

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 21, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$29,303,755

Project Information:
Name: SP7 Apartments (Site 1)
Project Address: 519 E. 7th Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90014

Project Sponsor Information:
Name: SP7 Apartments LP (SP7 Apartments GP LLC)
Principals: Mike Alvidrez and Dana Trujillo
Property Management Company: SRHT Management Company

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: MUFG Union 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: November 6, 2017
TEFRA Adoption Date: January 22, 2018

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 81
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family/Special Needs

SP7 Apartments (Site 1) is a new construction project located in Los Angeles on a 0.26 acre site. The project consists of 80 restricted rental units and 1 unrestricted manager's unit. The project will have 80 studio units and one (1) 2-bedroom unit. The building will be a 7-story building. Common amenities include community room & kitchen, laundry facilities, management offices, conference room, community gardens, multiple patios and one bike parking space per unit. Each unit will have a refrigerator, range/oven and dishwasher. The project will be pursuing LEED Gold certification. The construction is expected to begin July 2018 and be completed in early 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (9 units) restricted to 50% or less of area median income households.

89% (71 units) restricted to 60% or less of area median income households.

Unit Mix: Studio

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:	\$ 42,077,057	
Estimated Hard Costs per Unit:	\$ 244,996	(\$19,844,655 /81 units including mgr. unit)
Estimated per Unit Cost:	\$ 519,470	(\$42,077,057 /81 units including mgr. unit)
Allocation per Unit:	\$ 361,775	(\$29,303,755 /81 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 366,297	(\$29,303,755 /80 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 29,303,755	\$ 2,819,898
LIH Tax Credit Equity	\$ 1,485,159	\$ 14,851,589
GP Equity	\$ 2,340,705	\$ 2,340,705
Deferred Costs	\$ 1,495,438	\$ 202,338
HCD VHHP	\$ 0	\$ 3,772,713
LAHCID HHH	\$ 3,402,000	\$ 11,324,814
LA Co Dept Mental Health	\$ 1,620,000	\$ 1,620,000
FHLB AHP	\$ 0	\$ 1,215,000
LA Co CDC	\$ 0	\$ 1,500,000
LAHCI HOPWA	\$ 2,430,000	\$ 2,430,000
Total Sources	\$ 42,077,057	\$ 42,077,057

Uses of Funds:	
Land Cost/Acquisition	\$ 3,010,025
Relocation	\$ 55,000
New Construction	\$ 21,771,321
Contractor Overhead & Profit	\$ 1,156,000
Architectural Fees	\$ 1,360,495
Survey and Engineering	\$ 154,346
Construction Interest and Fees	\$ 3,839,323
Permanent Financing	\$ 24,300
Legal Fees	\$ 201,690
Reserves	\$ 232,392
Appraisal	\$ 15,390
Hard Cost Contingency	\$ 3,046,965
Local Development Impact Fees	\$ 207,897
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,254,912
Developer Costs	\$ 4,747,001
Total Uses	\$ 42,077,057

Analyst Comments:

This project is considered a high cost per unit project. The project is located in the Skid Row neighborhood of Downtown Los Angeles and must adhere to prevailing wage requirements. The other factor contributing to the project's high cost per unit is the developers commitment to sustainable design and LEED Gold certification.

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:

66 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$29,303,755 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	26
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
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	120	66