

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2020
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: | City of Los Angeles |
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| Allocation Amount Requested: | |
| Tax-exempt: | \$25,000,000 |

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|--|---------------------------------|
| Project Information: | |
| Name: | Serenity Apartments |
| Project Address: | 923-935 S Kenmore Ave |
| Project City, County, Zip Code: | Los Angeles, Los Angeles, 90006 |

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|-------------------------------------|---|
| Project Sponsor Information: | |
| Name: | 923 Kenmore, L.P. (Community Resident Services, Inc. & Domus GP LLC) |
| Principals: | Elizabeth Shults, Patrice Clemons, Alison Turner, Joseph Goehring, Elizabeth Jackson, Vicki Kennedy and Erin Myers for Community Resident Services, Inc.; Jong C. Limb, Monique Hastings and Janice Luo for Domus GP, LLC |
| Property Management Company: | Domus Management Company |

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|---------------------------------------|----------------|
| Project Financing Information: | |
| Bond Counsel: | Kutak Rock LLP |
| 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 |

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| Description of Proposed Project: | |
| State Ceiling Pool: | General |
| Total Number of Units: | 75 |
| Manager's Units: | 1 Unrestricted |
| Type: | New Construction |
| Population Served: | Senior Citizens/Special Needs |

Serenity Apartments is a new construction project located in Los Angeles on a .44-acre site. The project consists of 74 restricted rental units and 1 unrestricted manager unit. The project will have 41 studio, 33 one-bedroom units and 1 two-bedroom unit. The building will be five story standard construction over a one-story podium. Common amenities include community room, laundry facilities, management offices, kitchen and a medical exam room. Each unit will contain a complete kitchen with energy efficient appliances, full bathroom, living and dining area and furniture. There are 11 parking spaces provided. The project will be pursuing GreenPoint Rated Certification. Green features include native plant and drought tolerant plants in landscaped zones with a high efficiency irrigation systems, low-flow showerheads, toilets and sink faucets, and a large solar thermal water heating system. The construction is expected to begin January 2021 and be completed in October 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (74 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedro

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: | \$ 47,500,000 | |
| Estimated Hard Costs per Unit: | \$ 303,061 | (\$22,729,609 /75 units including mgr. units) |
| Estimated per Unit Cost: | \$ 633,333 | (\$47,500,000 /75 units including mgr. units) |
| Allocation per Unit: | \$ 333,333 | (\$25,000,000 /75 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ 337,838 | (\$25,000,000 /74 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 25,000,000 | \$ 5,575,000 |
| LIH Tax Credit Equity | \$ 1,382,500 | \$ 13,825,000 |
| Developer Equity | \$ 0 | \$ 1,883,470 |
| Deferred Developer Fee | \$ 1,097,500 | \$ 486,530 |
| HCIDLA HHH | \$ 13,520,000 | \$ 13,520,000 |
| LACDA NPLH | \$ 6,500,000 | \$ 12,210,000 |
| Total Sources | \$ 47,500,000 | \$ 47,500,000 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 8,405,535 |
| New Construction | \$ 23,954,747 |
| Contractor Overhead & Profit | \$ 1,591,072 |
| Architectural Fees | \$ 702,000 |
| Survey and Engineering | \$ 164,500 |
| Construction Interest and Fees | \$ 2,327,368 |
| Permanent Financing | \$ 110,000 |
| Legal Fees | \$ 180,000 |
| Reserves | \$ 928,310 |
| Appraisal | \$ 15,000 |
| Hard Cost Contingency | \$ 1,336,693 |
| Local Development Impact Fees | \$ 437,500 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 2,963,805 |
| Developer Costs | \$ 4,383,470 |
| Total Uses | \$ 47,500,000 |

Analyst Comments:

This project is considered a high cost per unit project. The cost per unit above the threshold is justified by high construction costs in the Los Angeles area, due to building requirements, 3rd party inspectors, shortage of labor and prevailing wages.

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:

125 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$25,000,000 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 | 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 |
| Gross Rents | 5 | 5 | 5 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 5 |
| Site Amenities | 10 | 10 | 10 |
| Service Amenities | 10 | 10 | 10 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 10 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | 10 |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | 10 |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 145 | 125 | 125 |