

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: Chee Thao Yang

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$29,720,000

Project Information:

Name: Robert Farrell Manor & Western Gardens Apartments
Project Address: 1818 West 71st Street and 1742 West 84th Place
Project City, County, Zip Code: Los Angeles, Los Angeles, 90047

Project Sponsor Information:

Name: Robert Western Preservation, L.P. (Robert Western GP, LLC; and Affordable Housing Solutions)
Principals: Kevin Wiser, Robin Salomon, Drew Orenstein and Franklin Hess for Robert Western GP, LLC; and Robert Cherry for Affordable Housing Solutions
Property Management Company: EMP III, Inc., dba Alpha Property Management

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Pacific Western Bank (Tranche B)
Cash Flow Permanent Bond: Not Applicable
Public Sale: Credit Enhanced (Tranche A)
Underwriter: Stifel, Nicolaus & Company, Inc.
Credit Enhancement Provider: Federal Housing Administration (FHA)
Rating: AA+ Standard & Poor's
TEFRA Noticing Date: February 6, 2019
TEFRA Adoption Date: February 22, 2019

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 70
Manager's Units: 2 Restricted
Type: Acquisition and Rehabilitation
Population Served: Family

Robert Farrell Manor & Western Gardens Apartments is an existing scattered site project consisting of two properties located in Los Angeles on a combined 2.47 acres. The project provides 68 restricted rental units and 2 restricted manager units distributed as 58 two-bedroom units and 12 three-bedroom units. Building exterior renovations will include new roof overlay, stucco/siding repair, new windows and sliding doors, balcony refinishing and fresh paint. Interior renovations will include laundry room upgrades, new flooring, lighting fixtures, doors and hardware. Apartment units will be updated with new kitchen appliances, new kitchen and bathroom countertops and cabinets, new plumbing fixtures, doors and hardware, flooring, window coverings, lighting, smoke detectors, and fresh paint. All units will be updated to satisfy ADA accessibility standards. Site renovations will include ADA path-of-travel upgrades, new mailboxes and signage, pavement refinishing, new entry gate, upgraded lighting, new playground equipment and landscaping. The rehabilitation is expected to begin in October 2019 and be completed in April 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
78% (53 units) restricted to 50% or less of area median income households.
22% (15 units) restricted to 60% or less of area median income households.
Unit Mix: 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: \$ 52,732,793
Estimated Hard Costs per Unit: \$ 103,776 (\$7,264,319 /70 units including mgr. units)
Estimated per Unit Cost: \$ 753,326 (\$52,732,793 /70 units including mgr. units)
Allocation per Unit: \$ 424,571 (\$29,720,000 /70 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 437,059 (\$29,720,000 /68 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Tranche A Bond Public Offering	\$ 18,870,000	\$ 18,870,000
Tax-Exempt Tranche B Bond Private Placement	\$ 10,850,000	\$ 0
LIH Tax Credit Equity	\$ 3,642,333	\$ 16,259,931
Deferred Developer Fee	\$ 0	\$ 4,112,515
Seller Carryback Loan	\$ 13,100,000	\$ 13,100,000
R4 Capital (solar)	\$ 0	\$ 390,347
Total Sources	\$ 46,462,333	\$ 52,732,793

Uses of Funds:	
Land Cost/Acquisition	\$ 33,100,000
Rehabilitation	\$ 7,976,452
Relocation	\$ 212,000
Contractor Overhead & Profit	\$ 581,145
Architectural Fees	\$ 125,750
Survey and Engineering	\$ 10,000
Construction Interest and Fees	\$ 2,406,118
Permanent Financing	\$ 88,962
Legal Fees	\$ 140,000
Reserves	\$ 585,748
Appraisal	\$ 25,000
Hard Cost Contingency	\$ 828,132
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 494,898
Developer Costs	\$ 6,158,588
Total Uses	\$ 52,732,793

Analyst Comments:

This project exceeds CDLAC's cost per unit threshold. The developer described a number of factors that contributed to the high cost. The project's LA location is a factor driving up acquisition cost. The developer, however, is materially offsetting this by carrying fully 40% of the acquisition cost in a seller carryback loan, thereby reducing cash required at close. The requirement to pay Davis-Bacon wages also drove costs, increasing rehab costs by approximately 35%. Costs were also driven by the large scope of the project with over \$103,000 of hard costs per unit.

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:

65 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$29,720,000 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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
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	110	65