

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 11, 2019**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Public Finance Authority

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**Allocation Amount Requested:** Tax-exempt: \$46,500,000

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**Project Information:**

**Name:** Royals Apartments (Scattered Site)  
**Project Address:** 717 & 721 West El Segundo Blvd.; 772 & 776 North Van Ness Avenue; 1327 South Catalina Street; 3817 South Wisconsin Street  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90044

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**Project Sponsor Information:**

**Name:** Royals 4 Preservation Limited Partnership (Royals 4 Preservation Partners LLC and JHC-Royals II LLC)  
**Principals:** Bernard Deasy, Karen Smyda, Jacqueline Ramos for Royals 4 Preservation Partners LLC; Laura Archuleta, Marcy V. Finamore, Mary Jo Goelzer, Jose Sanches, George Searcy, Michael Massie for JHC -Royals II LLC  
**Property Management Company:** Preservation Partners Management

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Citibank, N.A./Royals Preservation Limited Partnership  
**Cash Flow Permanent Bond:** Royals Preservation Limited Partnership  
**Public Sale:** Not Applicable  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Rating:** Not Applicable  
**TEFRA Noticing Date:** September 20, 2019  
**TEFRA Adoption Date:** October 15, 2019

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 115  
**Manager's Units:** 4 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

Royals Apartments is an existing project located in Los Angeles on a 1.52-acre site. The project consists of 111 restricted rental units and 4 unrestricted managers' units. The project has 59 studios, 31 one-bedroom units, 21 two-bedroom units and 4 three-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovation will consist of a fresh coat of paint. Interior renovations will include laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new kitchen appliance package, light fixtures, paint and electrical updates. Lastly, common area renovations will consist of concrete repairs, asphalt replacement and ADA updates. The rehabilitation is expected to begin in March 2020 and will be completed in December 2020.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (111 units) restricted to 50% or less of area median income households.  
**Unit Mix:** Studio, 1, 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:**

<b>Estimated Total Development Cost:</b>	\$ 50,995,284	
<b>Estimated Hard Costs per Unit:</b>	\$ 90,000	(\$10,350,000 /115 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 443,437	(\$50,995,284 /115 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 404,348	(\$46,500,000 /115 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 418,919	(\$46,500,000 /111 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 21,740,000	\$ 21,740,000
Cash Flow Permanent Bonds	\$ 14,500,000	\$ 8,332,601
Tranche B Financing	\$ 10,260,000	\$ 0
LIH Tax Credit Equity	\$ 70,230	\$ 16,607,629
Developer Equity	\$ 626,683	\$ 626,683
Deferred Developer Fee	\$ 3,798,371	\$ 3,688,371
Total Sources	\$ 50,995,284	\$ 50,995,284

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 27,200,000
Rehabilitation	\$ 11,088,990
Relocation	\$ 749,440
Contractor Overhead & Profit	\$ 828,000
Architectural Fees	\$ 375,000
Survey and Engineering	\$ 26,500
Construction Interest and Fees	\$ 1,687,310
Permanent Financing	\$ 115,275
Legal Fees	\$ 280,000
Reserves	\$ 440,000
Appraisal	\$ 9,900
Hard Cost Contingency	\$ 1,179,900
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 716,598
Developer Costs	\$ 6,298,371
Total Uses	\$ 50,995,284

**Analyst Comments:**

None

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**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.

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**Total Points:**

75 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$46,500,000 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	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	5
Service Amenities	10	10	0
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>75</b>