

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: Chee Thao Yang

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$37,907,000
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Project Information:	Name: Castle Argyle
	Project Address: 1919 North Argyle Avenue
	Project City, County, Zip Code: Los Angeles, Los Angeles, 90068

Project Sponsor Information:	Name: Castle Argyle L.P. (Castle Argyle, LLC)
	Principals: Ancel Romero, John Cochrane, Pam Claussen, Daniel Ogus, Bethany Ghassemi & Mary Grace Crisostomo
	Property Management Company: HumanGood Affordable Housing

Project Financing Information:	Bond Counsel: Jones Hall, A Professional Law Corporation
	Private Placement Purchaser: Citibank, N.A.
	Cash Flow Permanent Bond: Not Applicable
	Public Sale: Not Applicable
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	Rating: Not Applicable
	TEFRA Noticing Date: October 22, 2019
	TEFRA Adoption Date: November 8, 2019

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 96
	Manager's Units: 1 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Senior Citizens

Castle Argyle Apartments is an existing project located in Los Angeles on a 0.68-acre site. The project consists of 95 restricted rental units and 1 unrestricted manager unit. The project has 42 studio units and 54 one-bedroom units. The renovations will include building exterior upgrades. Building exterior renovations will consist of repairing of dry rot, repainting of the building and window replacements. Individual apartment units will be updated with new kitchen cabinets and countertops, new appliance package, new vanity, new plumbing fixtures and lighting, new paint, ventilated hood system, exhaust fans and smoke and carbon monoxide detectors. Lastly, common or site area renovations will consist of new irrigation systems, asphalt repaving and fence and gate repair. The rehabilitation is expected to begin in June 2020 and be completed in August 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (95 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 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: \$ 70,338,636
Estimated Hard Costs per Unit: \$ 199,863 (\$19,186,879 /96 units including mgr. units)
Estimated per Unit Cost: \$ 732,694 (\$70,338,636 /96 units including mgr. units)
Allocation per Unit: \$ 394,865 (\$37,907,000 /96 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 399,021 (\$37,907,000 /95 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 37,907,000	\$ 14,712,000
LIH Tax Credit Equity	\$ 1,586,197	\$ 21,609,961
Deferred Developer Fee	\$ 5,596,141	\$ 5,596,141
Deferred Costs	\$ 1,953,006	\$ 0
Seller Carryback Loan	\$ 22,921,498	\$ 22,921,498
Net Income From Operations	\$ 0	\$ 1,124,242
GP Contribution (Reserves)	\$ 374,794	\$ 374,794
Sponsor Loan	\$ 0	\$ 3,000,000
GP Loan (Wilnor Funds)	\$ 0	\$ 1,000,000
Total Sources	\$ 70,338,636	\$ 70,338,636

Uses of Funds:	
Land Cost/Acquisition	\$ 27,700,000
Rehabilitation	\$ 20,332,109
Relocation	\$ 2,016,000
Contractor Overhead & Profit	\$ 1,767,891
Architectural Fees	\$ 882,750
Survey and Engineering	\$ 101,800
Construction Interest and Fees	\$ 3,711,184
Permanent Financing	\$ 140,340
Legal Fees	\$ 235,000
Reserves	\$ 485,986
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 3,315,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,534,435
Developer Costs	\$ 8,096,141
Total Uses	\$ 70,338,636

Analyst Comments:

This project is considered a high cost per unit project. The Project Sponsor listed three reasons for the high costs. Because of the age of the property, they need to replace all building systems, seismic structural upgrades are required because of the ordinance passed by the City of Los Angeles in 2015 and the cost of construction in Los Angeles is higher than average. Material costs are also high and variable due to the tariff uncertainty.

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:

62.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$37,907,000 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	10
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	7.5
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	110	62.5