

AFFORDABLE HOUSING

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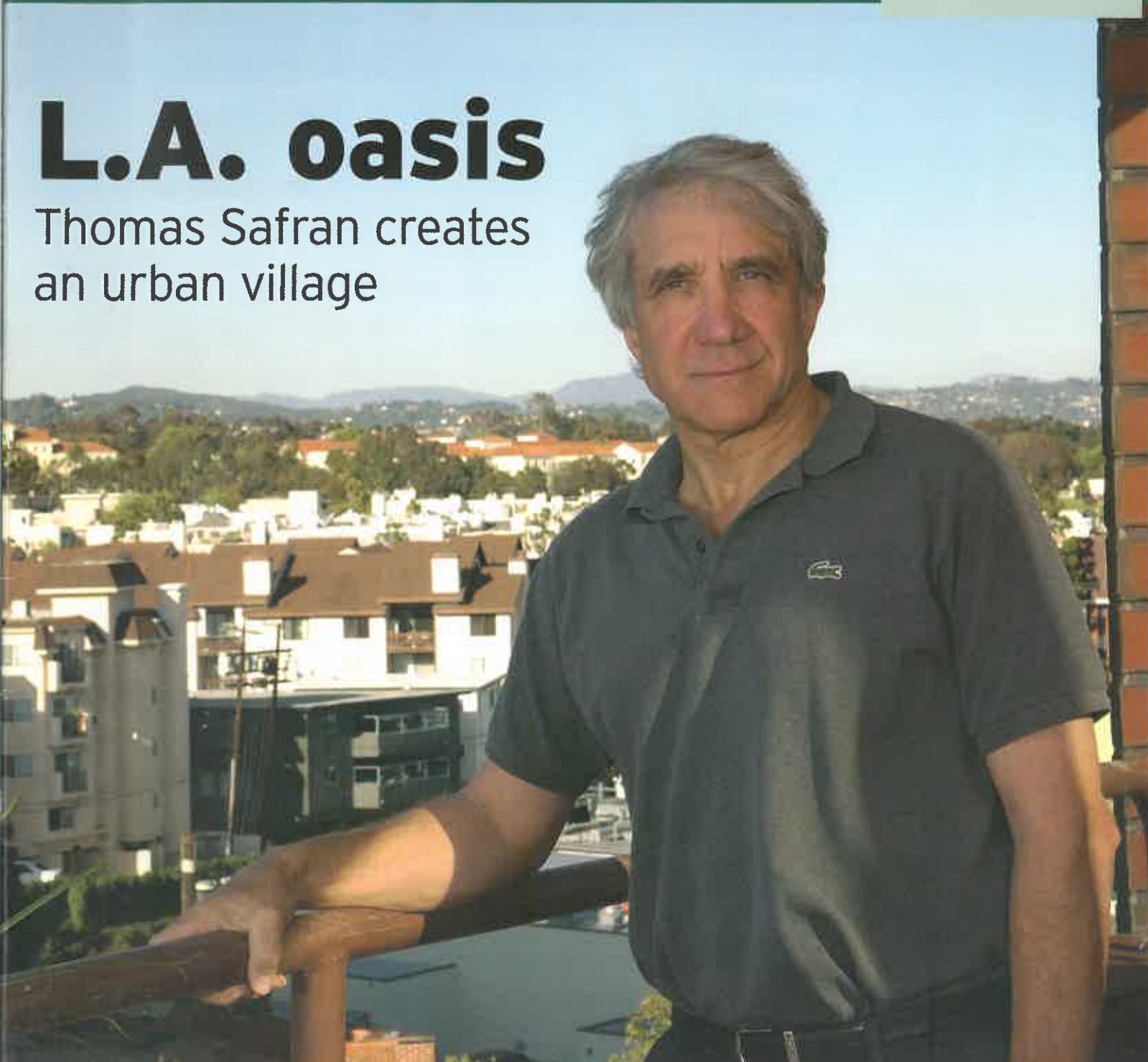
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L.A. oasis

Thomas Safran creates
an urban village



Urban village grows in L.A. neighborhood

BY DONNA KIMURA

LOS ANGELES In the shadow of downtown Los Angeles, Skyline Village is making a dent in the massive demand for affordable housing because its developer didn't give up when its first financing plan fell through.

The 73-unit project was built by Thomas Safran & Associates, which originally hoped to finance Skyline Village with 9% low-income housing tax credits (LIHTCs). When those credits didn't come through, the team restructured the deal to use bonds and other financing.

The development recently opened its doors, and there are little stories everywhere.

