

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 19, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$5,894,640

Project Information:
Name: Dudley Oaks Apartments
Project Address: 2119-2127 S. Oak Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90007

Project Sponsor Information:
Name: Dudley Oaks Apartments, L.P. (Housing Corporation of America, a 501(c)(3) non-profit corporation and Dudley Oaks Apartments LLC)
Principals: Ronald Olson and Carol Cromar for Housing Corporation of America, a 501(c)(3) non-profit corporation. Thomas L. Safran Living Trust, Thomas L. Safran, Andrew Gross and Jordan Pynes for Dudley Oaks Apartments LLC)
Property Management Company: Thomas Safran & Associates, Inc.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: Wells Fargo Bank, N.A. (construction)
Public Sale: Cash-Collateralized A-Rated or Higher
Underwriter: Citigroup Global Markets, Inc. (construction)
Rating: AA+ Fitch; AA+ Moody's; AA+ Standard & Poor's
TEFRA Noticing Date: July 21, 2016
TEFRA Adoption Date: August 17, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 19, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Dudley Oaks Apartments is an existing project located in Los Angeles on a 0.45 acre site. The project consists of 19 restricted rental units and 1 manager unit. The project has 5 one-bedroom units and 14 two-bedroom units. The proposed scope of rehabilitation include updating appliances, building exterior and interiors, common walkways and landscaping, structural upgrades, mechanical system replacement and life and safety upgrades. In addition, security cameras will be added. Common area renovations include new carpets, flooring, window coverings and fresh paint, new electrical and lighting fixtures, and new doors and hardware to all hallways, as well as general repairs and significant life and safety upgrades as needed. Additionally, a new barbecue area will be added in the common outdoor space in the rear of the property. Site improvements include general repairs, upgrades and improvements to the parking areas, walkways, and adding landscaping to the front entranceway. The rehabilitation is expected to begin November 2016 and complete December, 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (2 units) restricted to 50% or less of area median income households.

89% (17 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 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: | \$ 11,263,376 | |
| Estimated Hard Costs per Unit: | \$ 98,300 | (\$1,867,706 /19 units) |
| Estimated per Unit Cost: | \$ 563,169 | (\$11,263,376 /20 units including mgr. units) |
| Allocation per Unit: | \$ 310,244 | (\$5,894,640 /19 units) |
| Allocation per Restricted Rental Unit: | \$ 310,244 | (\$5,894,640 /19 restricted units) |

| Sources of Funds: | Construction | Permanent |
|---|----------------------|----------------------|
| Tax-Exempt Bond Proceeds Series A | \$ 3,244,640 | \$ 0 |
| Tax-Exempt Bond Proceeds Series B | \$ 2,650,000 | \$ 0 |
| Taxable Bond Proceeds | \$ 0 | \$ 4,912,200 |
| LIH Tax Credit Equity | \$ 2,632,477 | \$ 4,280,627 |
| Developer Equity | \$ 1,000,000 | \$ 0 |
| Deferred Developer Fee | \$ 0 | \$ 334,290 |
| Seller Carryback Loan | \$ 1,500,000 | \$ 1,500,000 |
| Net Income From Operations | \$ 236,259 | \$ 236,259 |
| Total Sources | \$ 11,263,376 | \$ 11,263,376 |
| Uses of Funds: | | |
| Land Cost/Acquisition | \$ 5,800,000 | |
| Rehabilitation | \$ 2,161,317 | |
| Relocation | \$ 40,000 | |
| Contractor Overhead & Profit | \$ 39,595 | |
| Architectural Fees | \$ 161,500 | |
| Survey and Engineering | \$ 12,500 | |
| Construction Interest and Fees | \$ 724,989 | |
| Permanent Financing | \$ 64,737 | |
| Legal Fees | \$ 125,000 | |
| Reserves | \$ 88,944 | |
| Appraisal | \$ 4,750 | |
| Contingency Cost | \$ 397,260 | |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 258,771 | |
| Developer Costs | \$ 1,384,013 | |
| Total Uses | \$ 11,263,376 | |

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: 65 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$5,894,640 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 | 20 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 25 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 0 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 5 |
| 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 | 110 | 65 |

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.