

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: Devon King

Applicant: City of Los Angeles

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

Project Information:
Name: Crescent Villages Apartments
Project Address: 1721 W. 8th Street and 1315 W. 7th Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90017

Project Sponsor Information:
Name: Crescent Villages II, L.P. (VH Crescent GP, LLC and CHAPA MGP, LLC)
Principals: Peter Barker, Marian Barker, Byron Barker, and Ann S. Barker for VH Crescent GP, LLC; Kenneth Robertson, and Penny LaRue for CHAPA MGP, LLC
Property Management Company: Barker Management, INC

Project Financing Information:
Bond Counsel: Kutak Rock, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: March 18, 2016
TEFRA Adoption Date: April 19, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 142, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family and Senior

Crescent Villages is a scattered site project built in 1996. The renovation is anticipated to take approximately 10 – 12 months and will be completed with the tenants in-place on a rolling basis, with 4 or 5 phases of units completed at a time. The scope of work will include complete refurbishment of the unit interiors including new floor coverings, new kitchens and baths, energy star appliances, and new fixtures and hardware. Exterior improvements will include landscape upgrades, a new roof, and exterior paint. Site 1 is an existing multifamily/senior apartment complex located at 1721 W 8th Street. Los Angeles, California. The Property consists of three parcels. The Property was constructed as two 4-story multifamily apartment buildings with a 150 stall on grade parking garage below a landscaped concrete deck as well as one 5-story senior apartment building with first floor commercial space. All three buildings consist of slab construction on grade foundations with wood framing and stucco exteriors. The site is comprised of 46 one-bedroom units, 62 three-bedroom units, and 4 four-bedroom units. All one-bedroom units are flats while all four-bedroom units are townhomes. Three-bedroom units include both flat style and townhome style units. All one-bedroom units are restricted to seniors ages 55 and older. The Subject's two and three-bedroom units target income qualified multifamily households ranging in size from three to six persons. The Subject's one-bedroom units target income-qualified senior (55+). Site 2 is an existing apartment building located at 1315 West 7th Street. Los Angeles, California. The property is comprised of 32 multifamily residential units, 31 two, three, and four-bedroom units and one four-bedroom manager's unit.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

87% (124 units) restricted to 50% or less of area median income households.

13% (18 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 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:	\$ 35,150,920	
Estimated Hard Costs per Unit:	\$ 62,133	(\$8,822,880 /142 units)
Estimated per Unit Cost:	\$ 247,542	(\$35,150,920 /142 units)
Allocation per Unit:	\$ 126,761	(\$18,000,000 /142 units)
Allocation per Restricted Rental Unit:	\$ 126,761	(\$18,000,000 /142 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,000,000	\$ 9,000,000
Project NOI During Construction	\$ 0	\$ 508,690
LIH Tax Credit Equity	\$ 4,964,539	\$ 11,102,357
Deferred Developer Fee	\$ 0	\$ 2,134,492
Public Funds (HCID Loan)	\$ 12,186,381	\$ 12,186,381
Seller's Reserves Conveying to Buyer	\$ 0	\$ 219,000
Total Sources	\$ 35,150,920	\$ 35,150,920

Uses of Funds:	
Land Cost/Acquisition	\$ 18,025,000
Rehabilitation	\$ 10,132,314
Relocation	\$ 288,000
Architectural Fees	\$ 293,750
Survey and Engineering	\$ 25,000
Construction Interest and Fees	\$ 1,065,000
Permanent Financing	\$ 414,300
Legal Fees	\$ 150,000
Reserves	\$ 683,272
Appraisal	\$ 10,000
Contingency Cost	\$ 45,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 220,187
Developer Costs	\$ 3,799,097
Total Uses	\$ 35,150,920

Description of Financial Structure and Bond Issuance:

The proposed financial structure for the bond issuance will be a private placement transaction provided by Citibank N.A. The construction period financing will be divided into two separate tranches, A and B. During the construction financing phase the loan term will be for 24 months with tranche A having a fixed interest equal to the sum of the 17 year LIBOR swap index plus a spread 1.80%. As of April 20, 2016 the 17 year LIBOR swap index is 1.95% for a indicative rate of 3.75%. Tranche B will have a variable interest rate equal to the one month LIBOR plus a spread of 2.50%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a interest rate equal to the construction period Tranche A interest rate.

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: 79.8 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$18,000,000 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.8
Service Amenities	10	10	0
Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	7
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	79.8

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.