

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 19, 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

Allocation Amount Requested:

Tax-exempt: \$3,236,070

The amount of allocation requested is supplemental to the \$13,059,364 of allocation the Project received on December 13, 2017.

Project Information:

Name: RISE Apartments (Supplemental)
Project Address: 4050 S. Figueroa Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90037

Project Sponsor Information:

Name: RISE Housing, LP (Single Room Occupancy Housing Corporation and Highridge Costa Development Company, LLC)
Principals: Anita U. Nelson, Peggy Lichthart and Joseph Corcoran Michael for Single Room Occupancy Housing Corporation; A. Costa, Mohannad H. Mohanna and Alison A. Mohanna for Highridge Costa Development Company, LLC
Property Management Company: Single Room Occupancy Housing Corporation

Project Financing Information:

Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: Citibank, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: October 7, 2017
TEFRA Adoption Date: November 7, 2017

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 57
Manager's Units: 1 Restricted
Type: New Construction
Population Served: Family/Special Needs

RISE Apartments is a new construction project located in Los Angeles on a 0.37-acre site. The project consists of 56 restricted rental units and 1 restricted manager's unit. The project will have 56 studio units and 1 one-bedroom unit. The building will be 5 stories with one level of podium deck and one level of subterranean parking. Common amenities include covered parking, bicycle storage, community room, laundry room, courtyard and roof terraces. Each unit will have window coverings, ceiling fan, heating and air conditioning, cooktop, microwave and refrigerator. In addition, all units will be fully furnished. The construction is expected to begin June 2018 and be completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
98% (56 units) restricted to 50% or less of area median income households.
2% (1 unit) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

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:	\$ 31,675,818	
Estimated Hard Costs per Unit:	\$ 290,613	(\$16,564,916 /57 units including mgr. unit(s))
Estimated per Unit Cost:	\$ 555,716	(\$31,675,818 /57 units including mgr. unit(s))
Allocation per Unit:	\$ 285,885	(\$16,295,434 /57 units including mgr. unit(s))
Allocation per Restricted Rental Unit:	\$ 290,990	(\$16,295,434 /56 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 16,295,434	\$ 6,571,562
LIH Tax Credit Equity	\$ 2,683,076	\$ 11,285,916
Deferred Developer Fee	\$ 0	\$ 1,818,340
Deferred Costs	\$ 3,197,308	\$ 0
HCIDLA Measure HHH Loan	\$ 9,500,000	\$ 9,500,000
HCIDLA Loan	\$ 0	\$ 2,500,000
Total Sources	\$ 31,675,818	\$ 31,675,818

Uses of Funds:	
Land Cost/Acquisition	\$ 1,307,500
New Construction	\$ 20,575,421
Contractor Overhead & Profit	\$ 1,156,905
Architectural Fees	\$ 892,882
Survey and Engineering	\$ 802,000
Construction Interest and Fees	\$ 529,740
Permanent Financing	\$ 66,107
Legal Fees	\$ 295,000
Reserves	\$ 296,668
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 889,171
Local Development Impact Fees	\$ 855,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 257,194
Developer Costs	\$ 3,732,230
Total Uses	\$ 31,675,818

Analyst Comments:

According to the Applicant, this supplemental allocation is being requested due to an unexpected increase in construction costs for materials and an adjustment for commercial prevailing wages. After the initial bond allocation, the bids received from the general contractor were much higher than expected.

This project is considered a high cost per unit project. The following factors contribute to this high cost: increase in hard construction costs; and an increase of developer fee to close the funding gap, which is being deferred.

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.

Recommendation:

Staff recommends that the Committee approves \$3,236,070 in tax-exempt bond allocation on a carryforward basis.

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 13, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant:	City of Los Angeles
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Allocation Amount Requested:	
Tax-exempt:	\$13,059,364

Project Information:	
Name:	RISE Apartments
Project Address:	4050 S. Figueroa Street
Project City, County, Zip Code:	Los Angeles, Los Angeles, 90037

Project Sponsor Information:	
Name:	RISE Housing, LP (Single Room Occupancy Housing Corporation and Highridge Costa Development Company, LLC)
Principals:	Anita U. Nelson, Peggy Lichthart and Joseph Corcoran Michael for Single Room Occupancy Housing Corporation; A. Costa, Mohannad H. Mohanna and Alison A. Mohanna for Highridge Costa Development Company, LLC
Property Management Company:	Single Room Occupancy Housing Corporation

Project Financing Information:	
Bond Counsel:	Kutak Rock LLP
Private Placement Purchaser:	Citibank, N.A.
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	October 7, 2017
TEFRA Adoption Date:	November 7, 2017

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	57
Manager's Units:	1 Restricted
Type:	New Construction
Population Served:	Family/Special Needs

RISE Apartments is a new construction project located in Los Angeles on a 0.37-acre site. The project consists of 56 restricted rental units 1 restricted manager's unit. The project will have 56 studio units and 1 one-bedroom unit. The building will be 5 stories with one level of podium deck and one level of subterranean parking. Common amenities include covered parking, bicycle storage, community room, laundry room, courtyard and roof terraces. Each unit will have window coverings, ceiling fan, heating and air conditioning, cooktop and microwave and refrigerator. In addition, all units will be fully furnished. The construction is expected to begin June 2018 and completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
98% (56 units) restricted to 50% or less of area median income households.
2% (1 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 24,523,656
Estimated Hard Costs per Unit: \$ 196,496 (\$11,200,255 /57 units including mgr. units)
Estimated per Unit Cost: \$ 430,240 (\$24,523,656 /57 units including mgr. units)
Allocation per Unit: \$ 229,112 (\$13,059,364 /57 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 229,112 (\$13,059,364 /57 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,059,364	\$ 5,610,700
LIH Tax Credit Equity	\$ 0	\$ 9,176,040
Developer Note	\$ 0	\$ 236,916
HCIDLA Loan	\$ 9,500,000	\$ 9,500,000
Deferred Costs	\$ 1,964,292	\$ 0
Total Sources	\$ 24,523,656	\$ 24,523,656

Uses of Funds:	
Land Cost/Acquisition	\$ 2,334,423
New Construction	\$ 13,683,837
Contractor Overhead & Profit	\$ 972,365
Architectural Fees	\$ 892,882
Survey and Engineering	\$ 742,000
Construction Interest and Fees	\$ 529,740
Permanent Financing	\$ 66,107
Legal Fees	\$ 295,000
Reserves	\$ 296,668
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 889,171
Local Development Impact Fees	\$ 855,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 232,611
Developer Costs	\$ 2,713,852
Total Uses	\$ 24,523,656

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:

82.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$13,059,364 in tax-exempt bond allocation.

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
Gross Rents	5	5	5
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	10
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	82.5