The candy-red bench in the garden was discovered and purchased by Safran in a Santa Monica art gallery.

The player piano in the community room came from one of the project architects, who had received the instrument from his grandmother and wanted it to be put to good use.

The project, named after the downtown skyline that rises behind the complex, is located in the City West area of Los Angeles.

"What I like is its affordability and its accessibility," said City Councilman Ed Reyes, adding that he sees the development as reaffirming the significance of the central city neighborhood.

Developed in cooperation with

the Housing Corporation of America, the apartments recently earned a Downtowners of Distinction Award from the *Los Angeles Downtown News*.

"Just because it's low-income, it shouldn't be a bare-bones project,"

was too tough, and the project did not receive a reservation. The deal was then restructured to use tax-exempt bonds and 4% tax credits, which generated about \$5.4 million in tax credit equity. Alliant Capital was the syndicator, and Bank of



Thomas Safran (left) and Andrew Gross, vice president of development at Thomas Safran & Associates, developed the award-winning Skyline Village.
(Photo by Donna Scholl)

said Safran, company president. Since forming his company in 1974, he has built about 3,500 housing units.

A mix of financing

Although the development team originally sought to finance the project with 9% LIHTCs, the competition for those credits in California

America was the investor.

"It's a top-quality project from a top-quality developer," said Carl Wise, senior vice president at Alliant, which has invested in several Safran developments.

Skyline Village is distinguished by its location in a strong Los Angeles market, its generous amenity package and its rent advantages

compared to other properties in the market, Wise said.

To finance the rest of the nearly \$18 million project, the firm took the complicated step of obtaining five permanent loans, each secured by deeds of trust, said Andrew Gross, vice president of development.

This required coordinating all the different loans as they went through underwriting and closing, which took about three months, Gross said.

The financing structure is a sign of how much people wanted the project done, he added.

The structure isn't one that Safran would necessarily recommend to others, but, in this case, it did the job and got the project done. "This was a labor of love," Safran said.

Others point out that in the pricey Southern California real estate market, deals often require multiple loans.

The first trust deed permanent loan is for \$3.75 million from the California Housing Finance Agency (CalHFA) through tax-exempt bond financing. The 40-year loan has an interest rate of 5.35%, with a 1.10x debt-service-coverage ratio.

The state Department of Housing and Community Development provided a 55-year \$4 million soft second loan at 3%. The Los Angeles Housing Department agreed to a 45-year \$3.3 million third loan at 5%. Funds from the City of Industry program provided an approximately \$600,000 fourth loan, and the Federal Home Loan Bank of San Francisco provided a \$300,000 Affordable Housing Program loan through Broadway Federal Bank, which counts as the fifth loan. The formula for the repayment of the soft second, third, fourth

and fifth loans is complicated. It is based on a pro rata share of a percentage of total residual receipts, applied first toward accrued interest and then to unpaid principal of each loan.

In another move, CalHFA also provided about \$9 million in bond funds for a loan-to-lender deal with



Downtown Los Angeles rises behind Skyline Village.

Bank of America. The bank then used the funds to provide the project with a construction loan. Century Housing provided a \$550,000 bridge loan.

When the project began its leasing process, the line of prospective residents went out the door, down the street and around the block. Officials said about 2,600 people applied for the 73 units.

Units are set aside for residents earning no more than 35%, 50% and 60% of the area median income.

Urban village

A striking feature about Skyline Village is its extensive landscaping.

Lush plants line the walkways and hidden corners of the outdoor community space.

"I love trees," said Safran, whose company logo includes the image of evergreens. Every bedroom window at the new development looks out onto a tree. Two playgrounds, a clock tower and a small basketball court are also part of the community space with the aim of promoting interaction and a village atmosphere.

The project embraces a design theory known as "defensible space" to help promote safety and a sense of community. Many of the units were designed to face the surrounding streets, which allows residents to keep an eye on the neighborhood.

The development was designed by Withee Malcolm Architects, a firm that has worked with Safran on several projects. "The attempt is to always get the best spaces between the buildings where kids can play and [the] adults can enjoy," said Dan Withee, a partner in the firm.

One of the challenges of the site was a dramatic 20-foot drop in elevation from one street that bordered the property to another. The team solved the slope problem by digging a parking lot on the low end and then creating a courtyard on top of the podium so the outdoor area is one level.

"We've really raised the entire neighborhood," said Jordan Pynes, project manager. Several nearby property owners have made improvements to their buildings since Skyline opened. There's even construction going on next door, where Safran's firm is developing a 10-unit market-rate loft project. ■