

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: Chee Thao Yang

Applicant:	City of Los Angeles
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Allocation Amount Requested:	
Tax-exempt:	\$14,676,000

Project Information:	
Name:	Sherman Oaks Senior Housing
Project Address:	14534-14536 Burbank Blvd.
Project City, County, Zip Code:	Los Angeles, Los Angeles, 91411

Project Sponsor Information:	
Name:	Mercy Housing California 94, L.P. (Mercy Housing California 94 LLC)
Principals:	Ed Holder & Erika Villablanca for Mercy Housing California 94 LLC)
Property Management Company:	Mercy Housing Management Group

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

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	55
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Senior Citizens/Special Needs

Sherman Oaks Senior Housing is a new construction project located in Los Angeles on a 0.29-acre site. The project will consist of 54 restricted rental units and 1 unrestricted manager unit. The project will have 48 studio units and 7 one-bedroom units. The building will be four stories. Common amenities will include a community room, resident services offices, laundry facilities and a rooftop deck. Each unit will have hard surface flooring, window coverings, refrigerator, stove/cooktop and individual HVAC. There will be 17 parking spaces provided. The project will be pursuing LEED Gold standards. Green features will include a solar water heating system that will be installed on the roof top. The construction is expected to begin in November 2020 and be completed in February 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (54 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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:	\$ 30,336,727	
Estimated Hard Costs per Unit:	\$ 273,713	(\$15,054,241 /55 units including mgr. unit)
Estimated per Unit Cost:	\$ 551,577	(\$30,336,727 /55 units including mgr. unit)
Allocation per Unit:	\$ 266,836	(\$14,676,000 /55 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 271,778	(\$14,676,000 /54 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 14,676,000	\$ 1,780,000
LIH Tax Credit Equity	\$ 1,320,956	\$ 10,006,627
Deferred Costs	\$ 2,155,471	\$ 0
GP Capital	\$ 100	\$ 100
HCIDLA - HHH	\$ 5,600,000	\$ 11,880,000
LA County - No Place Like Home	\$ 5,634,200	\$ 5,720,000
FHLB AHP	\$ 950,000	\$ 950,000
Total Sources	\$ 30,336,727	\$ 30,336,727

Uses of Funds:	
Land Cost/Acquisition	\$ 3,005,136
New Construction	\$ 17,108,283
Contractor Overhead & Profit	\$ 679,494
Architectural Fees	\$ 977,100
Survey and Engineering	\$ 185,000
Construction Interest and Fees	\$ 1,629,908
Permanent Financing	\$ 43,235
Legal Fees	\$ 120,000
Reserves	\$ 911,300
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 1,526,363
Local Development Impact Fees	\$ 201,955
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,433,953
Developer Costs	\$ 2,500,000
Total Uses	\$ 30,336,727

Analyst Comments:

This project is considered a high cost per unit project. The following has been identified as factors contributing to the high cost of the project: 1) the City of Los Angeles is presently in the midst of an affordable housing construction boom due to the large amounts of city funding being invested in affordable and special needs housing. This has reduced competition among the construction contractors who specialize in these projects and they are also facing staffing shortages and increased labor costs; 2) high density project design requires a subterranean parking garage. This excavation and garage structure add substantial cost on a per-unit basis to projects with relatively low unit count; and 3) both federal and state prevailing wage requirements; and 4) supportive service offices requirement to capitalize a large transition reserve due to LA County and HCD regulations for their No Place Like Home funding program.

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:

120 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$14,676,000 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	0
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	120