

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 21, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ken Otrotsyuk

Applicant:	City of Los Angeles
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Allocation Amount Requested:	Tax-exempt: \$14,000,000
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Project Information:	Name: Solaris Apartments
	Project Address: 1141-1145 Crenshaw Blvd
	Project City, County, Zip Code: Los Angeles, Los Angeles, 90019

Project Sponsor Information:	Name: 1141 Crenshaw, L.P. (Domus GP LLC & Koreatown Youth and Community Center)
	Principals: Jong C. Limb, Monique Hastings for Domus GP LLC; John Ho Song for Koreatown Youth and Community Center
	Property Management Company: Domus Management 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 Pool
	Total Number of Units: 43
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family/Special Needs

Solaris Apartments is a new construction project located in Los Angeles on a 0.36-acre site. The project consists of 42 restricted rental units, 0 market rate units and 1 unrestricted managers' units. The project will have 26 one-bedroom units and 16 two-bedroom units. The building will be 4 stories over a one-story podium and wood-framed type V construction. Common amenities include secure building, elevator, community room, lobby lounge on the ground floor, common area, multi-purpose rooms, laundry room, case management offices, warming kitchen, bicycle storage, courtyard with community gardens and walking paths. Each unit will have a full kitchen including dishwasher, full bathroom, living area, dining area, heating & cooling air systems, energy-efficient appliances, furnished with a bed, dresser, dining table with chairs, sofa, coffee table and lamp. There are podium parking with 8 stalls provided. The project will be pursuing a GreenPoint Rated Certification. Green features include a large solar thermal water heating system, low-flow showerheads, toilets, and sink faucets will be installed whenever possible to reduce indoor water usage, native or drought-tolerant plants will be used for a minimum of 75% of landscaped areas, limiting conventional grass/turf to 25% of landscaped areas, will be used grouping plants with similar watering needs (hydrozones) and will be installed a high efficiency irrigation system with smart irrigation controls for all landscaping. The construction is expected to begin April 2021 and be completed in November 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (42 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:	\$	26,950,000	
Estimated Hard Costs per Unit:	\$	281,174	(\$12,090,472 /43 units including mgr. units)
Estimated per Unit Cost:	\$	626,744	(\$26,950,000 /43 units including mgr. units)
Allocation per Unit:	\$	325,581	(\$14,000,000 /43 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	333,333	(\$14,000,000 /42 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 5,130,000
LIH Tax Credit Equity	\$ 589,000	\$ 5,890,000
Developer Equity	\$ 0	\$ 26,548
Deferred Developer Fee	\$ 1,131,000	\$ 433,452
HCIDLA Prop HHH	\$ 5,000,000	\$ 9,240,000
LACDA NPLH	\$ 6,230,000	\$ 6,230,000
Total Sources	\$ 26,950,000	\$ 26,950,000

Uses of Funds:	
Land Cost/Acquisition	\$ 4,257,217
Rehabilitation	\$ 0
Relocation	\$ 0
New Construction	\$ 13,326,547
Contractor Overhead & Profit	\$ 853,333
Architectural Fees	\$ 605,000
Survey and Engineering	\$ 184,076
Construction Interest and Fees	\$ 1,216,702
Permanent Financing	\$ 72,000
Legal Fees	\$ 180,000
Reserves	\$ 702,872
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 713,994
Local Development Impact Fees	\$ 390,500
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,906,211
Developer Costs	\$ 2,526,548
Total Uses	\$ 26,950,000

Analyst Comments:

This project is considered a high cost per unit project.

The elements that have contributed to the increase in cost of the project over the medium cost of an affordable housing project in the Los Angeles area are: Escalating Material Prices; Land Cost and Impact of Smart Growth Overlays; Shortage of Labor; Premium for Permanent Supportive Housing Developments; Community Services Space over 3,800 square feet; Longer Construction Schedules; Design costs to reduce "Not In My Backyard" voices (securing neighborhood support).

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 \$14,000,000 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