

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 9, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Norma Velarde

Applicant:	Los Angeles County Development Authority
Allocation Amount Requested:	Tax-exempt: \$22,000,000
Project Information:	Name: 3rd and Dangler Apartments Project Address: 4639-4655 East Third Street Project City, County, Zip Code: Los Angeles, Los Angeles, 90022
Project Sponsor Information:	Name: 3rd and Dangler LP (NCRC Dangler LLC) Principals: Michael Finn, Chief Financial Officer; Michael Ruanem, Executive Vice President; Steve PonTell, Chief Executive Officer; Robert Diaz, Secretary; Sam Ganeshan, Managing Director; Blake Davis, Vice President Property Management Company: National Community Renaissance of California
Project Financing Information:	Bond Counsel: Hawkins, Delafield & Wood LLP Private Placement Purchaser: JPMorgan Chase Bank, 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 New Construction Pool Total Number of Units: 78 Manager's Units: 1 Unrestricted Type: New Construction Population Served: Family/Special Needs

3rd and Dangler Apartments is a new construction project located in Los Angeles on a 0.52 -acre site. The project consists of 77 restricted rental units 1 unrestricted managers' units. The project will have 20 studio units, 49 one-bedroom units and 8 two-bedroom units. The building will be 1 total with 4 stories, type 5-A. Common amenities include a community center, an enclosed common space, office space for property management and residential services, a tot lot, seating areas, and bicycle parking. There are 87 parking spaces provided. The project will be pursuing LEED certification. Green features include photovoltaic solar panels, drought tolerant landscaping and planter strips that increase filtration and groundwater recharge opportunities. Further, the Project has also been designed with a heat pump water system that is 350% more efficient than gas boiler systems, allowing hot water to be delivered to units within seconds of residents turning on a faucet or shower, thereby decreasing water waste. The construction is expected to begin May 2021 and be completed in May 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
68% (52 units) restricted to 50% or less of area median income households.
32% (25 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 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: \$ 44,459,104
Estimated Hard Costs per Unit: \$ 290,072 (\$22,625,617 /78 units including mgr. units)
Estimated per Unit Cost: \$ 569,989 (\$44,459,104 /78 units including mgr. units)
Allocation per Unit: \$ 282,051 (\$22,000,000 /78 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 285,714 (\$22,000,000 /77 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 22,000,000	\$ 0
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 10,000,000	\$ 4,987,094
LIH Tax Credit Equity	\$ 2,886,452	\$ 14,439,334
Developer Equity	\$ 0	\$ 2,102,865
Deferred Developer Fee	\$ 0	\$ 0
Deferred Costs	\$ 1,155,852	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
Itemized Public Funds Sources	\$ 0	\$ 0
Net Income From Operations	\$ 0	\$ 0
LACDA Land Loan	\$ 1,416,800	\$ 1,416,800
LACDA Capital Funds	\$ 7,000,000	\$ 7,000,000
HCD AHSC Funds	\$ 0	\$ 13,987,646
Total Sources	\$ 44,459,104	\$ 43,933,739

Uses of Funds:	
Land Cost/Acquisition	\$ 4,504,199
New Construction	\$ 24,342,063
Contractor Overhead & Profit	\$ 2,037,209
Architectural Fees	\$ 1,252,764
Survey and Engineering	\$ 176,000
Construction Interest and Fees	\$ 2,657,023
Permanent Financing	\$ 134,871
Legal Fees	\$ 150,000
Reserves	\$ 997,382
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,388,868
Local Development Impact Fees	\$ 507,642
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,698,218
Developer Costs	\$ 4,602,865
Total Uses	\$ 44,459,104

Analyst Comments:

This project is considered a high cost per unit project. The developer has secured Affordable Housing and Sustainable Community (AHSC) and the building had to include a number of efficiency features, including expanded solar PV system and upgraded building envelope and HVAC systems. The project includes two underground levels of parking that will allow for appropriate parking. The project includes 39 Project Based Vouchers, which requires prevailing wages to be paid, increasing construction cost by 20%.

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 \$22,000,000 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]	10.00
Large Family Units	5	5	0.00
Gross Rents	5	5	5.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	5.00
Site Amenities	10	10	10.00
Service Amenities	10	10	10.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	10.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10.00
Negative Points (No Maximum)	-10	-10	0.00
Total Points	145	125	125.00