

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 20, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** City of Los Angeles

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**Allocation Amount Requested:**  
**Tax-exempt:** \$17,800,000

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**Project Information:**  
**Name:** Pilgrim Tower Apartments  
**Project Address:** 1207 S. Vermont Avenue  
**Project City, County, Zip Code:** Los Angeles, Los Angeles, 90006

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**Project Sponsor Information:**  
**Name:** Pilgrim Tower Apartment, L.P. (Pilgrim Tower Apartments, LLC)  
**Principals:** Howard Hudson, Chris Jones, Margol Kennison, Roy Haugen for Pilgrim Tower Apartments, LLC.  
**Property Management Company:** CARING Housing Ministries, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Red Capital Group/ FHA Section 221(d)  
**TEFRA Adoption Date:** February 10, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 108, plus 3 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens

Pilgrim Tower is an existing multi-family apartment building built in 1968 that utilized the HUD 202 financing program. Through the refinancing and rehabilitation, the developer intends to restrict 11 units to 50% AMI and 97 units to 60% AMI with the remaining 3 units reserved for management activities (onsite manager, security and office space). The building is an 11 story high rise consisting of 36 studio units, and 75 one-bedroom units. There are 2 elevators that serve the building. The common areas of the building include a laundry room, community room, including a kitchen, computer room, outdoor sitting and landscaped areas, a community garden, gated entry and security patrol. Each unit is equipped with a refrigerator, range, oven, garbage disposal, dishwasher, window coverings, balcony and emergency call system. The project is restricted to seniors via the HUD 202 program that also allows for non-senior tenants who have a disability. Pilgrim Tower will continue to give a priority to those with a hearing impairment/disability. Rehabilitation is expected to begin in August 2015 and be complete by August 2016. The complex will undergo a substantial rehabilitation including: new kitchens, bathrooms, flooring, lighting, heating and window coverings in all apartments; replacement of all exterior windows with energy efficient glazing/assemblies; convert some of the apartments to handicapped accessible units in accordance with accessibility requirements; addition of an emergency generator; new automated fire sprinkler system and fire alarm system; installation of security cameras.



**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (11 units) restricted to 50% or less of area median income households.  
90% (97 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio & 1 bedroom

There will be no service amenities for the project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 35,432,000  
**Estimated Hard Costs per Unit:** \$ 98,633 (\$10,652,372 /108 units)  
**Estimated per Unit Cost:** \$ 328,074 (\$35,432,000 /108 units)  
**Allocation per Unit:** \$ 164,815 (\$17,800,000 /108 units)  
**Allocation per Restricted Rental Unit:** \$ 164,815 (\$17,800,000 /108 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 17,800,000	\$ 7,900,000
Red Capital (FHA)	\$ 5,985,000	\$ 0
Hunt (Bridge Loan)	\$ 6,840,000	\$ 0
Deferred Developer Fee	\$ 1,500,000	\$ 3,000
LIH Tax Credit Equity	\$ 1,685,000	\$ 11,236,000
Other (Fee, Accounting, Deferred)	\$ 126,000	\$ 0
Other (Seller Payment)	\$ 585,000	\$ 0
Other (Seller Carry)	\$ 0	\$ 15,400,000
Other (Reserves)	\$ 911,000	\$ 893,000
<b>Total Sources</b>	<b>\$ 35,432,000</b>	<b>\$ 35,432,000</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 16,300,000
On & Off Site Costs	\$ 95,550
Hard Construction Costs	\$ 10,556,822
Architect & Engineering Fees	\$ 549,500
Contractor Overhead & Profit	\$ 721,887
Developer Fee	\$ 2,500,000
Relocation	\$ 805,000
Cost of Issuance	\$ 193,500
Capitalized Interest	\$ 605,000
Other (Permit Processing and Impact Fees)	\$ 270,500
Other (Operating Reserve)	\$ 698,896
Other Soft Costs (Marketing, etc.)	\$ 2,135,345
<b>Total Uses</b>	<b>\$ 35,432,000</b>

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**Description of Financial Structure and Bond Issuance:**

The proposed financial structure will be approximately \$17,800,000 in Bonds will be publicly sold with an 18-month maturity and an interest rate of approximately 0.75%. Simultaneous with closing the bonds, a loan in the approximate amount of \$7,900,000 is being made to the Project under the FHA Section 221(d) mortgage insurance program (the "FHA Loan"), along with loans from the project seller in the amount of \$15,985,000 (together with the FHA Loan). Upon closing the loans and subsequent draws during rehabilitation, the title/escrow company will deliver proceeds of the loans to the bond trustee to serve as collateral for the Bonds. The trustee will deposit proceeds of the loans in a collateral account, and will release a like amount of bond proceeds to fund project acquisition and rehabilitation costs. The collateral account will be invested in US Treasury securities, such that the bonds will qualify for a rating of "AA+" by Standard & Poor's. Please note that debt service coverage is not a consideration with this structure, as principal and interest on the bonds will be fully collateralized with cash and/or US Treasury securities at all times.

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**Analyst Comments:**

Not Applicable

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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:** 57.5 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$17,800,000 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	25
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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>57.5</b>

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.