

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: Isaac Clark III

Applicant:	California Public Finance Authority
-------------------	--

Allocation Amount Requested:	Tax-exempt: \$14,000,000
-------------------------------------	---------------------------------

Project Information:	Name: Towne Square Apartments
	Project Address: 11650 Towne Avenue
	Project City, County, Zip Code: Los Angeles, Los Angeles, 90061

Project Sponsor Information:	Name: Towne Square Preservation, L.P. (Towne Square Apartments, LLC)
	Principals: Chris Jones, President and Howard Hudson, Vice President for Towne Square Apartments, LLC
	Property Management Company: Caring Housing Ministries

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe 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
	Total Number of Units: 51
	Manager's Units: 1 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Towne Square Apartments is a project located in Los Angeles on a 1.30-acre sites. The entire project consists of 51 restricted rental units and 1 unrestricted manager unit. The entire project has 18 one-bedroom units, 30 two-bedroom units and 3 three-bedroom units. Exterior renovations will include painting the interior and exterior of all buildings, replacing flooring, cabinets and interior doors throughout the units, adding a sound wall at the community garden, repairs to landscaping and irrigation, asphalt repairs and repairs throughout the property to sidewalks and ADA accessible walkways. building (exterior/interior) upgrades. Unit renovations will include replacing light fixtures and installing Energy Star rated appliances. There will be 41 parking spaces. The rehabilitation is expected to begin in July 2021 and be completed in December 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (50 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 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:	\$ 29,318,451	
Estimated Hard Costs per Unit:	\$ 134,508	(\$6,859,912 /51 units including mgr. unit)
Estimated per Unit Cost:	\$ 574,872	(\$29,318,451 /51 units including mgr. unit)
Allocation per Unit:	\$ 274,510	(\$14,000,000 /51 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 280,000	(\$14,000,000 /50 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,000,000	\$ 2,073,462
Taxable Bond Proceeds	\$ 5,300,000	\$ 5,300,000
LIH Tax Credit Equity	\$ 0	\$ 8,077,255
Deferred Developer Fee	\$ 0	\$ 532,965
Costs Deferred Until Conversion	\$ 2,626,694	\$ 600,000
Seller Financing	\$ 6,250,000	\$ 12,100,000
Acquired Project Reserves	\$ 336,156	\$ 336,156
Capital Contribution (GP)	\$ 100	\$ 298,613
Capital Contribution (LP)	\$ 805,501	\$ 0
Total Sources	\$ 29,318,451	\$ 29,318,451

Uses of Funds:	
Land Cost/Acquisition	\$ 14,712,760
Rehabilitation	\$ 6,451,256
Relocation	\$ 489,000
Contractor Overhead & Profit	\$ 471,525
Architectural Fees	\$ 376,906
Survey and Engineering	\$ 75,000
Construction Interest and Fees	\$ 1,653,091
Permanent Financing	\$ 30,000
Legal Fees	\$ 214,860
Reserves	\$ 434,236
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 757,703
Other Project Costs	\$ 655,987
Developer Costs	\$ 2,986,127
Total Uses	\$ 29,318,451

Analyst Comments:

This project is considered a high cost per unit project. Land and existing building costs are exceptionally high in the City of Los Angeles, particularly locations that are near major transit lines such as the Metro C light rail line which has a stop less than ¼ mile from this site. The hard construction costs represent approximately 25% of the total development costs. The rehab includes bringing 11% of the units up to current accessibility codes which requires considerable reconfiguring of those units. All of this work requires tenants to be relocated so that additional cost is approximately \$500,000. The relocation budget includes a contingency of approximately 10% specially included for Covid-19 pandemic issues to ensure that tenants are provided safe and healthy locations when they must move out of their units for 3-4 weeks.

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:

135 out of 150 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$14,000,000 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	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	10	10	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	5
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10
Negative Points (No Maximum)	0	0	0
Total Points	150	130	135