

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 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: \$23,000,000
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Project Information:	Name: West Third Apartments
	Project Address: 1900 West Third Street
	Project City, County, Zip Code: Los Angeles, Los Angeles, 90057

Project Sponsor Information:	Name: West Third Apartments Preservation, L.P. (Figueroa Economical Housing Development Corp.; Veterans Housing Partnership, LLC and Step Up on Second, Inc.)
	Principals: Kendall Walker, Figueroa Economical Housing Development Corporation; Andrew Meyers, Veterans Housing Partnership, LLC; Tod Lipka, Step Up on Second, Inc.; Linda Hill, AEGON USA Realty Advisors, LLC
	Property Management Company: Step Up on Second Street

Project Financing Information:	Bond Counsel: Kutak Rock LLP
	Private Placement Purchaser: Red Stone A7 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: May 5, 2018
	TEFRA Adoption Date: June 12, 2018

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 137
	Manager's Units: 1 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family/Special Needs

West Third Apartments is an existing project located in Los Angeles on a .97-acre site. The project consists of 136 restricted rental units and 1 unrestricted manager unit. The project has 137 Studio units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of roof repair, window replacements and a fresh coat of paint. Interior renovations will include a laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new appliance package, countertops, cabinets, fixtures, paint and electrical updates. The rehabilitation is expected to begin in October 2018 and be completed in October 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

40% (55 units) restricted to 50% or less of area median income households.
60% (81 units) restricted to 60% or less of area median income households.

Unit Mix: Studio

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:	\$ 42,939,585	
Estimated Hard Costs per Unit:	\$ 30,702	(\$4,206,219 /137 units including mgr. units)
Estimated per Unit Cost:	\$ 313,428	(\$42,939,585 /137 units including mgr. units)
Allocation per Unit:	\$ 167,883	(\$23,000,000 /137 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 169,118	(\$23,000,000 /136 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 23,000,000	\$ 11,229,101
LIH Tax Credit Equity	\$ 3,542,979	\$ 11,809,929
Deferred Developer Fee	\$ 1,650,000	\$ 1,650,000
Seller Carryback Loan	\$ 4,454,608	\$ 7,958,557
HCIDLA HHH Loan	\$ 10,291,998	\$ 10,291,998
Total Sources	\$ 42,939,585	\$ 42,939,585

Uses of Funds:	
Land Cost/Acquisition	\$ 30,000,000
Rehabilitation	\$ 4,527,008
Contractor Overhead & Profit	\$ 336,491
Architectural Fees	\$ 100,000
Survey and Engineering	\$ 80,000
Construction Interest and Fees	\$ 1,857,750
Permanent Financing	\$ 274,591
Legal Fees	\$ 190,000
Reserves	\$ 1,404,662
Appraisal	\$ 8,600
Hard Cost Contingency	\$ 479,500
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 810,983
Developer Costs	\$ 2,870,000
Total Uses	\$ 42,939,585

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:

70 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$23,000,000 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 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
Large Family Units	5	5	0
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	70