

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2011
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Crystal Alvarez

Applicant: Community Redevelopment Agency of the City of Los Angeles

Allocation Amount Requested:
Tax-exempt: \$8,075,000

Project Information:
Name: Montecito Apartments
Project Address: 6650 Franklin Avenue
Project City, County, Zip Code: Los Angeles, Los Angeles, 90028

Project Sponsor Information:
Name: Montecito Apartments Housing, L.P. (Montecito Apartments, LLC and Housing Corporation of America)
Principals: Thomas Safran for Montecito Apartments, LLC and Ronald H. Olson for Housing Corporation of America

Project Financing Information:
Bond Counsel: Sidley Austin LLP
Private Placement Purchaser: Citibank, N.A. (Construction) / California Community Reinvestment Corporation (Permanent)
TEFRA Hearing Date: February 11, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 115, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The project is a proposed acquisition and rehabilitation of The Montecito Apartments, an existing and occupied 116-unit senior community located in the neighborhood know as Little Armenia, also within the Hollywood Development District in the City of Los Angeles. The project was originally constructed in 1931 as a hotel and retrofitted into affordable apartments in 1986. It consists of a single, ten-story, interior-access, elevator-served, high-rise tower totaling approximately 71,450 square feet. The site amenities include a lobby on the ground floor, a community room in the sub-basement area, central laundry facilities and controlled access entry. The project is within close proximity to public transportation, Fresh & Easy Grocery Store, the Hollywood Branch Library and is adjacent to La Palmas Senior Center.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (35 units) restricted to 50% or less of area median income households.
70% (80 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Of the 116 units, 40 are studio units of approximately 376-475 square feet and 75 one-bedroom units of approximately 475-584 square feet. The project has committed to providing educational classes and contracts for services for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	14,315,201	
Estimated Hard Costs per Unit:	\$	14,634	(\$1,682,928 /115 units)
Estimated per Unit Cost:	\$	124,480	(\$14,315,201 /115 units)
Allocation per Unit:	\$	70,217	(\$8,075,000 /115 units)
Allocation per Restricted Rental Unit:	\$	70,217	(\$8,075,000 /115 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 8,075,000	\$ 6,433,000
Developer Equity	\$ 1,385,161	\$ 1,021,865
LIH Tax Credit Equity	\$ 2,005,297	\$ 4,010,593
Seller Take-back	\$ 2,600,000	\$ 2,600,000
NOI During Rehabilitation	\$ 249,743	\$ 249,743
Total Sources	\$ 14,315,201	\$ 14,315,201

Uses of Funds:	
Acquisition Cost	\$ 9,600,000
Hard Construction Costs	\$ 1,682,928
Architect & Engineering Fees	\$ 30,000
Contractor Overhead & Profit	\$ 120,640
Developer Fee	\$ 1,512,485
Relocation	\$ 34,800
Cost of Issuance	\$ 137,516
Capitalized Interest	\$ 235,520
Other Soft Costs	\$ 961,312
Total Uses	\$ 14,315,201

Description of Financial Structure and Bond Issuance:

The Project Sponsor has secured acquisition, construction and permanent debt financing from a conventional construction-to-permanent loan in the amount of \$8,075,000. California Community Reinvestment Corporation and Citibank, N.A. have provided a commitment to fund the loan and purchase the bonds. During the rehabilitation period Citibank will be the lender with a 15 month interest only during construction. Following completion of construction and stabilization, the construction period will convert to permanent fixed rate financing at which time California Community Reinvestment Corporation will provide financing for a term of 17 years.

Analyst Comments:

Not Applicable

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: 72 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,075,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	2
Negative Points	-10	-10	0
Total Points	118	98	72

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.