

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 19, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

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|-------------------|---------------------|
| Applicant: | City of Los Angeles |
|-------------------|---------------------|

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| Allocation Amount Requested: | |
| Tax-exempt: | \$29,300,000 |

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|--|--|
| Project Information: | |
| Name: | Sun Valley Senior Veterans Apartments |
| Project Address: | 9041 N. Laurel Canyon Boulevard |
| Project City, County, Zip Code: | Los Angeles, Los Angeles, 91352 |

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|-------------------------------------|--|
| Project Sponsor Information: | |
| Name: | Sun Valley Senior Veterans, LP (East LA Community Corporation and New Directions Housing, LLC) |
| Principals: | Isela Gracian, Ernesto Espinoza, Lynn Hansen and Araceli Sandoval for East LA Community Corporation; Yvette J. Kelley, Milo Meinemann and Mark Robeson for New Directions Housing, LLC |
| Property Management Company: | John Stewart Company |

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|---------------------------------------|---------------------------|
| Project Financing Information: | |
| Bond Counsel: | Kutak Rock LLP |
| Private Placement Purchaser: | JPMorgan Chase Bank, N.A. |
| 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 6, 2017 |
| TEFRA Adoption Date: | May 16, 2017 |

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|---|-------------------------------|
| Description of Proposed Project: | |
| State Ceiling Pool: | General |
| Total Number of Units: | 96 |
| Manager's Units: | 2 Unrestricted |
| Type: | New Construction |
| Population Served: | Senior Citizens/Special Needs |

Sun Valley Senior Veterans Apartments is a new construction project located in Los Angeles on a 1.5 -acre site. The project consists of 94 rental units and 2 unrestricted managers' units. The project will have 88 one-bedroom units and 8 two-bedroom units. The subject project will be a new Type 5 construction with a total of 73,668 square feet. Common amenities include a lobby, laundry facilities, management offices, two unisex bathrooms, fitness center and a computer lab. Each unit will have a kitchen, living room, bedroom(s) and a bathroom. There are 56 parking spaces provided. The construction is expected to begin September 2017 and completed in December 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (94 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|---|
| Estimated Total Development Cost: | \$ 30,945,081 | |
| Estimated Hard Costs per Unit: | \$ 150,868 | (\$14,483,321 /96 units including mgr. units) |
| Estimated per Unit Cost: | \$ 322,345 | (\$30,945,081 /96 units including mgr. units) |
| Allocation per Unit: | \$ \$305,208 | (\$29,300,000 /96 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ \$311,702 | (\$29,300,000 /94 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 29,300,000 | \$ 4,087,083 |
| LIH Tax Credit Equity | \$ 293,457 | \$ 9,515,201 |
| Deferred Developer Fee | \$ 0 | \$ 673,328 |
| Deferred Costs | \$ 1,351,624 | \$ 0 |
| HCD - AHSC Cap and Trade | \$ 0 | \$ 7,520,531 |
| HCD - AHSC HRI Grant | \$ 0 | \$ 1,148,938 |
| HCD - VHHP | \$ 0 | \$ 8,000,000 |
| Total Sources | \$ 30,945,081 | \$ 30,945,081 |

| Uses of Funds: | |
|-------------------------------------|----------------------|
| Land Cost/Acquisition | \$ 3,951,430 |
| New Construction | \$ 15,394,032 |
| Contractor Overhead & Profit | \$ 1,506,266 |
| Architectural Fees | \$ 128,700 |
| Survey and Engineering | \$ 107,699 |
| Construction Interest and Fees | \$ 3,082,782 |
| Permanent Financing | \$ 104,871 |
| Legal Fees | \$ 165,000 |
| Reserves | \$ 869,765 |
| Appraisal | \$ 10,000 |
| Hard Cost Contingency | \$ 845,014 |
| Local Development Impact Fees | \$ 184,800 |
| Other (Soft Costs, Marketing, etc.) | \$ 1,421,395 |
| Developer Costs | \$ 3,173,327 |
| Total Uses | \$ 30,945,081 |

Analyst

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:

87.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$29,300,000 in tax exempt bond allocation on a carryforward basis.

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 | 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 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 10 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| 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 | 120 | 87.5 |

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.