

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: Felicity Wood

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

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| Allocation Amount Requested: | Tax-exempt: | \$5,800,000 |
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| Project Information: | Name: | Western Avenue Apartments |
| | Project Address: | 5501 S. Western Avenue |
| | Project City, County, Zip Code: | Los Angeles, Los Angeles, 90062 |

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|-------------------------------------|-------------------------------------|--|
| Project Sponsor Information: | Name: | Western Avenue Apartments Preservation, L.P. (Figueroa Economical Housing Development Corporation; Veterans Housing Partnership, LLC; Step Up on Second, Inc.) |
| | Principals: | Kendall Walker for Figueroa Economical Housing Development Corporation; Andrew Meyers for Veterans Housing Partnership, LLC; Tod Lipka for Step Up on Second, Inc. |
| | Property Management Company: | Step Up On Second Street |

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|---------------------------------------|-------------------------------------|------------------|
| Project Financing Information: | Bond Counsel: | Kutak Rock LLP |
| | Private Placement Purchaser: | Red Stone AT 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 10, 2018 |
| | TEFRA Adoption Date: | May 21, 2018 |

| | | |
|---|-------------------------------|--------------------------------|
| Description of Proposed Project: | State Ceiling Pool: | General |
| | Total Number of Units: | 33 |
| | Manager's Units: | 1 Unrestricted |
| | Type: | Acquisition and Rehabilitation |
| | Population Served: | Special Needs |

Western Avenue Apartments is an existing motel located in the City of Los Angeles on a 0.46-acre site. The project consists of 32 restricted rental units, and one unrestricted manager unit. The project has 32 studios, and one two-bedroom unit. Building exterior renovations will consist of common area lighting, improvements to community areas, and paint. Interior renovations will include upgrades for air conditioning and heating units, electrical and plumbing. Individual apartment units will be updated with new kitchen and bathroom equipment, new cabinets, new kitchen surfaces, new flooring, paint and new window treatments. 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%

41% (13 units) restricted to 50% or less of area median income households.

59% (19 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: | \$ 11,440,379 | |
| Estimated Hard Costs per Unit: | \$ 37,500 | (\$1,237,500 /33 units including mgr. unit) |
| Estimated per Unit Cost: | \$ 346,678 | (\$11,440,379 /33 units including mgr. unit) |
| Allocation per Unit: | \$ 175,758 | (\$5,800,000 /33 units including mgr. unit) |
| Allocation per Restricted Rental Unit: | \$ 181,250 | (\$5,800,000 /32 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--|---------------|---------------|
| Tax-Exempt Bond Proceeds | \$ 5,800,000 | \$ 2,085,789 |
| LIH Tax Credit Equity | \$ 931,000 | \$ 3,103,332 |
| Deferred Developer Fee | \$ 49,346 | \$ 0 |
| Seller Carryback Loan | \$ 0 | \$ 1,591,225 |
| City of L.A. HHH Loan per Attachment F0 and F1 | \$ 4,660,033 | \$ 4,660,033 |
| Total Sources | \$ 11,440,379 | \$ 11,440,379 |

| Uses of Funds: | |
|---|---------------|
| Land Cost/Acquisition | \$ 6,800,000 |
| Rehabilitation | \$ 1,427,250 |
| Architectural Fees | \$ 125,000 |
| Survey and Engineering | \$ 93,500 |
| Construction Interest and Fees | \$ 687,000 |
| Permanent Financing | \$ 104,638 |
| Legal Fees | \$ 130,000 |
| Reserves | \$ 215,982 |
| Appraisal | \$ 8,600 |
| Hard Cost Contingency | \$ 211,613 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 377,679 |
| Developer Costs | \$ 1,259,117 |
| Total Uses | \$ 11,440,379 |

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:

75 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$5,800,000 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 | 10 |
| 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 | 75 |