

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: **Housing Authority of the County of Los Angeles**

Allocation Amount Requested:
Tax-exempt: \$9,450,000

Project Information:
Name: Sun Sage Homes Apartments (Scattered Site)
Project Addresses: 11128 S. Osage Avenue, Lennox, Los Angeles, 90304
10800 Laurel Avenue, Whittier, Los Angeles, 90605

Project Sponsor Information:
Name: Sun Sage Homes, L.P. (Sun Sage Homes, LLC)
Principals: Robin Hughes, Rick Saperstein, Holly Benson, Luz Soto, Lara Regus, Gio Aliano and Karl Kauff for Sun Sage Homes LLC
Property Management Company: Abode Communities

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: April 12, 2016
TEFRA Adoption Date: May 10, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 69, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Sun Sage Homes is a scattered site located in the county of Los Angeles. Osage Apartments is located on a 0.76 acre site while Sunshine Terrace Apartments is located on a 2.77 acre site. Osage has 10 one-bedroom units and 10 two-bedroom units. Sunshine Terrace has 32 three-bedroom units and 17 four-bedroom units. Units at Osage Apartments have a gas range/oven, refrigerator, double steel sink, central A/C and heating, and a patio or balcony. Units at Sunshine Terrace have a gas range/oven, refrigerator, double steel sink and central heat. The rehabilitation of Osage will include installing a new high efficiency heat pump, repairing the roof, replacing lighting, replacing unit items (countertops, cabinets, stoves, refrigerators), and installing new windows and sliding doors. The rehabilitation of Sunshine Terrace will include replacing supply piping throughout the building, installing additional insulation, replacing closet doors, painting, installing new stoves, countertops, refrigerators, and cabinets in units as needed. Both projects will receive accessibility improvements and energy upgrades to improve energy efficiency. Rehabilitation is expected to begin in September 2016 and complete June 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

93% (64 units) restricted to 50% or less of area median income households.

7% (5 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 19,074,223	
Estimated Hard Costs per Unit:	\$ 55,066	(\$3,799,573 /69 units)
Estimated per Unit Cost:	\$ 276,438	(\$19,074,223 /69 units)
Allocation per Unit:	\$ 136,957	(\$9,450,000 /69 units)
Allocation per Restricted Rental Unit:	\$ 136,957	(\$9,450,000 /69 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 9,450,000	\$ 1,599,200
LIH Tax Credit Equity	\$ 1,109,080	\$ 5,971,940
LAC DCD Assumed Loans	\$ 4,723,809	\$ 4,723,809
HCD - RHCP	\$ 1,486,555	\$ 1,486,555
LA CDC CDBG Loan	\$ 330,000	\$ 330,000
Seller Note	\$ 0	\$ 3,081,979
Deferred Developer Fee	\$ 38,497	\$ 38,497
Deferred Costs	\$ 907,283	\$ 0
Purchased Reserve Accounts	\$ 385,000	\$ 385,000
General Partner Capital Contributions	\$ 644,000	\$ 644,000
Income During Construction	\$ 0	\$ 63,243
Citi Subordinate Loan Program	\$ 0	\$ 750,000
Total Sources	\$ 19,074,224	\$ 19,074,223

Uses of Funds:	
Land Cost/Acquisition	\$ 9,122,407
Predevelopment Interest/Holding Cost	\$ 13,859
Purchased Reserves	\$ 385,000
Rehabilitation	\$ 4,853,097
Relocation	\$ 162,300
Contractor Overhead	\$ 282,175
Architectural Fees	\$ 302,200
Survey and Engineering	\$ 135,000
Construction Interest and Fees	\$ 693,715
Permanent Financing	\$ 15,000
Legal Fees	\$ 65,000
Reserves	\$ 234,983
Appraisal	\$ 20,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 744,844
Developer Costs	\$ 2,044,643
Total Uses	\$ 19,074,223

Description of Financial Structure and Bond Issuance:

The bonds will be purchased is a private placement transaction by Citi Bank, N.A. During the construction financing phase the loan term will be for 18 months with an interest rate of 3.94%. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 35 years at a rate of 5.50%.

Analyst Comments:

None

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: 77.9 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$9,450,000 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	12.9
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	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	77.9

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.