

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

Applicant:	City of Los Angeles		
Allocation Amount Requested:	Tax-exempt:	\$44,020,000	
Project Information:	Name:	Weingart Tower II	
	Project Address:	555-561 S. Crocker Street	
	Project City, County, Zip Code:	Los Angeles, Los Angeles, 90013	
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.	
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	
Description of Proposed Project:	State Ceiling Pool:	General New Construction Po	
	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%
<u>100%</u> (142 units) restricted to 50% or less of area median income households.	
<u>0%</u> (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
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Details of Project Financing:

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