

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2019
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
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Allocation Amount Requested:	
Tax-exempt:	\$15,742,500

Project Information:	
Name:	Emerson Apartments
Project Address:	4760 and 4766 Melrose Avenue
Project City, County, Zip Code:	Los Angeles, Los Angeles, 90029

Project Sponsor Information:	
Name:	Melrose PSH, L.P. (AHG Melrose LLC; and Nexus for Affordable Housing)
Principals:	James Silverwood and Jimmy Silverwood for AHG Melrose LLC; and Gina Onweiler for Nexus for Affordable Housing
Property Management Company:	Solari Enterprises, Inc.

Project Financing Information:	
Bond Counsel:	Kutak Rock LLP
Private Placement Purchaser:	Banner Bank
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	March 6, 2019
TEFRA Adoption Date:	April 9, 2019

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	39
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family/Special Needs

Emerson Apartments is a new construction project located in Los Angeles on a 0.23-acre site. The project will provide 38 restricted rental units and 1 unrestricted manager unit distributed as 38 studios and 1 two-bedroom unit. The project will consist of a single, elevator-served, 5-story building. Common amenities will include a community room, a rooftop terrace, a large garden, laundry facilities, management offices, bicycle parking and two automobile parking spaces. Each unit will feature a bed, dresser, table and chairs, and each kitchen will provide a refrigerator, range, microwave oven and cabinets/pantry. Construction is expected to begin in September 2019 and be completed in April 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

42% (16 units) restricted to 50% or less of area median income households.

58% (22 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 for providing the services of a bona fide service coordinator.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 24,115,699	
Estimated Hard Costs per Unit:	\$ 291,509	(\$11,368,863 /39 units including mgr. unit)
Estimated per Unit Cost:	\$ 618,351	(\$24,115,699 /39 units including mgr. unit)
Allocation per Unit:	\$ 403,654	(\$15,742,500 /39 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 414,276	(\$15,742,500 /38 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,742,500	\$ 2,500,000
LIH Tax Credit Equity	\$ 697,030	\$ 7,744,779
Deferred Developer Fee	\$ 0	\$ 574,920
HCIDLA Proposition HHH Loan	\$ 7,676,169	\$ 8,360,000
HCD VHHP Loan	\$ 0	\$ 4,936,000
Total Sources	\$ 24,115,699	\$ 24,115,699

Uses of Funds:	
Land Cost/Acquisition	\$ 3,657,056
New Construction	\$ 11,918,863
Contractor Overhead & Profit	\$ 800,000
Architectural Fees	\$ 875,000
Construction Interest and Fees	\$ 1,153,293
Permanent Financing	\$ 442,000
Legal Fees	\$ 190,000
Reserves	\$ 549,455
Appraisal	\$ 8,000
Hard Cost Contingency	\$ 890,320
Local Development Impact Fees	\$ 114,250
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,067,612
Developer Costs	\$ 2,449,850
Total Uses	\$ 24,115,699

Analyst Comments:

This project exceeds CDLAC's cost per unit threshold. Factors that contributed to the high cost include the following: the project's 5-story design requires more costly construction using wood framing over a concrete podium first floor; project plans include construction of a rooftop deck to satisfy a City "open space" requirement; the City imposed a frontage setback requirement that materially reduced the project's footprint and reduced the number of units, resulting in increased costs per square foot; and having to use prevailing wage rates as a requirement imposed by City, HUD and HCD funding commitments.

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 \$15,742,500 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
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	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	75