

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 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: \$1,500,000

The amount of allocation requested is supplemental to the \$12,726,810 of allocation the Project received on January 20, 2016.

Project Information:

Name: Hancock Gardens Senior Apartments Supplemental
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: Not Applicable
TEFRA Noticing Date: September 30, 2015
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 consists 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 not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 26,730,911	
Estimated Hard Costs per Unit:	\$ 78,620	(\$5,110,304 /65 units)
Estimated per Unit Cost:	\$ 411,245	(\$26,730,911 /65 units)
Allocation per Unit:	\$ 218,874	(\$14,226,810 /65 units)
Allocation per Restricted Rental Unit:	\$ 218,874	(\$14,226,810 /65 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 14,226,810	\$ 0
Taxable Bond Proceeds	\$ 1,269,190	\$ 0
Permanent Loan	\$ 0	\$ 15,496,000
LIH Tax Credit Equity	\$ 8,825,441	\$ 8,825,441
Developer Equity	\$ 1,090,333	\$ 1,090,333
Seller Financing	\$ 1,000,000	\$ 1,000,000
NOI During Construction	\$ 319,137	\$ 319,137
Total Sources	\$ 26,730,911	\$ 26,730,911

Uses of Funds:	
Land Cost/Acquisition	\$ 14,700,000
Rehabilitation	\$ 6,111,923
Contractor Overhead and Profit	\$ 408,824
Architectural Fees	\$ 230,000
Permanent Financing	\$ 1,711,963
Legal Fees	\$ 80,000
Reserves	\$ 277,548
Relocation	\$ 33,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 677,653
Developer Costs	\$ 2,500,000
Total Uses	\$ 26,730,911

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. Citibank is providing the Commitment for the supplemental request. 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:

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.

Recommendation:

Staff recommends that the Committee approve \$1,500,000 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	
Exceeding Minimum Income Restrictions:	35	15	
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	
Gross Rents	5	5	
Large Family Units	5	5	
Leveraging	10	10	
Community Revitalization Area	5	5	
Site Amenities	10	10	
Service Amenities	10	10	
New Construction or Substantial Renovation	10	10	
Sustainable Building Methods	10	10	
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	
Negative Points (No Maximum)	-10	-10	
Total Points	140	120	0

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.