

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 17, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$15,000,000

Project Information:
Name: Magnolia City Lights and Harbor City Lights Apartments (Scatt
Project Address: 525 W 127th Street; 2885 Leeward Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90044; 90005

Project Sponsor Information:
Name: LIH Harbor Magnolia, LP (Harbor Magnolia, LLC and Central Valley
Coalition for Affordable Housing, Inc.)
Principals: Christina Alley for the Central Valley Coalition for Affordable
Housing, Inc. and Jacob Levy, Shaoul Levy, Aryeh Aslan for Harbor
Magnolia, LLC.
Property Management Company: Platinum Realty Management

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Boston Private
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: March 8, 2017
TEFRA Adoption Date: April 13, 2017

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 110
Manager's Units: 2 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Magnolia City Lights and Harbor City Lights Apartments is an existing scattered site project located in Los Angeles. Harbor site is on a .992-acre site. Magnolia site is on a .569-acre site. The project consists of 108 rental units and 2 unrestricted managers' units. The project has 29 two-bedroom units, 72 three-bedroom units and 7 four-bedroom units. The exterior scope of work includes power washing and repainting the buildings exterior and metal rails, overlaying the roof with a new 20 year warrantied roof, replacing all the old windows with new double paned efficient ones, replacing all HVAC units, replacing all water heaters, increasing exterior lighting and replacing old fixtures with efficient LED ones. The interior improvements include replacing of all appliances, installing vinyl planking throughout the units (entirely replacing carpet), replacing all interior lighting fixtures, installing new hardwired smoke and CO detectors, and installing new low flow faucets and showerheads. Ten percent of the units will be brought to ADA accessibility standards as required by CTCAC. The rehabilitation is expected to begin in June 2017 and to be completed in December 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
47% (51 units) restricted to 50% or less of area median income households.
53% (57 units) restricted to 60% or less of area median income households.
Unit Mix: 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: | \$ 22,971,054 | |
| Estimated Hard Costs per Unit: | \$ 22,089 | (\$2,429,787 /110 units including mgr. units) |
| Estimated per Unit Cost: | \$ 208,828 | (\$22,971,054 /110 units including mgr. units) |
| Allocation per Unit: | \$ 136,364 | (\$15,000,000 /110 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ 138,889 | (\$15,000,000 /108 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--------------------------|---------------------|------------------|
| Tax-Exempt Bond Proceeds | \$ 15,000,000 | \$ 9,500,000 |
| LIH Tax Credit Equity | \$ 1,408,608 | \$ 7,312,839 |
| Cash Flow during Constr. | \$ 926,675 | \$ 926,675 |
| Deferred Developer Fee | \$ 2,697,175 | \$ 2,292,944 |
| Seller Carryback Loan | \$ 2,938,596 | \$ 2,938,596 |
| Total Sources | \$ 22,971,054 | \$ 22,971,054 |

| Uses of Funds: | |
|----------------------------------|---------------|
| Land Cost/Acquisition | \$ 15,111,229 |
| Rehabilitation | \$ 2,607,997 |
| Relocation | \$ 75,000 |
| Contractor Overhead & Profit | \$ 204,619 |
| Architectural Fees | \$ 75,000 |
| Survey and Engineering | \$ 40,000 |
| Construction Interest and Fees | \$ 926,675 |
| Permanent Financing | \$ 283,804 |
| Legal Fees | \$ 110,000 |
| Reserves | \$ 296,161 |
| Appraisal | \$ 15,000 |
| Hard Cost Contingency | \$ 276,601 |
| Other Project Costs (Soft Costs) | \$ 251,793 |
| Developer Costs | \$ 2,697,175 |
| Total Uses | \$ 22,971,054 |

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:

72.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$15,000,000 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 | Points Scored |
|--|--|---|---------------|
| Preservation Project | 20 | 20 | 20 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 35 |
| 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 | 5 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | N/A |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | N/A |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 110 | 72.5 |

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.