

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant:	City of Los Angeles
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Allocation Amount Requested:	Tax-exempt: \$9,000,000
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Project Information:	Name: Harmony Gates Apartments
	Project Address: 5220 Harmony Avenue
	Project City, County, Zip Code: Los Angeles, Los Angeles, 91601

Project Sponsor Information:	Name: Wahmony Gates, LP (InSite Development and Housing Corporation of America)
	Principals: Steven Eglash, Scott Williams and Wah Chen for InSite Development; Ronald H. Olson and Carol Cromar for Housing Coporation of America
	Property Management Company: Ironwood Management, LLC

Project Financing Information:	Bond Counsel: Kutak Rock LLP
	Private Placement Purchaser: PNC 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 7, 2018
	TEFRA Adoption Date: April 13, 2018

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 70
	Manager's Units: 1 Restricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Harmony Gates Apartments is an existing project located in Los Angeles on a 1.282-acre site. The project consists of 69 restricted rental units and 1 restricted manager unit. The project has 22 one-bedroom units, 28 two-bedroom units, 9 three-bedroom units and 11 four-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of handicap accessibility and a fresh coat of paint. Interior renovations will include laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new appliance package (if needed), countertops, cabinets, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of concrete repairs and ADA updates. The rehabilitation is expected to begin in July 2018 and will be completed in June 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

13% (9 units) restricted to 50% or less of area median income households.

87% (61 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 17,668,439	
Estimated Hard Costs per Unit:	\$ 34,286	(\$2,400,000 /70 units including mgr. units)
Estimated per Unit Cost:	\$ 252,406	(\$17,668,439 /70 units including mgr. units)
Allocation per Unit:	\$ 128,571	(\$9,000,000 /70 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 128,571	(\$9,000,000 /70 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 5,700,000
LIH Tax Credit Equity	\$ 2,363,363	\$ 5,663,363
Developer Equity	\$ 350,000	\$ 350,000
Deferred Developer Fee	\$ 1,606,677	\$ 1,606,677
Los Angeles HCID	\$ 4,001,384	\$ 4,001,384
Net Income From Operations	\$ 347,015	\$ 347,015
Total Sources	\$ 17,668,439	\$ 17,668,439

Uses of Funds:	
Land Cost/Acquisition	\$ 11,165,000
Rehabilitation	\$ 2,448,000
Relocation	\$ 91,689
Contractor Overhead & Profit	\$ 288,000
Architectural Fees	\$ 40,000
Survey and Engineering	\$ 14,500
Construction Interest and Fees	\$ 660,541
Permanent Financing	\$ 60,000
Reserves	\$ 210,156
Appraisal	\$ 12,000
Hard Cost Contingency	\$ 400,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 65,200
Developer Costs	\$ 2,213,353
Total Uses	\$ 17,668,439

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:

66.4 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	26.4
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	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	66.4