

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 14, 2017

CAO File No. 0220-00540-1227

Council File No. 13-0303

Council District: Citywide

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Housing and Community Investment Department report dated February 8, 2017; Received by the City Administrative Officer on February 9, 2017; Additional Information Received through February 14, 2017

Subject: **REQUEST FOR AUTHORITY TO ISSUE LETTERS OF FINANCIAL COMMITMENT AND SUPPORT FOR HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCID) PIPELINE PROJECTS FOR CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE 2017 ROUND 1 AND/OR CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEES (CDLAC) IN MARCH 2017 AND VARIOUS ACTIONS RELATED TO THE HCID PIPELINE**

RECOMMENDATIONS

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

1. Adopt Recommendations A through C, F and H included in the related Housing and Community Investment Department (HCID) report dated February 8, 2017;
2. Amend Recommendation D of the related HCID report dated February 8, 2017 to apply to each project identified in Table 1 and Table 2 of the City Administrative Officer (CAO) report, be subject to the review and approval of the City Attorney as to form and legality, and adopt Recommendation D as amended;
3. Amend Recommendation E of the related HCID report dated February 8, 2017 to apply to each project identified in Table 1 and Table 2 of the CAO report, and adopt Recommendation E as amended; and,

4. Obligate HOME funds for the projects listed below:

<u>Project</u>	<u>Fund</u>	<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
7 th & Witmer Apt.	561/43	43M008	AHTF	\$1,500,000.00
Pico Robertson	561/43	43M008	AHTF	366,260.19
	561/43	43M010	AHTF-PY	557,564.81
	561/43	43N008	AHTF	1,865,575.00
New Directions	561/43	43M010	AHTF-PY	376,175.00
	561/43	43N008	AHTF	1,623,825.00
PATH Metro Villas II	561/43	43N008	AHTF	<u>6,200,000.00</u>
			Total:	\$12,489,400.00

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue Low Income Housing Tax Credits (LIHTC) Letters of Support for six projects applying for Nine Percent LIHTCs, and two projects applying for Four Percent LIHTC in 2017 Round 1. Additionally, HCID requests authority to issue \$12,489,400 in additional Affordable Housing Trust Fund (AHTF) commitments to three projects in the HCID's AHTF Pipeline which will apply for an allocation of Nine Percent LIHTC from the California Tax Credit Allocation Committee's (CTCAC) 2017 Round 1, and one project in the AHTF Pipeline which will apply for an allocation of Four Percent LIHTC from the CTCAC 2017 Round 1. Subsequent to releasing their report dated February 8, 2017, the HCID requested to revise the source accounts for the AHTF funding commitments, which are reflected in the City Administrative Officer's recommendations above. The projects applying for Nine and Four Percent LIHTCs and the requested AHTF funding commitments are shown in Tables 1 and 2.

The HCID further requests authority to negotiate and execute agreements with each of the eight projects shown in Tables 1 and 2 below for acquisition, predevelopment, construction and permanent loans in the amounts identified in Tables 1 and 2, and to subordinate City loans and regulatory agreements. Recommendations D and E of the HCID's report referred to only the six projects in Table 1 of the report, but HCID subsequently clarified that these recommendations should apply to all eight projects in the transmittal. Finally, the HCID requests authority to transfer the City's financial commitments to the projects receiving HCID funding to a legal entity formed for the sole purpose of owning and operating one of those projects. This Office concurs with the recommendations of the Department, as amended.

Table 1: Nine Percent LIHTC Projects Competing in CTCAC 2017 Round 1

Project	C.D.	No. of Units	Previous HOME Funding	Requested HOME Funding	Total HOME Funds
7th & Witmer Apartments	1	76	-	\$ 1,500,000	\$ 1,500,000
New Directions West Adams	10	64	\$ 2,600,000	2,000,000	4,600,000
Cielito Lindo Apts Phase II	14	29	-	-	-
Pico Robertson Senior Community	5	48	-	2,789,400	2,789,400
Metro at Western	8	33	-	-	-
Westmore Linden	1	93	-	-	-
TOTAL		343	\$ 2,600,000	\$ 6,289,400	\$ 8,889,400

Table 2: Four Percent LIHTC/Tax Exempt Bond Projects

Project	C.D.	No. of Units	Previous HOME Funding	Requested HOME Funding	Total HOME Funds
PATH Metro Villas Phase II	13	122	\$ -	\$ 6,200,000	\$ 6,200,000
Sun Valley Senior Veterans Apts	6	96	-	-	-
TOTAL		218	\$ -	\$ 6,200,000	\$ 6,200,000

The HCID obtained Mayor and Council authorization to admit 25 new projects into the AHTF Pipeline (C.F. 13-0303). Consequently, HCID proposes to issue AHTF financial commitments, support letters and tax credit recommendations for eight AHTF Pipeline projects identified in Tables 1 and 2 above. The projects will have a combined total development cost of approximately \$245 million and will result in the addition of 561 affordable rental housing units, of which 257 units will be for permanent supportive housing and 35 will be for homeless veterans. The balance of the units will be for low-income families, individuals, and seniors.

