

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: June 13, 2014

CAO File No. 0220-00540-1094

Council File No. 13-0303-S4

Council District: Various

To: The Council  
The Mayor

From: Miguel A. Santana, City Administrative Officer *BAH for*

Reference: Transmittal from the Housing and Community Investment Department dated May 20, 2014; transmitted by the Mayor on May 30, 2014; received by the City Administrative Officer on June 2, 2014

Subject: **REQUEST FOR AUTHORITY TO ISSUE LETTERS OF COMMITMENT FOR MANAGED PIPELINE PROJECTS AND TO TAKE VARIOUS ACTIONS RELATED TO THE AFFORDABLE HOUSING TRUST FUND**

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### SUMMARY

The Housing and Community Investment Department (HCID) requests authority to implement the following actions related to the Affordable Housing Trust Fund (AHTF) Pipeline (Pipeline):

1. Admit 13 projects into the Pipeline as a result of the January 2014 Call for Projects;
2. Issue tax credit recommendations for eight projects intending to apply for nine percent Low Income Housing Tax Credits (LIHTC) from the California Tax Credit Allocation Committee (CTCAC) in CTCAC's 2014 Round 2 competition;
3. Issue AHTF commitments for five of the eight projects to apply for nine percent LIHTC in CTCAC 2014 Round 2;
4. Provide financing for three projects to apply to CTCAC for four percent LIHTC and to the California Debt Limit Allocation Committee (CDLAC) for Tax-Exempt Bond allocations; and,
5. Commit Crenshaw / Mid-City Corridors Infill Infrastructure Grant funds to two eligible projects.

These recommendations will result in 12 additional projects and the reclassification of one project in the AHTF Pipeline, bringing the number of Pipeline projects to 31 with a total of 1,833 units. All projects listed in HCID's requests are included in their transmittal dated May 20, 2014.

In addition, HCID request authority to take various actions related to the AHTF, including the reallocation of funds, execution of loan amendments for current AHTF projects, and de-obligation of

funds for projects funded by the AHTF which are not yet ready to compete for tax credits. The reallocation of funds and the execution of loan amendments are needed to replace funds from the former Community Redevelopment Agency of Los Angeles (CRA/LA) and the Los Angeles Department of Water and Power (LADWP) which were previously committed to AHTF loans but were not received in time to process final payments to the borrowers. The de-obligations of previously committed funds will affect current Pipeline projects that are not ready to move forward in 2014. Funds will be restored to the affected projects in accordance with Pipeline regulations once the projects are ready to apply for tax credits.

This Office concurs with the requests in the HCID transmittal.

## **RECOMMENDATIONS**

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

1. Authorize the General Manager of the Housing and Community Investment Department (HCID), or designee, to:
  - A. Add the January 2014 Call for Projects as listed in Table 1 of the HCID transmittal dated May 20, 2014 to the Affordable Housing Trust Fund (AHTF) Pipeline of projects;
  - B. Issue a nine percent Tax Credit Recommendation Letter and/or Financial Commitment for each of the projects identified in Table 3 of the HCID transmittal, subject to the following conditions: 1) the final AHTF Financial Commitment does not exceed the amount listed; 2) the Project Sponsor applies to the California Tax Credit Allocation Committee (CTCAC) in the allocation round authorized by HCID; and, 3) disbursement of AHTF funds takes place after the Project Sponsor obtains the full amount of funding and/or tax credits proposed;
  - C. Issue a four percent Tax Credit Recommendation Letter and/or Financial Commitment for each of the projects identified in Table 4 of the HCID transmittal, subject to the following conditions: 1) the final AHTF financial commitment does not exceed the amount listed; and, 2) disbursement of AHTF funds takes place after the Project Sponsor obtains the full amount of funding and/or tax credits proposed;
  - D. Negotiate and execute an Exclusive Negotiation Agreement (ENA) for each project identified in Table 1 of the HCID transmittal as needed, subject to the satisfaction of all conditions and criteria stated in the AHTF application, the HCID transmittal, and HCID's Letter of Commitment (if any), and subject to approval by the City Attorney as to form;
  - E. Negotiate and execute an acquisition/predevelopment/construction/permanent loan agreement with the legal owner of each project identified in Tables 3 and 4 of the HCID transmittal that receives an award from the proposed leveraging source, subject to the satisfaction of all conditions and criteria stated in the AHTF application, the HCID transmittal, and HCID's Letter of Commitment, and subject to approval by the City Attorney as to form;

