

TRANSMITTAL

To:

THE COUNCIL

Date:

NOV 12 2013

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



ERIC GARCETTI

Mayor



(Ana Guerrero)



Eric Garcetti, Mayor
Mercedes M. Márquez, General Manager

Finance & Development Division

1200 West 7th Street, 8th Floor, Los Angeles, CA 90017
tel 213.808.8901 | fax 213.808.8918
hcidla.lacity.org

October 23, 2013

Council File: NEW
Council District: 2, 6
Contact Persons:
Rochelle Cox (213) 808-8960
Yaneli Ruiz (213) 808-8951
Manuel Bernal (213) 808-8901
Helmi Hisserich (213) 808-8662

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COMMITTEE TRANSMITTAL: REQUESTING THAT MAYOR AND CITY COUNCIL AUTHORIZE THE ISSUANCE OF UP TO \$10,381,000 IN TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BONDS FOR THE HAZELTINE AND WYANDOTTE APARTMENTS PROJECT.

SUMMARY

- The Los Angeles Housing and Community Investment Department (HCIDLA) formerly known as the Los Angeles Housing Department (LAHD), respectfully requests authority to issue its tax-exempt multi-family housing conduit revenue bonds in the amount of \$10,381,000 to finance the development of an affordable housing development known as the Hazeltine and Wyandotte Apartments ("Project"). While it is anticipated that the California Debt Limit Allocation Committee (CDLAC) will designate February 11, 2014 as the allocation expiration date, the project is FHA financed and the HUD closing deadline is December 11, 2013. Therefore, HCIDLA requests that this transaction close by the end of November. This will ensure that the FHA insured mortgage is issued in a timely fashion.
- The proposed project consists of two scattered sites located at 7250 Hazeltine Avenue and 14630 Wyandotte Street, Los Angeles, California in the 2nd and 6th Council Districts, respectively. The proposal entails the acquisition and rehabilitation of two existing

buildings consisting of a total of 108 units (35 units at Hazeltine and 73 at Wyandotte). The Project will continue to provide affordable housing for families. Rehabilitation includes new roofs, common area flooring and decking, as well as, common area lighting and landscaping. Amenities include two community rooms, a central laundry facility, and afterschool programs and education classes for tenants. The Project contains 181 parking spaces.

RECOMMENDATIONS

The General Manager, HCIDLA, respectfully requests the following:

1. That your office schedule this transmittal for consideration at the next available meeting(s) of the appropriate Committee(s) of the City Council and forward it to the City Council for review and approval immediately thereafter;
2. That the City Council:
 - a. Adopt the attached Resolution authorizing the issuance of up to \$10,381,000 in tax-exempt multi-family mortgage conduit revenue bonds ("Bond") for the development of the Hazeltine and Wyandotte Apartments Project;
 - b. Approve the related loan documents, subject to the approval of the City Attorney as to form;
 - c. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute the relevant loan documents, subject to the approval of the City Attorney as to form.
3. That the Mayor concur with the action of the City Council.

BACKGROUND/PROJECT DETAIL

Financing History

Timeline

Inducement	December 21, 2012 (CF# 04-2646)
TEFRA Hearing	January 10, 2013
TEFRA Approved by Council	February 19, 2013
CDLAC Application Submitted	June 7, 2013
CDLAC Allocation Award	September 18, 2013
CDLAC Allocation Expiration Date	February 11, 2014

On December 12, 2012, HCIDLA induced the project (CF#04-2646), thereby enabling the sponsor to apply for a tax-exempt bond allocation. On January 10, 2013, HCIDLA conducted a

public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On February 19, 2013, the TEFRA Resolution and Minutes were adopted by the City Council (CF#11-0358). HCIDLA was authorized to apply on behalf of the sponsor for an allocation of up to \$12,600,000 in tax-exempt bonds from CDLAC. On June 7, 2013, HCIDLA, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds. It is expected the project will be awarded an allocation on November 13, 2013 for \$10,381,000 in bonds from CDLAC. While it is anticipated that CDLAC will designate February 11, 2014 as the allocation expiration date, the project is FHA financed and the HUD closing deadline is December 11, 2013. Therefore, HCIDLA requests that this transaction close by the end of November. This will ensure that the FHA insured mortgage is issued in a timely fashion

Affordability Restrictions

UNIT TYPE	50% AMI	60% AMI	Manager	TOTAL
2 bedroom	28	25	2	55
3 bedroom	9	19		28
4 bedroom	8	17		25
TOTAL	45	61	2	108

Pursuant to the Bond Regulatory Agreement to be executed in connection with the issuance of the tax-exempt bonds, the above referenced restrictions will have a term of not less than the longer of: (i) 15 years after 50% of the units are first occupied, (ii) the date such bond is paid in full, or (iii) the date on which any Section 8 assistance terminates, if applicable. In addition, CDLAC's resolution and rental income restrictions will be in place for at least 55 years. Also, because the Project will receive 4% Low Income Housing Tax Credits the subject units will also be restricted, via separate agreement, for a minimum of 55 years.

Development Team

The Project Sponsor is Hazeltine and Wyandotte, L.P. The Managing General Partner and developer is the Housing Corporation of America (HCA), a Utah-based non-profit corporation. The Co-General Partner is InSite Development, LLC (ISD), a California limited corporation. The tax credit equity investor is PNC Bank. The principal of ISD is Steven Eglash, President. The principal of HCA is Carol Cromar, Chairman of the Board and Vice-President.

The developer has over 21 years of experience in the development of multi-family rental housing and has developed over 74 projects in California resulting in a total of approximately 7,070 housing units.

