

**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: Norma Velarde*

<b>Applicant:</b>	<b>City of Los Angeles</b>
<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$33,348,722
<b>Project Information:</b>	<b>Name:</b> 6th and San Julian <b>Project Address:</b> 401 E. 6th Street <b>Project City, County, Zip Code:</b> Los Angeles, Los Angeles, 90013
<b>Project Sponsor Information:</b>	<b>Name:</b> Mercy Housing California 89, L.P. (Mercy Housing California 89, <b>Principals:</b> Ed Holder, President; Erika Villablanca, Vice President <b>Property Management Company:</b> Mercy Housing Management Group
<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Kutak Rock LLP <b>Private Placement Purchaser:</b> Citibank, N.A. <b>Cash Flow Permanent Bond:</b> Not Applicable <b>Public Sale:</b> Not Applicable <b>Underwriter:</b> Not Applicable <b>Credit Enhancement Provider:</b> Not Applicable <b>Rating:</b> Not Applicable
<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General New Construction P <b>Total Number of Units:</b> 94 <b>Manager's Units:</b> 1 Unrestricted <b>Type:</b> New Construction <b>Population Served:</b> Family/Special Needs

6th and San Julian Apartments is a new construction project located in Los Angeles on a 0.52 -acre site. The project consists of 93 restricted rental units and 1 unrestricted managers' units. The project will have 93 one-bedroom units. The building will be one 6-story building with 5 floors consisting of Type III-A over 1-story Type I-A. Common amenities include a community room, bike storage and maintenance space, courtyard, property manager's office, offices for on-site services, laundry rooms, trash chute, and a community-serving space. Each unit will have a stove, refrigerator, window coverings, high-quality durable finishes, energy-efficient fixtures and appliances, a bathroom and kitchen with water-efficient plumbing fixtures and a living area. There are 12 parking spaces provided. The project will be pursuing LEED designation at the "Certified" level. Green features include energy-efficient fixtures and appliances, water-efficient plumbing fixtures, and finishes with low or no VOCs. The project will also be constructed to accommodate future use of solar photovoltaic and solar hot water systems. Smaller unit sizes will make for less utility demand, and ample bike parking on-site will encourage greener travel habits for residents. The construction is expected to begin April 2021 and be completed in June 2022.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
 100% (93 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:** \$ 59,782,492  
**Estimated Hard Costs per Unit:** \$ 290,198 (\$27,278,617 /94 units including mgr. units)  
**Estimated per Unit Cost:** \$ 635,984 (\$59,782,492 /94 units including mgr. units)  
**Allocation per Unit:** \$ 354,774 (\$33,348,722 /94 units including mgr. units)  
**Allocation per Restricted Rental Unit:** \$ 358,588 (\$33,348,722 /93 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 33,348,722	\$ 0
Tranche B Financing	\$ 0	\$ 2,301,000
Taxable Bond Proceeds	\$ 8,799,364	\$ 0
LIH Tax Credit Equity	\$ 1,677,742	\$ 18,622,417
Developer Equity	\$ 100	\$ 3,408,110
Deferred Developer Fee	\$ 448,287	\$ 448,287
Deferred Costs	\$ 3,089,737	\$ 0
HHH Loan	\$ 7,320,000	\$ 15,320,000
LACCD NPLH	\$ 5,060,000	\$ 5,060,000
Accrued/Deferred Interest	\$ 38,540	\$ 38,540
<b>Total Sources</b>	<b>\$ 59,782,492</b>	<b>\$ 45,198,354</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 7,158,443
New Construction	\$ 30,481,040
Contractor Overhead & Profit	\$ 884,502
Architectural Fees	\$ 1,775,857
Survey and Engineering	\$ 320,000
Construction Interest and Fees	\$ 3,304,353
Permanent Financing	\$ 52,258
Legal Fees	\$ 225,000
Reserves	\$ 1,450,240
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 3,556,400
Local Development Impact Fees	\$ 366,895
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,279,494
Developer Costs	\$ 5,908,010
<b>Total Uses</b>	<b>\$ 59,782,492</b>

**Analyst Comments:**

This project is considered a high cost per unit project due to high land costs in Downtown Los Angeles. The City of Los Angeles is presently in the midst of an affordable housing construction boom due to the large amounts of city funding being invested in affordable and special needs housing. This has reduced competition among the construction contractors who specialize in these projects and they are also facing staffing shortages and increased labor costs. The project requires demolition of an existing warehouse, which involves not only the tearing down of the building, but also the abatement of lead and asbestos. Additionally, there is soil contamination on the project site, which will require significant excavation, as well as construction of a vapor barrier and vapor extraction system. These demolition and abatement expenses add significant costs per unit to the project. The project is subject to both federal and state prevailing wage requirements due to its use of state and local funding programs such as SHMHP, No Place Like Home, and HHH. The project includes supportive service offices required for its special needs resident population, and is required to capitalize a large transition reserve due to LA County and HCD regulations for their No Place Like Home funding program.

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**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.

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**Total Points:**

125 out of 145 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$33,348,722 in tax-exempt bond allocation.

**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
<b>Total Points</b>	<b>145</b>	<b>125</b>	<b>125.00</b>