- F. Execute subordination agreements for each of the projects in Tables 3 and 4 of the HCID transmittal wherein the City loan and regulatory agreements are subordinated to their respective conventional construction and permanent loans;
- G. Execute agreements with the project owners of each of the projects in Tables 3 and 4 of the HCID transmittal, and authorize the transfer of the properties to a limited partnership or other legal entity formed solely for the purpose of owning and operating the projects in accordance with City and federal requirements;
- H. De-obligate and remove HOME Investment Partnerships Program (HOME) allocations in the amount of \$11,112,028 as follows:

Project	Fund	Account	Account Name	Amount
Highland Park Transit Village	561/43	43C212	AHTF	\$1,725,083.00
MacArthur Park Metro B	561/43	43J007	AHTF	3,200,987.28
MacArthur Park Metro B	561/43	43K008	AHTF	3,585,957.72
South West View	561/43	43K008	AHTF	2,600,000.00
<b>Total</b>				<b>\$11,112,028.00</b>

- I. De-obligate and remove Los Angeles Department of Water and Power (LADWP) and former Community Redevelopment Agency of Los Angeles (CRA/LA) Tax Increment allocations in the amount of \$897,084 as follows:

Project	Fund	Account	Account Name	Amount
SCHARP Figueroa Apts.	44G/43	43T215	DWP Hsg. Dev.	\$200,000.00
Tobias Terrace	44G/43	43G215	LADWP	200,000.00
The Whittier	44G/43	43E214	CRA Tax Increment	198,733.00
The Whittier	44G/43	43F214	CRA Tax Increment	103,966.00
The Whittier	44G/43	43G214	CRA Tax Increment	194,385.00
<b>Total</b>				<b>\$897,084.00</b>

- J. Obligate and increase the amount of HOME allocations in the following amount to convert the existing nine percent Low Income Housing Tax Credit (LIHTC) Managed Pipeline project to four percent Low Income Housing Tax Credit and Tax-Exempt Bond financing, and issue a revised AHTF Letter of Commitment to reflect the following changes:

Project	Fund	Account	Account Name	Additional Amount
LDK Apartments	561/43	43K008	AHTF	\$6,037,337.00
<b>Total</b>				<b>\$6,037,337.00</b>

K. Obligate and increase HOME allocations in the amounts below to the following projects intending to apply for four percent LIHTC and Tax-Exempt Bonds, and issue revised AHTF Letters of Commitment to reflect the following changes:

Project	Fund	Account	Account Name	Additional Amount
Paseo at Californian	561/43	43K008	AHTF	\$3,380,572.00
Paseo at Californian	561/43	43J007	AHTF	2,719,428.00
<b>Subtotal - Paseo</b>				<b>\$6,100,000.00</b>
Winnetka Sr. Apts.	561/43	43G212	AHTF	1,437,505.00
Winnetka Sr. Apts.	561/43	43J007	AHTF	82,178.00
Winnetka Sr. Apts.	561/43	43C212	AHTF	1,725,083.00
Winnetka Sr. Apts.	561/43	43L008	AHTF	8,455,234.00
<b>Subtotal - Winnetka</b>				<b>\$11,700,000.00</b>
<b>Total</b>				<b>\$17,800,000.00</b>

L. Obligate new HOME allocations for each project listed below:

Project	Fund	Account	Account Name	Amount
<b>CTCAC Round 2 Applicants</b>				
Beverly Terrace (TOD)	561/43	43L008	AHTF	\$3,374,900.00
Arlington Square	561/43	43L008	AHTF	3,877,600.00
Marmion Way (TOD)	561/43	43L008	AHTF	2,800,000.00
Washington 722 (TOD)	561/43	43L008	AHTF	1,580,000.00
5400 Hollywood	561/43	43L008	AHTF	1,300,000.00
<b>Subtotal – CTCAC Round 2 Applicants</b>				<b>\$12,932,500.00</b>
<b>Reallocations</b>				
SCHARP Figueroa Apts.	561/43	43J007	AHTF	\$200,000.00
Tobias Terrace	561/43	43J007	AHTF	200,000.00
The Whittier	561/43	43J007	AHTF	497,084.00
<b>Subtotal – Reallocations</b>				<b>\$897,084.00</b>
<b>Total</b>				<b>\$13,829,584.00</b>

