

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: September 10, 2013

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Council File No. 11-0054-S2

Council District: 8

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MS*

Reference: Transmittal from the Los Angeles Housing and Community Investment Department dated July 15, 2013; received by the City Administrative Officer on August 6, 2013

Subject: **AUTHORIZATION TO ISSUE TAX-EXEMPT MULTI-FAMILY HOUSING REVENUE BONDS FOR THE BROADWAY VILLAS PROJECT; APPROVAL OF ACTIONS RELATED TO AFFORDABLE HOUSING TRUST FUND LOAN**

SUMMARY

The Los Angeles Housing and Community Investment Department (HCIDLA) requests authority to issue tax-exempt, multi-family housing revenue bonds in an amount of up to \$7,479,629 to finance the affordable housing development known as the Broadway Villas Project (Project). The California Debt Limit Allocation Committee (CDLAC) awarded the bond allocation to the City on December 14, 2011 and has approved several requests to extend the allocation expiration. The most recent CDLAC expiration date is September 30, 2013. HCIDLA also requests authority to increase the Affordable Housing Trust Fund (AHTF) loan by \$500,000 to a total of \$4.5 million invested in the Project, and enter into a lease agreement with a proposed limited partnership for \$1 per year. This Office concurs with HCIDLA's recommendations.

The subject site containing the Project is currently a vacant lot located at 9413-9425 South Spring Street in Council District 8. When completed, the Project will be a multi-story structure with subterranean parking and 48 affordable housing units for seniors, (40 one-bedroom units, eight two-bedroom units and one two-bedroom unit for an on-site property manager). The Project will include laundry facilities, elevator service and a community room. Services for seniors will include computer training, job training, ESL classes and nutrition programs. Residents will have access to a new, 25,000 square-foot full-service supermarket located adjacent to the Project site.

The subject site was originally owned by the former Community Redevelopment Agency of Los Angeles (CRA). Pursuant to the CRA Affordable Housing Assets and Functions Agreement dated April 5, 2013, the property was transferred to the HCIDLA. A portion of the subject site will be used to develop the Project, while the remainder of the subject site will be used to develop the full-service supermarket mentioned above (Commercial Project).

BACKGROUND

In December 2010, HCIDLA was authorized by the Mayor and Council to apply for an allocation of up to \$8.38 million in tax exempt bonds (C.F. 04-2646). Subsequently, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). In October 2011, HCIDLA submitted a CDLAC application for an allocation of tax-exempt bonds, and in February 2011 the TEFRA Resolution and Minutes were adopted by the City Council (C.F. 11-0054). In December 2011, the project was awarded an allocation of \$7,479,629 in tax-exempt bonds from CDLAC. The CDLAC allocation expiration date was originally March 13, 2012, but was later extended to September 30, 2013. HCIDLA was instructed to return to the Mayor and Council for approval of the final finance structure of the bonds for the Project prior to issuance of the bonds (C.F. 11-0054).

Development Team and Lender

- AMCAL Broadway Fund, L.P. is the borrower/sponsor (Borrower) and a California Limited Partnership (Partnership);
- The General Partnership is AMCAL 1 GP LLC, a California Limited Liability Company;
- The Co-General Partner is the Foundation for Affordable Housing II, Inc., ("AHII");
- Enterprise Community Investment is the proposed tax credit equity investor;
- AMCAL Enterprises, Inc. (Developer) has 15 years' experience developing multi-family rental housing. During that time, the Developer worked with 40 projects resulting in over 3,400 housing units; and,
- U.S. Bank, N.A. (Purchaser) will purchase the tax-exempt bonds and will provide a construction and permanent loan to the Borrower secured by a leasehold deed of trust on the Project. Additional details regarding the loan structure appear on Pages 6 and 7 of the HCID July 15, 2013 Transmittal.

The HCIDLA states in its transmittal that labor costs are subject to the State of California's Prevailing Wage requirements, City's living wages, and/or Federal Davis Bacon wages where applicable.

