

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:	\$32,343,967
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Project Information:	Name:	La Veranda
	Project Address:	2420-2432 E Cesar E Chavez Ave; 236-242 N Soto Ave; 323 N Mathews St
	Project City, County, Zip Code:	Los Angeles, Los Angeles, 90033

Project Sponsor Information:	Name:	La Veranda, L.P. (La Veranda, GP LLC)
	Principals:	La Veranda, GP LLC
	Property Management Company:	Adobe Communities

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:	77
	Manager's Units:	1 Unrestricted
	Type:	New Construction
	Population Served:	Family

La Veranda Apartments is a new construction project located in Los Angeles. The project consists of 76 restricted rental units, and 1 unrestricted manager unit. The project will have 19 one-bedroom units, 35 two-bedroom units and 23 three-bedroom units. La Veranda will include several sustainable and green building elements including solar water heating, greywater irrigation, a cool roof, low-impact development best management practices for storm water management, high-efficiency air conditioning, high-efficiency heat pump heating, and high-efficiency ventilation fans. The landscape design will include 20 trees, drought-tolerant plants, and a landscaped courtyard for gathering. There will be 40 residential parking spaces and 16 commercial for a total of 56 parking spaces. The 16 commercial parking spaces are located in the podium and the residential parking spaces are located in secured surface parking lots. Construction is scheduled to begin March 2021 and be completed by December 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (76 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:	\$ 62,936,094	
Estimated Hard Costs per Unit:	\$ 482,250	(\$37,133,281 /77 units including mgr. units)
Estimated per Unit Cost:	\$ 817,352	(\$62,936,094 /77 units including mgr. units)
Allocation per Unit:	\$ 420,052	(\$32,343,967 /77 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 425,579	(\$32,343,967 /76 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 32,343,967	\$ 6,898,200
Taxable Bond Proceeds	\$ 9,656,033	\$ 0
LIH Tax Credit Equity	\$ 0	\$ 19,249,322
GP Capital Contributions	\$ 0	\$ 4,359,789
Costs Deferred Until Conversion	\$ 1,918,840	\$ 0
HCD MHP	\$ 0	\$ 16,600,000
HCIDLA - HHH	\$ 9,120,000	\$ 9,120,000
LACDA	\$ 2,000,000	\$ 2,000,000
HCD IIG	\$ 2,000,000	\$ 2,000,000
Metro Land Donated Land Value	\$ 2,708,783	\$ 2,708,783
Capital Contribution (LP)	\$ 3,188,471	\$ 0
Total Sources	\$ 62,936,094	\$ 62,936,094

Uses of Funds:	
Land Cost/Acquisition	\$ 6,761,776
New Construction	\$ 34,884,707
Contractor Overhead & Profit	\$ 2,248,574
Architectural Fees	\$ 2,078,929
Survey and Engineering	\$ 310,006
Construction Interest and Fees	\$ 3,205,269
Permanent Financing	\$ 96,700
Legal Fees	\$ 113,000
Reserves	\$ 922,916
Appraisal	\$ 5,000
Hard Cost Contingency	\$ 3,984,659
Local Development Impact Fees	\$ 375,011
Other Project Costs	\$ 1,884,311
Developer Costs	\$ 6,065,236
Total Uses	\$ 62,936,094

Analyst Comments:

This is a high cost project and some of these key cost factors are: a site divided by a public alley requiring two separate buildings; extended holding period costs due to lack of available public funding; capitalized reserve requirements required by public and private lenders; financing program costs/nuances; the requirement to pay prevailing wages as well as participate in a Project Labor Agreement (PLA); and a substantial increase year over year in projected construction costs since the project's predevelopment process began in 2016.

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:

130 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$32,343,967 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	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	130