- M. Allocate \$1,980,959.84 of HOME program income received in Program Year 2013-14 to the Affordable Housing Trust Fund;
- N. Amend the AHTF loan agreements for the SCHARP Figueroa Apartments and Tobias Terrace projects to disencumber \$200,000 in LADWP-PSHP funds per project and replace with HOME funds;
- O. Amend the AHTF loan agreement for The Whittier project to disencumber \$497,084 in CRA/LA funds that were part of the original agreement's project financing and replace them with HOME funds;
- P. Amend the CRA/LA loan agreement for The Crossings on 29<sup>th</sup> Street project to extend the term for an additional 12-month period;
- Q. Use uncommitted HOME funds from prior years' accounts within HOME Fund No. 561 first, if any, before using current year funds and accounts, as needed, to close out old accounts for transactions related to this report;
- R. Prepare Controller's instructions and any necessary technical adjustment consistent with the Mayor and City Council actions on these matters, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions;

2. Authorize the Controller to:

- A. Increase Account 43K008 in the amount of \$1,980,959.84 for additional program income received for Program Year 2013-14 within the HOME Fund No. 561/43;
- B. Expend funds within the HOME Fund No. 561 upon proper demand of the General Manager of HCID, or designee, as follows:

Project	Account	Account Name	Amount
LDK Apartments	43K008	AHTF	\$6,037,337.00
Paseo at Californian	43K008	AHTF	3,380,572.00
Paseo at Californian	43J007	AHTF	2,719,428.00
Winnetka Sr. Apartments	43G212	AHTF	1,437,505.00
Winnetka Sr. Apartments	43J007	AHTF	82,178.00
Winnetka Sr. Apartments	43C212	AHTF	1,725,083.00
Winnetka Sr. Apartments	43L008	AHTF	8,455,234.00
Beverly Terrace	43L008	AHTF	3,374,900.00
Arlington Square	43L008	AHTF	3,877,600.00
Marmion Way (TOD)	43L008	AHTF	2,800,000.00

Project	Account	Account Name	Amount
Washington 722 (TOD)	43L008	AHTF	1,580,000.00
SCHARP Figueroa Apts.	43J007	AHTF	200,000.00
Tobias Terrace	43J007	AHTF	200,000.00
5400 Hollywood	43L008	AHTF	1,300,000.00
The Whittier	43J007	AHTF	497,084.00
<b>Total</b>			<b>\$37,666,921.00</b>

C. Decrease accounts within the AHTF Fund No. 44G as follows:

Project	Account	Account Name	Amount
SCHARP Figueroa Apartments	43T215	DWP Hsg. Dev.	\$200,000.00
Tobias Terrace	43G215	LADWP	200,000.00
The Whittier	43E214	CRA Tax Increment	198,733.00
The Whittier	43F214	CRA Tax Increment	103,966.00
The Whittier	43G214	CRA Tax Increment	194,385.00
<b>Total</b>			<b>\$897,084.00</b>

D. Expend funds within the Crenshaw / Mid-City Corridors Prop 1C-CRA Fund No. 55S as follows:

Project	Account	Account Name	Amount
Crenshaw Villas	43K009	Crenshaw/Mid-City Corridors	\$2,000,000.00
Crenshaw Gardens	43K009	Crenshaw/Mid-City Corridors	2,400,000.00
<b>Total</b>			<b>\$4,400,000.00</b>

**FISCAL IMPACT STATEMENT**

There is no impact to the General Fund. Approval of the recommendations in this report authorizes the Housing and Community Investment Department to issue Letters of Commitment to projects selected from the Managed Pipeline. Funding is available and provided from the Affordable Housing Trust Fund. The recommendations in this report comply with City Financial Policies in that a dedicated funding source will fully fund any projects selected through the California Tax Credit Allocation Committee 2014 Round 2 application process.