

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: Sarah Lester

Applicant:	City of Los Angeles
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Allocation Amount Requested:	
Tax-exempt:	\$30,776,298

Project Information:	
Name:	FLOR 401 Lofts Apartments
Project Address:	401 E. 7th Street
Project City, County, Zip Code:	Los Angeles, Los Angeles, 90014

Project Sponsor Information:	
Name:	FLOR 401 Lofts LP (FLOR 401 Lofts GP LLC)
Principals:	Mike Alvidrez and Dana Trujillo
Property Management Company:	The John Stewart Company

Project Financing Information:	
Bond Counsel:	Kutak Rock LLP
Private Placement Purchaser:	U.S. Bank National Association
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:	June 7, 2018

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	99
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family/Special Needs

The FLOR 401 Lofts Apartments is a new construction project located in Los Angeles on a 19,544 square foot parcel. The project consists of 98 restricted rental units and 1 unrestricted manager unit. The project will have 98 studio units and 1 two-bedroom unit (manager unit). The building will be six stories, including a mix of residential serving amenities on the first floor with an additional five stories of residential living space built above that will be centered around a courtyard. This development will incorporate sustainable design and energy efficient features and practices both during the construction process and after completion. The project will seek a Gold rating for LEED for Homes, and will promote sustainable living by incorporating energy-efficient systems and appliances, recycled materials, local and low-VOC materials, renewable energy through solar PV and solar thermal systems, as well as reduced and efficient water usage throughout the project. Construction is expected to begin December 2018 and be completed in August 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (30 units) restricted to 50% or less of area median income households.
69% (68 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: \$ 51,873,340
Estimated Hard Costs per Unit: \$ 234,325 (\$23,198,208 /99 units including mgr. unit)
Estimated per Unit Cost: \$ 523,973 (\$51,873,340 /99 units including mgr. unit)
Allocation per Unit: \$ 310,872 (\$30,776,298 /99 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 314,044 (\$30,776,298 /98 restricted unit)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 30,776,298	\$ 4,847,400
LIH Tax Credit Equity	\$ 2,950,997	\$ 20,353,316
Deferred Developer Fee	\$ 3,916,093	\$ 3,916,093
Deferred Costs	\$ 1,728,060	\$ 0
Commercial Revenue (Holding Period)	\$ 0	\$ 559,000
LA HCID HHH	\$ 8,000,000	\$ 11,980,000
HCD VHHP	\$ 0	\$ 5,715,639
LA HCID HOME	\$ 1,001,892	\$ 1,001,892
CDC of the County of LA	\$ 1,500,000	\$ 1,500,000
AHP	\$ 2,000,000	\$ 2,000,000
Total Sources	\$ 51,873,340	\$ 51,873,340

Uses of Funds:	
Land Cost/Acquisition	\$ 5,372,181
Rehabilitation	\$ 1,508,220
New Construction	\$ 26,063,127
Contractor Overhead & Profit	\$ 1,042,348
Architectural Fees	\$ 1,908,595
Survey and Engineering	\$ 181,300
Construction Interest and Fees	\$ 4,300,414
Permanent Financing	\$ 10,000
Legal Fees	\$ 120,000
Reserves	\$ 736,880
Appraisal	\$ 6,800
Hard Cost Contingency	\$ 1,380,840
Local Development Impact Fees	\$ 152,436
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,774,106
Developer Costs	\$ 5,316,093
Total Uses	\$ 51,873,340

Analyst Comments:

This project is considered a high cost per unit project. According to the Applicant, the factors that contribute to these costs are prevailing wage requirements; LEED for Homes Gold certification and a lease amendment with existing commercial tenant (\$1.5 million payment for tenant to vacate the property).

The project is a high cost per unit project. The factors contributing to the excess cost are: prevailing wage requirements, LEED for Homes Gold certification, lease amendment with existing commercial tenant (\$1.5 million payment for tenant to vacate the property).

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 \$30,776,298 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	0
Exceeding Minimum Income Restrictions:	35	15	35
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	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	75