

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: Ruben Barcelo

Applicant:	California Municipal Finance Authority
-------------------	---

Allocation Amount Requested:	Tax-exempt: \$8,000,000
-------------------------------------	--------------------------------

Project Information:	Name: Kensington II Apartments
	Project Address: West Avenue I at 32nd Street West
	Project City, County, Zip Code: Lancaster, Los Angeles, 93536

Project Sponsor Information:	Name: When Life Hands You Lemons, LP (Ocean Park Community Center; and InSite Development, LLC)
	Principals: John Maceri for Ocean Park Community Center; and Steven Eglash, Scott Williams and Dehua Chen for InSite Development, LLC
	Property Management Company: Ironwood Management

Project Financing Information:	Bond Counsel: Kutak Rock LLP
	Private Placement Purchaser: California Bank & Trust
	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 29, 2018
	TEFRA Adoption Date: June 12, 2018

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 51
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family/Special Needs

Kensington II Apartments is a new construction project located in Lancaster on a 3.5-acre site. The project will provide 50 restricted rental units and 1 unrestricted manager unit, all of which will be 1-bedroom. The project consists of 4 two-story buildings. Common amenities include a large outdoor community area, community rooms, laundry facilities, exercise room, storage, full-time security service and digital surveillance monitoring system. Each unit will feature kitchens equipped with a stove, refrigerator and disposal. Seventy parking spaces will be provided. Construction is scheduled to begin in October 2018 and be completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (50 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

The project will provide the services of a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	16,533,553	
Estimated Hard Costs per Unit:	\$	203,603	(\$10,383,753 /51 units including mgr. unit)
Estimated per Unit Cost:	\$	324,187	(\$16,533,553 /51 units including mgr. unit)
Allocation per Unit:	\$	156,863	(\$8,000,000 /51 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$	160,000	(\$8,000,000 /50 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,000,000	\$ 1,000,000
LIH Tax Credit Equity	\$ 192,821	\$ 6,427,360
General Partner Equity	\$ 1	\$ 1
Deferred Developer Fee	\$ 181	\$ 1,188,695
General Partner Loan	\$ 0	\$ 320,000
Los Angeles County Loan	\$ 6,800,000	\$ 7,000,000
City of Lancaster Loan	\$ 0	\$ 597,497
Total Sources	\$ 14,993,003	\$ 16,533,553

Uses of Funds:	
Land Cost/Acquisition	\$ 1
New Construction	\$ 10,467,741
Contractor Overhead & Profit	\$ 714,259
Architectural Fees	\$ 350,000
Survey and Engineering	\$ 125,000
Construction Interest and Fees	\$ 766,906
Permanent Financing	\$ 35,000
Legal Fees	\$ 86,375
Reserves	\$ 483,476
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 450,000
Local Development Impact Fees	\$ 597,497
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 290,748
Developer Costs	\$ 2,156,550
Total Uses	\$ 16,533,553

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:

72.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$8,000,000 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	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	2.5
Service Amenities	10	10	5
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	72.5