HCIDLA Requests to Increase ATHF Loan and Initiate Lease Agreement

As a result of tax credit rules and the requirements of lenders and equity investors, the Project and the Commercial Project must be separately owned and financed. Therefore, the HCIDLA will lease the entire subject site to AMCAL Market Fund, L.P. (AMCAL Market), a California limited partnership, which will act as the developer of the Commercial Project. AMCAL Market will simultaneously sub-lease the housing portion of the subject site (Project) to the Borrower for the Project. HCIDLA reports that the sub-lease will have a 99-year term and will require \$1 annual rental payments. HCIDLA further reports that the bond and other debt financing used for the construction and development of the Project will be secured by leasehold deeds of trust recorded against the Borrower's leasehold interest in the Project portion of the site through the sub-lease.

In February 2011, the Mayor and Council approved a commitment of Neighborhood Stabilization Program 2 (NSP2) funds in the amount of up to \$4,045,000 for the Project, a then CRA-owned property that applied for funding in Round 3 of the 2010 AHTF Notice of Funding Availability (NOFA) (C.F. 09-2841). In July 2012, HCIDLA received Mayor and Council approval to replace \$4 million in NSP2 funds with an equal amount of HOME Investment Partnership Act (HOME) funds (C.F. 11-1920). HCIDLA indicates that the need to exchange NSP2 and HOME funds was a result of NSP2 milestones and the dissolution of the CRA. Further, the dissolution of the CRA led to transfer issues that delayed commencement of the Project and increased costs relative to legal fees and construction material prices. These additional costs total approximately \$500,000 and are the reason for HCIDLA's request to increase the proposed HOME loan funding in the Project to a total of \$4.5 million.

The Council adopted a Responsible Banking Ordinance (RBO) in May 2012 (C.F. 09-0234 and 09-0234-S1). The purpose of the RBO is to create a social investment policy that reflects the community's priorities and acts as a tool when seeking financial services. The City is working with various interest groups to develop an implementation plan for the RBO. The City does have business relations with U.S. Bank N.A. (Purchaser); however, since the City acts only as a conduit issuer in these bond transactions and has no financial interest, the selection of these banks does not constitute City business.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Adopt the attached Resolution authorizing the issuance of up to \$7,479,629 in tax-exempt multi-family housing revenue bonds for the Broadway Villas Project, and approve the related bond documents, subject to the approval of the City Attorney as to form;
2. Authorize the Los Angeles Housing and Community Investment Department (HCIDLA) General Manager, or designee, to:
 - a. Negotiate and execute the related bond documents, subject to the approval of the City Attorney as to form;
 - b. Increase the Affordable Housing Trust Fund loan for the Broadway Villas Project using HOME Investment Partnerships Program funds in an amount not to exceed \$500,000;
 - c. Execute a Lease Agreement with the proposed limited partnership in the amount of one dollar (\$1.00) per year, for the Broadway Villas Project;
 - d. Prepare Controller's Instructions and any necessary technical adjustment(s), consistent with Mayor and Council actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions; and,

- e. Request the Controller to allocate and expend HOME Investment Partnership (HOME) funds from the following Fund and Account for the Broadway Villas Project:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
Broadway Villas	561/43	43J007	AHTF	\$500,000

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Funding authority for the tax-exempt multi-family housing revenue bonds is provided by the California Debt Limit Allocation Committee. The borrower, AMCAL Broadway Fund, L.P, will pay all costs associated with the issuance of the bonds, and the City bears no financial responsibility for repayment. Approval of the recommendations will provide the Broadway Villas Project with funding to construct affordable housing for seniors. The recommendations are in accordance with the City's Debt Management Policy in that no City funds are being used to issue the bonds, and the proposed use of Affordable Housing Trust Fund/HOME Investment Partnerships Program loan financing has a public benefit to residents of the City that is sufficient to merit the City's participation in the financing.

MAS:AKB/KDU/MMR:02140027C