

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

Applicant: City of Los Angeles

Allocation Amount Requested: Tax-exempt: \$5,800,000

Project Information: Name: Western Avenue Apartments
Project Address: 5501 S. Western Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90062

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

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)

	<u>Construction</u>	<u>Permanent</u>
Sources of Funds:		
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