

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
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Allocation Amount Requested:	Tax-exempt: \$20,172,127
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Project Information:	Name: Lake House Apartments
	Project Address: 437 & 503 S Westlake Ave
	Project City, County, Zip Code: Los Angeles, Los Angeles, 90057

Project Sponsor Information:	Name: Lake House LP (Lake House Mercy House CHDO LLC and Lake House Jerome T. Karcher, Stephanie Miles, and Gary Belz for Lake House Mercy House CHDO LLC; Eric Paine, Kyle Paine, and Sean Robbins for Lake House CDP LLC
	Principals:
	Property Management Company: Solari Enterprises, Inc.

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 Pc
	Total Number of Units: 63
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family

Lake House Apartments is a new construction project located in Los Angeles, CA on a 4.86-acre site. The project will consist of 63 restricted rental units and 1 unrestricted manager's unit. The project will have 33 studio units and 30 one-bedroom units. The building will be 5 stories. Common amenities will include on-site property management and supportive services. Each unit will have comfortable living spaces with furniture, full kitchens, bathrooms, and a balcony. The project has engaged a green certified consultant and will be Green Point certified. Green features will include energy efficient appliances and water efficient fixtures throughout the project. The construction is expected to begin March 2021 and be completed in May 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (62 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:

Estimated Total Development Cost: \$ 36,441,402
Estimated Hard Costs per Unit: \$ 278,526 (\$17,547,158 /63 units including mgr. units)
Estimated per Unit Cost: \$ 578,435 (\$36,441,402 /63 units including mgr. units)
Allocation per Unit: \$ 320,192 (\$20,172,127 /63 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 325,357 (\$20,172,127 /62 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,172,127	\$ 9,020,044
LIH Tax Credit Equity	\$ 0	\$ 11,916,295
Developer Equity	\$ 0	\$ 1,042,152
Deferred Developer Fee	\$ 2,479,506	\$ 942,911
Deferred Costs	\$ 430,140	\$ 0
HHH Funds	\$ 5,859,000	\$ 6,510,000
NPLH Funds	\$ 6,309,000	\$ 7,010,000
Aegon Real Assets	\$ 1,191,629	\$ 0
Total Sources	\$ 36,441,402	\$ 36,441,402
 Uses of Funds:		
Land Cost/Acquisition	\$ 4,490,000	
Rehabilitation	\$ 435,297	
Relocation	\$ 429,000	
New Construction	\$ 18,938,503	
Contractor Overhead & Profit	\$ 1,364,904	
Architectural Fees	\$ 550,000	
Survey and Engineering	\$ 316,000	
Construction Interest and Fees	\$ 2,235,892	
Permanent Financing	\$ 135,000	
Legal Fees	\$ 195,000	
Reserves	\$ 430,140	
Appraisal	\$ 7,500	
Hard Cost Contingency	\$ 1,544,762	
Local Development Impact Fees	\$ 169,278	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,657,975	
Developer Costs	\$ 3,542,151	
Total Uses	\$ 36,441,402	

Analyst Comments:

This project is considered a high cost per unit project. The total development costs are \$578,435 per unit. Considerations for these additional costs include the following: Acquisition Costs – the project sites are being acquired from separate private sellers under market conditions. Costs also include demolition and abatement of existing structures. Site Parking – Additional construction costs are being incurred to ensure some parking options are provided. Infill location – Construction costs are reflective of the needs of developing within a developed area on a confined site. Reserves – The development includes significant transition reserves due to it being a 100% permanent supportive housing project. Relocation – The site currently contains occupied residential units, and comprehensive relocation benefits are in the development budget. Prevailing Wage – Construction costs are reflective of prevailing wages, which typically add up to 20% to a project. 100% PSH - Additional community and services spaces are provided, and are to be furnished, for 100% supportive housing, to ensure adequate services can be handled on site and the project provides a supportive on-site environment.

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 \$20,172,127 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