Agenda Item No. 10.13
Application No. 18-438

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	**City of Los Angeles**
Allocation Amount Requested:	
Tax-exempt:	$19,000,000
Project Information:	
Name:	**Building 208 Apartments**
Project Address:	11301 Wilshire Blvd, Building 208
Project City, County, Zip Code:	Unincorporated, Los Angeles, 90073
Project Sponsor Information:	
Name:	Building 208 Preservation, L.P. (Figueroa Economical Housing Development Corporation, Veterans Housing Partnership, LLC, and Step Up on Second, Inc.)
Principals:	Lyndale Frison for Figueroa Economical Housing Development Corporation; Andrew Meyers for Veterans Housing Partnership, LLC; and Tod Lipka for Step Up on Second, Inc.
Property Management Company:	Step Up On Second Street, Inc.
Project Financing Information:	
Bond Counsel:	Kutak Rock LLP
Private Placement Purchaser:	Red Stone A7 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:	September 28, 2018
TEFRA Adoption Date:	November 13, 2018
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	54
Manager's Units:	1 Unrestricted
Type:	New Construction (Adaptive Reuse)
Population Served:	Family/Special Needs

Building 208 Apartments is an adaptive reuse project located on federal property in Los Angeles county on a 1.2-acre site. It will convert a vacant, three-story, historic commercial building into affordable units for veterans. The project will consist of 53 restricted rental units and 1 unrestricted manager unit distributed as 26 studios and 28 one-bedroom units. Common amenities will include a meeting room, a computer room, laundry facilities, elevator, electronic entry, video security system, on-site management and parking. Each unit will feature a new kitchenette equipped with cooktop stove, microwave oven and refrigerator, a bathroom, new flooring, window treatments and heating/AC. Green features include energy efficient appliances and HVAC systems, and low-flow plumbing fixtures. Construction is expected to begin in March 2019 and be completed in September 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

42% (22 units) restricted to 50% or less of area median income households.
58% (31 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

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:	$	33,294,297	
Estimated Hard Costs per Unit:	$	216,871	($11,711,053 /54 units including mgr. units)
Estimated per Unit Cost:	$	616,561	($33,294,297 /54 units including mgr. units)
Allocation per Unit:	$	351,852	($19,000,000 /54 units including mgr. units)
Allocation per Restricted Rental Unit:	$	358,491	($19,000,000 /53 restricted units)

Sources of Funds:		Construction		Permanent
Tax-Exempt Bond Proceeds	$	19,000,000	$	2,532,801
LIH Tax Credit Equity	$	1,494,297	$	4,980,992
Deferred Developer Fee	$	1,140,000	$	1,140,000
Seller Carryback Loan	$	0	$	9,236,222
City of Los Angeles Proposition HHH Loan	$	11,660,000	$	11,660,000
Historic Credits	$	0	$	3,744,282
Total Sources	$	33,294,297	$	33,294,297

Uses of Funds:		
Land Cost/Acquisition	$	9,612,500
Rehabilitation	$	12,690,716
Contractor Overhead & Profit	$	936,884
Architectural Fees	$	350,000
Survey and Engineering	$	180,000
Construction Interest and Fees	$	3,051,134
Permanent Financing	$	334,328
Legal Fees	$	235,000
Reserves	$	401,912
Appraisal	$	8,600
Hard Cost Contingency	$	2,002,590
Other Project Costs (Soft Costs, Marketing, etc.)	$	990,633
Developer Costs	$	2,500,000
Total Uses	$	33,294,297

Analyst Comments:

In addition to citing general market conditions driving up acquisition costs in the Los Angeles area, the developer provided the following reasons for exceeding CDLAC's per unit cost threshold. Project plans call for a complete gutting of building interior and the addition of new systems and interior surfaces, including plumbing, electrical, ventilation, walls and ceilings. Substantial hazardous material mitigation is required to address issues related to asbestos and lead-based paint. Plans require a seismic retrofit. The building is on a historic registry, requiring added cost to comply with restrictive related building codes.

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:

70 out of 140 **[**See Attachment A**]**

Recommendation:

Staff recommends that the Committee approves $19,000,000 in tax-exempt bond allocation on a carryforward basis.

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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	5
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**	**70**