Developer: Housing Corporation of America
2022 South 2100 East #101
Salt Lake City, Utah 84101
Phone : (801) 819-7989
Fax : (801) 819-7888
Contact : Carol Cromar

The borrower and developer are in compliance with LAHD's Business Policy.
The additional development team members are:

Attorney: Hobson, Bernardino & Davis LLP
725 South Figueroa Street, Suite 3230
Los Angeles, CA 90017
Phone: (213) 235-9191
Fax: (310) 948-9977
Contact: Jason Hobson

General Contractor: Atkinson & Associates, Inc.
233 East Avenue K6
Lancaster, CA 93535
Phone: (661) 723-5141
Fax: (661) 723-3728
Contact: George Atkinson

Property Manager: Ironwood Management
6265 Variel Avenue
Woodland Hills, CA 91367
Phone : (818) 789-5550
Fax : (818) 827-1719
Contact : Scott Williams

Equity Investor: PNC Bank
121 SW Morrison, Suite 1300
Portland, OR 97204
Phone: (503) 808-1349
Fax: (855) 324-7765
Contact: Matthew Harrington

Financial Structure

The bonds will be privately placed and purchased by PNC Bank. The Borrower will use the proceeds from the construction loan to provide affordable housing within the City in compliance with federal, state and local laws, as well as the policies and procedures of the City. The construction loan term will be 24 months. The construction phase loan will bear interest at a variable rate of 2.50%. Permanent financing for the project will take the form of an FHA-insured conventional mortgage loan, also with PNC Bank. The currently underwritten permanent interest rate is 4.70%. The developer has received 4% Low Income Housing Tax Credits (LIHTCs) and has at least \$5,224,709 in tax credit equity. Additional permanent financing includes a GP Equity/Loan and deferred developer fees. The property has a project-based HUD Section 8 Housing Assistance Payments (HAP) contract providing subsidies to 100% of the units.

Sources and Uses:

Construction	Total Sources	Per Unit	% Total
Tax-Exempt Bonds (PNC)	\$10,381,000	\$96,120	56%
Deferred Developer Fee	\$ 2,073,615	\$19,200	11%
GP Equity/ Loan	\$973,600	\$9,015	5%
Tax Credit Equity	\$5,224,709	\$48,377	28%
TOTAL	\$18,652,924	\$172,712	100%

Permanent	Total Sources	Per Unit	% Total
Tax-Exempt Bonds (PNC)	\$10,381,000	\$96,120	56%
Deferred Developer Fee	\$2,073,615	\$19,200	11%
GP Equity/ Loan	\$973,600	\$9,015	5%
Tax Credit Equity	\$5,224,709	\$48,377	28%
TOTAL	\$18,652,924	\$172,712	100%

Uses of Funds	Total Uses	Cost/Unit
Acquisition Costs	\$12,213,015	\$113,084
Construction Costs	\$2,190,392	\$20,281
Arch., Survey & Eng.	\$50,000	\$463
Financing Costs	\$582,401	\$5,393
Reserves	\$887,267	\$8,215
Other Soft Costs	\$656,234	\$6,076
Developer Fee	\$2,073,615	\$19,200
TOTAL	\$18,652,924	\$172,712

The HCIDLA Bond Team for the financing of the Hazeltine and Wyandotte Apartments Project is as follows:

Bond Issuer Financial Advisor
CSG Advisors, Inc.
315 West 5th Street, Suite 302
Los Angeles, CA 90013

Bond Counsel
Kutak Rock, LLP
601 S. Figueroa Street, Suite 4200
Los Angeles, CA 90017

Bond Issuer Counsel
Los Angeles City Attorney
200 N. Main Street, 9th Floor
Los Angeles, CA 90012

Labor Costs

Labor costs are subject to the State of California's Prevailing Wage requirements and/or Federal Davis Bacon wages, if applicable.

Timeline – Bond Closing Date

While it is anticipated that CDLAC will designate February 11, 2014 as the allocation expiration date, the project is FHA financed and the HUD closing deadline is December 11, 2013. Therefore, HCIDLA requests that this transaction close by the end of November. This will ensure that the FHA insured mortgage is issued in a timely fashion.

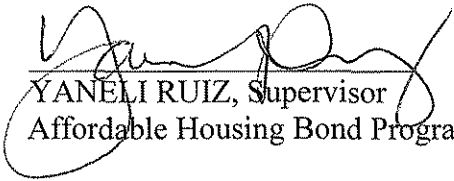
FISCAL IMPACT STATEMENT

There will be no fiscal impact on the General Fund as a result of the issuance of the bonds. The City is a conduit issuer and does not incur liability for repayment of the bonds.

Prepared By:

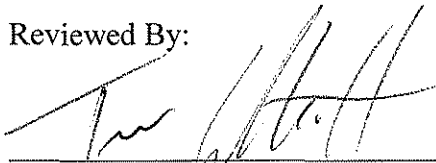


ROCHELLE COX
Finance Development Officer




YANELI RUIZ, Supervisor
Affordable Housing Bond Program

Reviewed By:



TIM ELLIOTT
Manager of Multi-Family Housing Finance

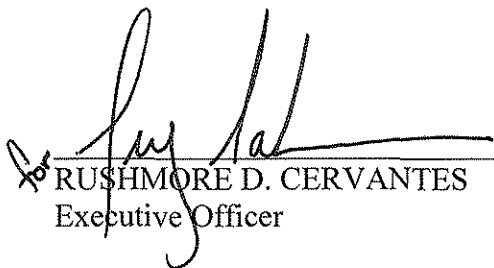


MANUEL BERNAL
Director of Housing


Approved By:



HELMI HISSERICH
Assistant General Manager



RUSHMORE D. CERVANTES
Executive Officer



for MERCEDES M. MÁRQUEZ
General Manager