

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 13, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$9,000,000
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Project Information:	Name: Step Up On Second Apartments
	Project Address: 1328 2nd Street
	Project City, County, Zip Code: Santa Monica, Los Angeles, 90401

Project Sponsor Information:	Name: Step Up On Second Preservation, L.P. (Step Up On Second, Inc.)
	Principals: Tod Lipka
	Property Management Company: Step Up On Second Street Inc.

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser: Red Stone Tax Exempt Funding LLC
	Cash Flow Permanent Bond: Not Applicable
	Public Sale: Not Applicable
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	Rating: Not Applicable
	TEFRA Noticing Date: October 30, 2017
	TEFRA Adoption Date: November 14, 2017

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 36
	Manager's Units: 1 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Step Up On Second Apartments is an existing project located in Santa Monica on a 0.172-acre site. The project consists of 35 restricted rental units and 1 unrestricted manager's unit. The project has 35 studio units and 1 one-bedroom unit. The renovations will include building exterior upgrades. Building exterior renovations will consist of elevator cab improvements. Individual apartment units will be updated with new kitchen and bathroom equipment including new surfaces, flooring, paint and window treatment. In addition, the units will receive upgrades to their air conditioning and heating units. Lastly, common or site area renovations will consist of replacement of certain patio covers, common area lighting and improvements to community areas. The rehabilitation is expected to begin in March 2018 and be completed in November 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (35 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 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:	\$ 17,595,401	
Estimated Hard Costs per Unit:	\$ 20,000	(\$719,999 /36 units including mgr. units)
Estimated per Unit Cost:	\$ 488,761	(\$17,595,401 /36 units including mgr. units)
Allocation per Unit:	\$ 250,000	(\$9,000,000 /36 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 257,143	(\$9,000,000 /35 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 1,686,019
LIH Tax Credit Equity	\$ 1,404,332	\$ 4,681,106
Seller note Residential	\$ 0	\$ 5,401,201
Seller Note Commercial	\$ 0	\$ 2,000,000
Santa Monica Redevelopment Agency	\$ 2,314,674	\$ 2,314,674
City of Santa Monica Funds	\$ 1,331,252	\$ 1,331,252
Net Income From Operations	\$ 0	\$ 181,149
Deferred Developer Fee	\$ 1,545,143	\$ 0
Total Sources	\$ 15,595,401	\$ 17,595,401

Uses of Funds:	
Land Cost/Acquisition	\$ 13,000,000
Rehabilitation	\$ 684,768
Relocation	\$ 180,000
Contractor Overhead & Profit	\$ 50,527
Architectural Fees	\$ 100,000
Survey and Engineering	\$ 80,000
Construction Interest and Fees	\$ 778,000
Permanent Financing	\$ 121,760
Legal Fees	\$ 190,000
Reserves	\$ 162,066
Appraisal	\$ 8,600
Hard Cost Contingency	\$ 108,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 262,695
Developer Costs	\$ 1,868,985
Total Uses	\$ 17,595,401

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:

67.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$9,000,000 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	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	0
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	67.5