Subsequent to issuing their report, the HCID revised its staff report on New Directions West Adams dated January 23, 2017. The revised report, dated February 3, 2017, has additional information on the project's ability to enter and compete in the Nonprofit Set-aside Homeless Apportionment, and is attached to the CAO report.

FISCAL IMPACT STATEMENT

There is not impact to the General Fund. The recommended actions are in compliance with the City's Financial Policies in that Affordable Housing Trust Fund commitments are fully funded by the HOME Investment Partnership Program funds.

RHL:EIC:02170109C

Attachment

CAO ATTACHMENT TO HCID'S REQUEST TO ISSUE LETTERS FOR CTCAC ROUND 1 2017

STAFF REPORT

February 3, 2017

**New Directions West Adams
(formerly South West View Apartments)
3015 – 3031 South West View Street
Los Angeles, CA 90016**

**New Construction
64 Units
Council District 10**

PROJECT DESCRIPTION

The New Directions West Adams project (formerly South West View) entails the new construction of two mid-rise structures with 64 residential units consisting of 51 one-bedroom units and 13 two-bedroom units, one of which will be designated for the resident manager. Thirty-six units will be designated as permanent supportive housing for homeless veterans and their partners, spouses, dependent children and/or caregivers, and 27 units will be provided for seniors, with a preference for senior veterans.

The development will be designed to meet LEED Gold Certification standards and incorporate Universal Design concepts. The proposed architectural style is Spanish/Mediterranean, to blend with the character of the 1920's homes in the surrounding area. The site is located within ¼ mile of the Metro Expo Line's La Brea Station, in an area that includes commercial uses along West Jefferson Boulevard and South La Brea Avenue, in addition to low and medium density residential uses along West View Street.

Project amenities include independent community spaces for each target population, a kitchen, computer room, fitness facility, laundry facility, pet park, and a total of 53 parking spaces (including five accessible spaces) and 31 bicycle spaces. Unit amenities include an oven/stove, refrigerator, dishwasher, microwave, upgraded cabinetry, central air conditioning and heating, ceiling fans, and a patio or balcony.

PROJECT FINANCE SUMMARY

In addition to the AHTF loan, the proposed financing assumes conventional debt, equity from the sale of 9% Low Income Housing Tax Credits (LIHTC), funds from the California Department of Housing and Community Development (HCD) Infill Infrastructure Grant (IIG) and Veterans Housing and Homelessness Prevention (VHHP) Programs, and a loan from the Federal Home Loan Bank's Affordable Housing Program (AHP). The project has received an operating subsidy in the form of 32 Project-Based Section 8 VASH Vouchers from the Housing Authority of the City of Los Angeles (HACLA).

In March 2016, HCID and the Borrower executed an AHTF loan agreement in the amount of \$2,600,000. Subsequent to the execution of the agreement, HCID was informed that the project had a significant financing gap, which ultimately prevented it from closing its construction financing. The project's finances were restructured to include a \$1 million increase in permanent debt, a \$4.5 million increase in equity, and a \$2 million increase to the Affordable Housing Trust Fund (AHTF) loan.

The HCID financial commitment is contingent upon the project successfully obtaining an award of LIHTC from the California Tax Credit Allocation Committee (TCAC) in the 2017 Round 1 competition. NDWA will compete with other homeless projects throughout the state for LIHTC from TCAC's Nonprofit Set-aside Homeless Apportionment (NPHA). HCID requires that the project enter the NPHA competition with a final tie-break score of 47.835% at minimum. If the project meets or exceeds this tie-break score, HCID will allow the project to receive an allocation from the City of Los Angeles Region's geographic pool of tax credits should the project be unsuccessful in obtaining an award in the NPHA. If

NDWA cannot achieve a minimum tie-break of 47.835%, the project may still compete in the NPHA but it will not be awarded tax credits from the City's geographic pool if unsuccessful in the NPHA.

BORROWER AND PROPOSED OWNERSHIP STRUCTURE

The project will be owned by Los Angeles New Directions West Adams LP, a California limited partnership, consisting of PC Los Angeles South West View LLC as its Administrative General Partner (Vista del Monte Affordable Housing Inc., which is an affiliate of Cesar Chavez Foundation, being its Sole Member and Manager), and New Directions West Adams LLC as its Managing General Partner (New Directions, Inc. being its Sole Member and Manager).

PERMANENT FUNDING SOURCES

Source	Amount
HCID-HOME (previously committed)	\$2,600,000
HCID-HOME (additional)	2,000,000
HCD IIG	1,600,000
HCD VHHP	2,340,000
HCD VHHP Operating Reserve Offset Tranche	301,536
Tax Credit Equity	24,815,570
Conventional Loan	2,234,684
AHP	630,000
Total	\$36,521,790

AFFORDABILITY STRUCTURE

Unit Type	Mgrs.	30% AMI	40% AMI	50% AMI	60% AMI	Total
1 Bedroom		14	9	15	13	51
2 Bedroom	1	3	1	4	4	13
Total	1	17	10	19	17	64

FUNDING RECOMMENDATION

The total AHTF contribution represents \$71,875 per unit or approximately 13% of the total development cost. HCID recommends the increase in AHTF financing contingent upon the project's success in obtaining an award in 2017 Round 1 of the TCAC 9% LIHTC allocation round.

Prepared By: Los Angeles Housing and Community Investment Department