

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: Anthony Wey

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| Applicant: | City of Los Angeles |
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| Allocation Amount Requested: | Tax-exempt: \$44,020,000 |
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| Project Information: | Name: Weingart Tower II |
| | Project Address: 555-561 S. Crocker Street |
| | Project City, County, Zip Code: Los Angeles, Los Angeles, 90013 |

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|-------------------------------------|--|
| Project Sponsor Information: | Name: Weingart Tower II, LP (WC Towers II LLC and CIC Weingart Tower |
| | Principals: Kevin Murray for WC Towers II LLC; Cheri Hoffman for CIC Weingart Tower II, LLC; Terry Gentry for The Richman Group |
| | Property Management Company: Barker Management, Inc. |

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|---------------------------------------|--|
| Project Financing Information: | Bond Counsel: Kutak Rock LLP |
| | Private Placement Purchaser: Not Applicable |
| | Cash Flow Permanent Bond: Not Applicable |
| | Public Sale: Not Applicable |
| | Underwriter: Not Applicable |
| | Credit Enhancement Provider: Not Applicable |
| | Rating: Not Applicable |

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| Description of Proposed Project: | State Ceiling Pool: General New Construction P |
| | Total Number of Units: 144 |
| | Manager's Units: 2 Unrestricted |
| | Type: New Construction |
| | Population Served: Family |

Weingart Tower II is a new construction project located in Los Angeles, CA on a 0.41-acre site. The project will consist of 142 restricted rental units and 2 unrestricted managers' units. The project will have 122 studio units and 22 one-bedroom units. The building will be 19 stories and the building exterior will be concrete panels and/or EIFS offset by significant glazing. Common amenities will include a training room, art room, music room, fitness room, computer room, and case and property management. Each unit will have a clothing closet, and a kitchen with a refrigerator, oven, pantry, and air conditioning. There will be one level of subterranean parking for cars and 314 parking spots for bicycles. Green features will include solar power generation, trees, and drought tolerant landscaping. The construction is expected to begin June 2021 and be completed in May 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

100% (142 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: 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:

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|---|---------------|--|
| Estimated Total Development Cost: | \$ 89,027,796 | |
| Estimated Hard Costs per Unit: | \$ 400,100 | (\$57,614,384 /144 units including mgr. units) |
| Estimated per Unit Cost: | \$ 618,249 | (\$89,027,796 /144 units including mgr. units) |
| Allocation per Unit: | \$ 305,694 | (\$44,020,000 /144 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ 310,000 | (\$44,020,000 /142 restricted units) |

| Sources of Funds: | Construction | Permanent |
|---|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 44,020,000 | \$ 5,903,538 |
| Taxable Bond Proceeds | \$ 18,929,772 | \$ 0 |
| LIH Tax Credit Equity | \$ 2,945,037 | \$ 29,450,370 |
| Deferred Developer Fee | \$ 0 | \$ 7,344,137 |
| Deferred Costs | \$ 5,980,240 | \$ 0 |
| MHP | \$ 0 | \$ 19,910,503 |
| NPLH | \$ 0 | \$ 7,608,696 |
| City of LA Land Value | \$ 2,752,747 | \$ 2,752,747 |
| Prop HHH | \$ 14,400,000 | \$ 16,000,000 |
| Solar Tax Credits | \$ 0 | \$ 57,805 |
| Total Sources | \$ 89,027,796 | \$ 89,027,796 |
| Uses of Funds: | | |
| Land Cost/Acquisition | \$ 3,707,845 | |
| New Construction | \$ 54,161,178 | |
| Contractor Overhead & Profit | \$ 3,453,206 | |
| Architectural Fees | \$ 1,437,947 | |
| Survey and Engineering | \$ 905,456 | |
| Construction Interest and Fees | \$ 6,997,438 | |
| Permanent Financing | \$ 62,920 | |
| Legal Fees | \$ 410,504 | |
| Reserves | \$ 2,082,608 | |
| Appraisal | \$ 9,621 | |
| Hard Cost Contingency | \$ 3,264,071 | |
| Local Development Impact Fees | \$ 425,881 | |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 2,654,480 | |
| Developer Costs | \$ 9,454,641 | |
| Total Uses | \$ 89,027,796 | |

Analyst Comments:

Weingart Tower II's residential per-unit development cost is currently shown as \$626,956 (excluding the manager's units). The Development Budget for this development includes a Developer Fee of \$9,454,641. The maximum paid and deferred developer fee allowed by HCIDLA is \$2,500,000, with paid limited to \$2,200,000 by HCD. The balance of the Developer Fee amount, $\$9,454,641 - \$2,500,000 = \$6,954,641$, is calculated for accounting purposes only and will be contributed to the project as equity. Factoring this into the Total Residential Cost/Unit, it reduces the cost per unit to \$577,980 (excluding the manager's units). The City of Los Angeles and the Weingart Center Association are donating/providing acquisition carry-back loans for the land costs for the high density, urban project. These are shown at appraised value but should be subtracted from the cost of the project as the net effect is zero. If the land cost of \$2,75,746 is deducted from the Total Residential Cost/Unit, it reduces the cost per unit to \$558,594 (excluding the manager's units). The cost projections for this high rise development include State Prevailing Wage and a Project Labor Agreement as well as conservative construction cost assumptions with standard contingency, design contingency (exterior finish materials and building systems), as well as escalation. If the estimated cost of the State Prevailing Wage and the PLA (15% of the construction cost) of \$8,642,158 is deducted from the Total Residential Cost/Unit, it reduces the cost per unit to \$497,734 (excluding the manager's units). Note that the general contractor has advised that 15% is a minimum and the true cost of prevailing and union wages could be over 25%.

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 \$44,020,000 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 |