

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: Richard Fischer

Applicant: City of Los Angeles

Allocation Amount Requested: Tax-exempt: \$16,680,000

Project Information: Name: Residences on Main Apartments
Project Address: 6901-6917 South Main Street
Project City, County, Zip Code: Los Angeles, Los Angeles, 90003

Project Sponsor Information: Name: Residences on Main, L.P. (Residences on Main GP, LLC)
Principals: Stephanie Klasky-Gamer, Aaron Leon, John Horn, Kris Freed
and Daniel Huynh for Residences on Main GP, LLC
Property Management Company: The John Stewart Company

Project Financing Information: Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: JPMorgan Chase Bank, 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: July 6, 2018
TEFRA Adoption Date: August 14, 2018

Description of Proposed Project: State Ceiling Pool: General
Total Number of Units: 50
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family/Special Needs

Residences on Main Apartments is a new construction project located in Los Angeles on a 4 parcel site. The project consists of 49 restricted rental units and 1 unrestricted manager units. The project will have 21 studio units, 15 one-bedroom units, 6 two-bedroom units and 8 three-bedroom units. The building will be 4 stories. Common amenities include community rooms, laundry facilities, management offices and 54 bike parking stalls. Each unit will have a complete bathroom and kitchen. There are 25 parking spaces provided. The project will be pursuing LEED certification. The construction is expected to begin March 2019 and be completed in June 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (49 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 29,250,655	
Estimated Hard Costs per Unit:	\$ 284,020	(\$14,201,023 /50 units including mgr. units)
Estimated per Unit Cost:	\$ 585,013	(\$29,250,655 /50 units including mgr. units)
Allocation per Unit:	\$ 333,600	(\$16,680,000 /50 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 340,408	(\$16,680,000 /49 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 16,680,000	\$ 2,002,300
LIH Tax Credit Equity	\$ 923,794	\$ 10,092,943
Deferred Developer Fee	\$ 882,312	\$ 882,312
Deferred Costs	\$ 959,449	\$ 0
LA County CDC	\$ 3,000,000	\$ 3,000,000
HCIDLA HHH	\$ 4,312,000	\$ 10,780,000
LACDC Deferred Int	\$ 105,900	\$ 105,900
HCIDLA Land Loan	\$ 1,120,000	\$ 1,120,000
HCID Land Loan Defer. Int	\$ 67,200	\$ 67,200
FHLB AHP	\$ 1,200,000	\$ 1,200,000
Total Sources	\$ 29,250,655	\$ 29,250,655

Uses of Funds:	
Land Cost/Acquisition	\$ 2,205,880
New Construction	\$ 15,521,326
Contractor Overhead & Profit	\$ 696,466
Architectural Fees	\$ 740,000
Survey and Engineering	\$ 214,000
Construction Interest and Fees	\$ 1,955,339
Permanent Financing	\$ 63,220
Legal Fees	\$ 152,000
Reserves	\$ 207,016
Appraisal	\$ 14,000
Hard Cost Contingency	\$ 1,635,581
Local Development Impact Fees	\$ 250,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,213,514
Developer Costs	\$ 3,382,313
Total Uses	\$ 29,250,655

Analyst Comments:

This project is considered a High Cost Per Unit project. The project is required to pay prevailing wage and is reflecting the latest construction costs estimates for the Los Angeles market. Also, the project is an urban infill project and has at grade parking beneath the residential units adding to the high cost. The project currently has existing buildings on the site which are being demolished.

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:

95 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$16,680,000 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	10
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
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	95