

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

Applicant: City of Los Angeles

Allocation Amount Requested: Tax-exempt: \$25,000,000

Project Information:
Name: Palm Vista Apartments
Project Address: 20116-20128 Sherman Way
Project City, County, Zip Code: Los Angeles, Los Angeles, 91306

Project Sponsor Information:
Name: Palm Vista, LP (HCHC Palm Vista MGP, LLC & GTM Palm Vista AGP, LLC)
Principals: Sarah Letts, Jerold B. Neuman and Kyle Arndt for HCHC Palm Vista MGP, LLC; Mark Walther for GTM Palm Vista AGP, LLC
Property Management Company: Barker Property Management

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: U.S. Bank National Association
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: 91
Manager's Units: 2 Unrestricted
Type: New Construction
Population Served: Family/Special Needs

Palm Vista Apartments is a new construction project located in Los Angeles on a 1.02-acre site. The project will consist of 89 restricted rental units and 2 unrestricted manager units. The project will have 58 one-bedroom units and 33 two-bedroom units. The building will be 4 stories. Common amenities will include a community room, laundry facilities, management offices, secure storage and bicycle parking. Each unit will have energy efficient appliances and low flow plumbing fixtures. Forty-five units will have furnishings and a house welcoming package. There will be 46 parking spaces provided. Green features include gray water irrigation and drought tolerant landscaping. The construction is expected to begin February 2021 and be completed in April 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (89 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 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:	\$ 48,613,640	
Estimated Hard Costs per Unit:	\$ 301,789	(\$27,462,769 /91 units including mgr. units)
Estimated per Unit Cost:	\$ 534,216	(\$48,613,640 /91 units including mgr. units)
Allocation per Unit:	\$ 274,725	(\$25,000,000 /91 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 280,899	(\$25,000,000 /89 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 25,000,000	\$ 5,100,000
LIH Tax Credit Equity	\$ 0	\$ 15,258,036
Developer Equity	\$ 2,074,089	\$ 2,074,089
Deferred Developer Fee	\$ 0	\$ 31,136
Deferred Costs	\$ 5,275,827	\$ 0
USB Equity Loan	\$ 2,746,924	\$ 0
NPLH	\$ 6,440,000	\$ 6,440,000
AHTF	\$ 2,000,000	\$ 2,000,000
FHLBSFAHP	\$ 890,000	\$ 890,000
HCD MHP	\$ 0	\$ 12,633,579
HCD IIG	\$ 4,186,800	\$ 4,186,800
Total Sources	\$ 48,613,640	\$ 48,613,640

Uses of Funds:	
Land Cost/Acquisition	\$ 7,295,000
Relocation	\$ 808,500
New Construction	\$ 25,542,573
Contractor Overhead & Profit	\$ 1,920,196
Architectural Fees	\$ 905,000
Survey and Engineering	\$ 431,660
Construction Interest and Fees	\$ 2,752,000
Permanent Financing	\$ 82,716
Legal Fees	\$ 110,000
Reserves	\$ 951,738
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,560,159
Local Development Impact Fees	\$ 450,965
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,219,044
Developer Costs	\$ 4,574,089
Total Uses	\$ 48,613,640

Analyst Comments:

This project is considered a high cost per unit project. The developer's explanation for the high costs are as follows: the developer fee; relocation costs (commercial tenant); required capitalized transition reserve; furnishings; and required 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:

120 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	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