

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

Applicant:	Housing Authority of the City of Los Angeles
Allocation Amount Requested:	Tax-exempt: \$31,843,632
Project Information:	Name: Rose Hill Courts Phase I Project Address: 4466 Florizel Street Project City, County, Zip Code: Los Angeles, Los Angeles, 90032
Project Sponsor Information:	Name: Rose Hill Courts I Housing Partners, L.P. (Related/Rose Hill Courts Principals: Franke Cardone (President/Secretary); William A. Witte (Vice President); Steven D. Sherman (Treasurer); Tina Booth (President); Lisette Belon (Secretary); Pat Kataura (Treasurer) Property Management Company: Related Management Company
Project Financing Information:	Bond Counsel: Kutak Rock LLP Private Placement Purchaser: MUFG Union Bank, 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 P Total Number of Units: 89 Manager's Units: 1 Unrestricted Type: New Construction Population Served: Family

Rose Hill Courts Phase I Apartments is a new construction project located in Los Angeles on a 1.79 -acre site. The project consists of 52 restricted rental units, 36 market rate units and 1 unrestricted managers' units. The project will have 51 one-bedroom units, 26 two- bedroom units, 8 three-bedroom units and 4 four-bedroom units. The building will be two total. Common amenities include large community room, management offices and social service office. Each unit will have window coverings, decks, energy efficient windows, storage cabinets, countertops, central air/heat, and refrigerators, range and dishwashers. There are 56 parking spaces provided. The project will be pursuing GreenPoint Rated Program. Green features include exceeding energy efficiency of the 2016 California Energy Code, use of drought-tolerant plants, high-efficiency toilets and showerheads, weather-based irrigation and high efficiency interior and exterior lighting. The construction is expected to begin April 2021 and be completed in May 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 59%
 49% (43 units) restricted to 50% or less of area median income households.
 10% (9 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

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:	\$ 62,220,603	
Estimated Hard Costs per Unit:	\$ 182,440	(\$16,237,141 /89 units including mgr. units)
Estimated per Unit Cost:	\$ 699,108	(\$62,220,603 /89 units including mgr. units)
Allocation per Unit:	\$ 357,794	(\$31,843,632 /89 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 612,378	(\$31,843,632 /52 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 31,843,632	\$ 0
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 3,822,804	\$ 14,057,000
LIH Tax Credit Equity	\$ 1,389,430	\$ 13,894,303
Developer Equity	\$ 2,000,000	\$ 2,000,000
Deferred Developer Fee	\$ 2,400,000	\$ 1,300,000
Deferred Costs	\$ 0	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
Itemized Public Funds Sources	\$ 0	\$ 0
Net Income From Operations	\$ 0	\$ 0
HACLA Acquisition Loan/Seller Carryback	\$ 7,100,000	\$ 7,100,000
HACLA RR Gap Loan	\$ 8,350,000	\$ 8,350,000
HCD - IIG	\$ 3,519,300	\$ 3,519,300
Total Sources	\$ 60,425,166	\$ 50,220,603

Uses of Funds:	
Land Cost/Acquisition	\$ 9,077,108
Rehabilitation	\$ 0
Relocation	\$ 0
New Construction	\$ 28,429,609
Contractor Overhead & Profit	\$ 2,376,939
Architectural Fees	\$ 3,122,595
Survey and Engineering	\$ 722,614
Construction Interest and Fees	\$ 2,711,000
Permanent Financing	\$ 191,000
Legal Fees	\$ 852,500
Reserves	\$ 1,795,436
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 3,778,122
Local Development Impact Fees	\$ 481,029
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,172,651
Developer Costs	\$ 5,500,000
Total Uses	\$ 62,220,603

Analyst Comments:

This project is considered a high cost per unit project at \$699,108 as it is a new construction project and additional consultant work is needed. The existing buildings are historic and in order to be demolished, an EIR/EIS is necessary to pursue a new construction approach. The consultant and legal costs associated with an EIR/EIS and SHPO approval are in excess of \$1 million. Additional consultants to monitor construction, such as a biologist, archaeologist, paleontologist, tribal monitor, traffic consultant and a noise consultant are required and add over \$300,000 in additional fees. The existing buildings house current tenants and due to the length of the construction period, the residents must be permanently relocated off-site.

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 \$31,843,632 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
Total Points	145	125	125.00