

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: City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$16,525,000

Project Information:
Name: Sage Pointe
Project Address: Eubank Ave, North of Pacific Coast Highway
Project City, County, Zip Code: Los Angeles, Los Angeles, 90744

Project Sponsor Information:
Name: Linc - Wilmington Apts LP (Linc-Wilmington Apts LLC)
Principals: Rebecca F. Clark, President & CEO; Suny Lay Chang, Chief Operating Officer
Property Management Company: The John Stewart Company

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 New Construction P
Total Number of Units: 56
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family/Special Needs

SagePointe Apartments is a new construction project located in Los Angeles on a 1.34 -acre site. The project consists of 55 restricted rental units and 1 unrestricted managers' units. The project will have 55 one-bedroom units. The building will be 1 total 3 story building with Type V construction, concrete slab on-grade foundation. Common amenities include a main lobby resident-serving community room, bicycle storage and common laundry facilities. Each unit will have kitchen appliances, a full bathroom and air conditioning. There are 19 parking spaces provided. The project will be pursuing GreenPoint Rated Program. Green features include Energy STAR appliances, energy efficient lighting and water efficient plumbing and irrigation features. The construction is expected to begin June 2021 and be completed in February 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (55 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.
Unit Mix: 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: \$ 31,931,542
Estimated Hard Costs per Unit: \$ 250,000 (\$14,000,000 /56 units including mgr. units)
Estimated per Unit Cost: \$ 570,206 (\$31,931,542 /56 units including mgr. units)
Allocation per Unit: \$ 295,089 (\$16,525,000 /56 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 300,455 (\$16,525,000 /55 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 16,525,000	\$ 0
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 8,816,000
LIH Tax Credit Equity	\$ 2,323,123	\$ 8,070,411
Developer Equity	\$ 945,131	\$ 945,131
Deferred Developer Fee	\$ 0	\$ 0
Deferred Costs	\$ 1,711,679	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
Itemized Public Funds Sources	\$ 0	\$ 0
Net Income From Operations	\$ 0	\$ 0
LACDA Affordable Housing Funds	\$ 1,970,000	\$ 2,000,000
City of Los Angeles HHH Loan	\$ 8,456,608	\$ 12,100,000
Misc	\$ 0	\$ 0
Total Sources	\$ 31,931,541	\$ 31,931,542

Uses of Funds:	
Land Cost/Acquisition	\$ 1,325,000
New Construction	\$ 18,026,858
Contractor Overhead & Profit	\$ 1,172,988
Architectural Fees	\$ 800,000
Survey and Engineering	\$ 350,000
Construction Interest and Fees	\$ 1,926,424
Permanent Financing	\$ 20,000
Legal Fees	\$ 35,000
Reserves	\$ 905,099
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 2,280,093
Local Development Impact Fees	\$ 222,720
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,407,329
Developer Costs	\$ 3,445,031
Total Uses	\$ 31,931,542

Analyst Comments:

This project is considered a high cost per unit at \$570,206. The developer fee of \$3,445,031 includes a developer fee contribution of \$945,031 which is included in the project to generate basis. The project will pursue additional sustainability measures beyond the TCAC minimum requirements and will meet Los Angeles County Community Development Authority (LACDA) design guidelines. Though the project's operation costs will be more efficient through these improvements, these costs increase the per unit cost. The project will have LACDA Affordable Housing Funds and Proposition HHH funding, which creates units for homeless households. In order to serve these households, the project has incorporated furnished units, additional common areas, office for services, and high quality & durable materials. This increases the per unit cost for the project. The project will also be required to pay prevailing wages which adds a premium to the hard costs per unit.

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 \$16,525,000 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