

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Muri Bartkovsky

Applicant:	City of Los Angeles
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Allocation Amount Requested:	Tax-exempt:	\$15,254,797
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Project Information:	Name:	Dahlia
	Project Address:	12003 S. Main Street
	Project City, County, Zip Code:	Los Angeles, Los Angeles, 90061

Project Sponsor Information:	Name:	S. Main PSH, L.P. (Parent Company: Affirmed Housing
	Principals:	James Silverwood and Nicki Cometa of AHG S. Main, LLC and Randall Simmrin of Community Advancement Development Corporation
	Property Management Company:	Solan 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:	July 20, 2019
	TEFRA Adoption Date:	August 20, 2019

Description of Proposed Project:	State Ceiling Pool:	General
	Total Number of Units:	56
	Manager's Units:	1 Unrestricted
	Type:	New Construction
	Population Served:	Family/Special Needs

The Dahlia Apartments is a new construction project located in Los Angeles on a 12,564 SF lot. The project will target the chronically homeless and consists of 55 restricted rental units, and 1 unrestricted manager unit. The project will have 43 studio units, 12 one-bedroom units, and 1 two-bedroom unit. The building will be four levels of wood framed (Type V) construction over one level of concrete (Type I), slab on grade foundation and an exterior primarily of stucco. Common amenities include; a community room, computer room, laundry room, secure bike parking with room to service bikes, and a terrace with open and shaded areas with city views. Each unit will be furnished with a range, microwave, cabinets/pantry, breadboard and refrigerator, a bed, dresser, and table with chairs. The project has committed to GreenPoint Gold Rated construction. There are 8 parking stalls. The construction is expected to begin March 2020 and be completed in September 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (55 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 bedroom

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: \$ 29,689,856
Estimated Hard Costs per Unit: \$ 326,665 (\$18,293,243 /56 units including mgr. units)
Estimated per Unit Cost: \$ 530,176 (\$29,689,856 /56 units including mgr. units)
Allocation per Unit: \$ 272,407 (\$15,254,797 /56 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 277,360 (\$15,254,797 /55 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,254,797	\$ 0
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 5,238,295
AHP	\$ 0	\$ 550,000
LIH Tax Credit Equity	\$ 3,300,428	\$ 11,001,426
HHH Funds- HCIDLA	\$ 8,890,595	\$ 12,000,000
MGP Contribution	\$ 0	\$ 900,135
Deferred Costs	\$ 2,244,036	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
Itemized Public Funds Sources	\$ 0	\$ 0
Net Income From Operations	\$ 0	\$ 0
Misc	\$ 0	\$ 0
Misc	\$ 0	\$ 0
Misc	\$ 0	\$ 0
Total Sources	\$ 29,689,856	\$ 29,689,856

Uses of Funds:	
Land Cost/Acquisition	\$ 1,686,176
Rehabilitation	\$ 0
Relocation	\$ 119,850
New Construction	\$ 18,082,067
Contractor Overhead & Profit	\$ 0
Architectural Fees	\$ 700,000
Survey and Engineering	\$ 300,000
Construction Interest and Fees	\$ 1,383,199
Permanent Financing	\$ 522,000
Legal Fees	\$ 200,000
Reserves	\$ 422,441
Appraisal	\$ 0
Hard Cost Contingency	\$ 1,280,527
Local Development Impact Fees	\$ 0
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,593,461
Developer Costs	\$ 3,400,135
Total Uses	\$ 29,689,856

Analyst Comments:

There are a few reasons why the cost per unit is high for this project. The site is restricted by setback requirements along the rear and side of the property, as well as transitional height (step-down) on the south side of the building. Because of the setbacks and transitional height requirements, the unit count is ultimately reduced. The project is also exceeding TOC requirements for parking (zero spaces) by providing eight structured parking spaces (including one accessible space) for residents and employees to use. The tuck-under parking provided on the west side of the building further reduces available space for more units that could increase economies of scale. Further, the units are designed as single resident occupancy units (43) and one-bedroom units (12), which results in higher costs due primarily to the ratio of bathrooms and kitchens to number of units. The project will include accessible and adaptable ADA standards and higher energy standards (GreenPoint Gold Rated) than a typical apartment building. The construction type is four stories of wood over concrete podium to accommodate the first floor layout that is designed to include the leasing office, community room, computer room, case managers' offices, and laundry facility. These amenities are available to all tenants free of charge. The project includes a 4th floor deck that serves to meet open space requirements of City of LA zoning. While a nice amenity, the deck also adds cost to the project. Finally, the project is required to pay prevailing wages, per the City of Los Angeles funding requirements and federal vouchers. A recent study funded by the California Home Building Foundation notes that prevailing wages increase hourly labor costs by 89%, resulting in an overall construction cost increase of 37%.

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 \$0,000 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	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	5
Site Amenities	10	10	5
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	5
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	110	95