments:

None

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: 46.9 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	31
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	3.4
Large Family Units	5	5	2.5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	46.9

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.