

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: Isaac Clark III

Applicant:	City of Los Angeles
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Allocation Amount Requested:	Tax-exempt:	\$8,542,661
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Project Information:	Name:	Sun King Apartments
	Project Address:	9190 N. Telfair Avenue
	Project City, County, Zip Code:	Los Angeles, Los Angeles, 91352

Project Sponsor Information:	Name:	Sun King LP (Sun King LLC)
	Principals:	Sun King LLC
	Property Management Company:	Many Mansions

Project Financing Information:	Bond Counsel:	Kutak Rock LLP
	Private Placement Purchaser:	Union Bank
	Cash Flow Permanent Bond:	Not Applicable
	Public Sale:	Not Applicable
	Underwriter:	Not Applicable
	Credit Enhancement Provider:	Not Applicable
	Rating:	Not Applicable

Description of Proposed Project:	State Ceiling Pool:	General
	Total Number of Units:	26
	Manager's Units:	1 Unrestricted
	Type:	New Construction
	Population Served:	Family/Special Needs

Sun King Apartments is a new construction project located in Los Angeles. The project consists of 25 restricted rental units and 1 unrestricted manager unit. The project will have 12 one-bedroom units, 11 two- bedroom units and 3 three-bedroom units. All apartments will have air conditioning, a refrigerator, a range, a microwave and window coverings. Each unit will also be furnished with one queen sized bed per bedroom, a dresser, night stand, dining table and chairs. Building amenities include a community room, rooftop communal space and a community garden. The rooftop community room will have a computer area and additional office space for the children services programs. There will be two community terraces, a courtyard/playground area, a laundry room and three offices that will be utilized for supportive services & the property manager. Amenities incorporated into the design of the outdoor spaces will include seating, BBQ and communal tables. The property will be compliant with all required accessibility features, we have also hired an outside firm, Accessibility Specialists, to ensure we meet or exceed all accessibility requirements. Construction is scheduled to begin in late April 2021 and end in June of 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (25 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

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:	\$ 15,467,451	
Estimated Hard Costs per Unit:	\$ 365,417	(\$9,500,830 /26 units including mgr. unit)
Estimated per Unit Cost:	\$ 594,902	(\$15,467,451 /26 units including mgr. unit)
Allocation per Unit:	\$ 328,564	(\$8,542,661 /26 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 341,706	(\$8,542,661 /25 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 8,542,661	\$ 2,125,000
LIH Tax Credit Equity	\$ 0	\$ 5,348,470
Costs Deferred Until Conversion	\$ 1,296,161	\$ 0
HHH	\$ 4,865,248	\$ 5,500,000
Accrued Def. Int. - HHH	\$ 50,083	\$ 50,083
SHMHP	\$ 0	\$ 2,443,798
Capital Contribution (GP)	\$ 100	\$ 100
Capital Contribution (LP)	\$ 713,198	\$ 0
Total Sources	<u>\$ 15,467,451</u>	<u>\$ 15,467,451</u>

Uses of Funds:	
Land Cost/Acquisition	\$ 750,000
New Construction	\$ 9,020,260
Contractor Overhead & Profit	\$ 480,570
Architectural Fees	\$ 308,000
Survey and Engineering	\$ 162,000
Construction Interest and Fees	\$ 965,231
Permanent Financing	\$ 50,938
Legal Fees	\$ 120,000
Reserves	\$ 471,985
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 605,711
Local Development Impact Fees	\$ 315,000
Other Project Costs	\$ 598,484
Developer Costs	<u>\$ 1,604,272</u>
Total Uses	<u>\$ 15,467,451</u>

Analyst Comments:

According to the applicant this project has a low unit count of only 26 units. The parcel was sold pre-entitled for the units with a density bonus based on affordability and it was determined that increasing density would have compounding negative impacts on the project's viability. Unfortunately, a lot of flat rate services that would typically be distributed among a larger set of units instead is being held against only 26 units. This inflates the per unit cost significantly.

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:

124 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$8,542,661 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
Gross Rents	5	5	5
Large Family Units	5	5	0
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	9
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	124