

**TRANSMITTAL**

To:

**THE COUNCIL**

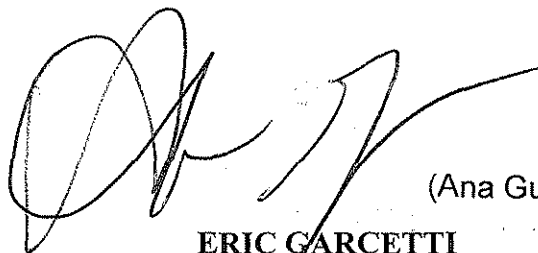
Date:

**FEB 21 2014**

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



(Ana Guerrero)

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, Interim General Manager

Housing Development Bureau  
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February 20, 2014

Council File: C.F. # 13-0303  
Council District: Citywide  
Contact Person: Timothy Elliott / 213-808-8596  
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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

**COUNCIL TRANSMITTAL: LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCIDLA) RECOMMENDATION OF MANAGED PIPELINE PROJECTS FOR THE LOW INCOME HOUSING TAX CREDIT (LIHTC) FIRST ROUND OF 2014; VARIOUS ACTIONS RELATED TO THE AFFORDABLE HOUSING TRUST FUND (AHTF)**

**SUMMARY:**

**Affordable Housing Managed Pipeline**

On June 28, 2013, the City Council adopted the Affordable Housing Managed Pipeline process and authorized a bi-annual Call for Projects beginning with the 2013 Initial Call for Projects (C.F. 13-0824). On January 21, 2014, HCIDLA received Mayor and City Council approval to admit 19 projects into the pipeline. The projects were evaluated for readiness and HCIDLA now recommends that four projects plus one alternate move forward into the California Tax Credit Allocation Committee (CTCAC) 2014 Round 1 competition for 9% LIHTC in the Los Angeles Geographic Region; CTCAC's 2014 Round 1 deadline is March 5, 2014. It is also requested that one project slated to compete in the Non-Profit Set-Aside be awarded an Affordable Housing Trust Fund (AHTF) commitment in an amount not to exceed \$2,650,000. A list of the Managed Pipeline projects and their readiness status is provided as Attachment One of this report.

**Various Actions**

In addition to the Affordable Housing Managed Pipeline actions, HCIDLA also requests the approval to extend the term of the CRA/LA predevelopment loans for two pipeline projects and enter into an Exclusive Negotiation Agreement (ENA) with Clifford Beers for another former CRA/LA project, Casa

de Rosas. Authority is also requested to de-obligate AHTF commitments for two previously approved projects, Courtleigh Villas and 1<sup>st</sup> and Soto TOD.

**RECOMMENDATIONS:**

The HCIDLA General Manager respectfully requests that:

1. Your office schedule this transmittal at the next available meeting(s) of the appropriate City Council committee(s) and forward it to City Council for review and approval immediately thereafter;
2. The City Council, subject to the approval of the Mayor, authorize the HCIDLA General Manager or designee to:
  - A. Issue a CTCAC 2014 Round 1 Letter of Support to the sponsors of the Gateway Apartments, LDK Apartments, Paloma Terrace, and Selma Community Housing projects, subject to the condition that the project sponsors apply to CTCAC in the allocation round authorized by HCIDLA;
  - B. Issue a CTCAC 2014 Round 1 Letter of Conditional Support to the sponsor of the Taylor Yard Senior Housing TOD project, subject to the condition that the project sponsor applies to CTCAC in the allocation round authorized by HCIDLA;
  - C. Issue an AHTF Letter of Commitment to the project sponsor of the LDK Apartments project in an amount not to exceed \$2,650,000, subject to the condition that the disbursement of AHTF funds take place after the sponsor successfully obtains the full tax credit allocation requested from CTCAC;
  - D. Negotiate and execute an acquisition/predevelopment/construction/permanent loan agreement for the LDK Apartments project, subject to the satisfaction of all conditions and criteria stated in the Managed Pipeline application, this transmittal, and HCIDLA's Letter of Commitment, subject to approval by the City Attorney as to form;
  - E. Execute subordination agreements for the LDK Apartments project, wherein the City loan and regulatory agreements are subordinated to their respective conventional construction and permanent loans;
  - F. Execute agreements allowing the transfer to and/or execution of the City loans by a limited partnership, to enable admittance of tax credit investors to the LDK Apartments project;
  - G. Use uncommitted HOME funds from prior years' accounts within Fund No. 561 first, if any, before current year funds and accounts, as needed, to close out old accounts for transactions related to this report;

- H. Amend the CRA/LA predevelopment loan agreement for the Florence Mills project to extend the term of the loan to March 8, 2016;
  - I. Amend the CRA/LA predevelopment loan agreement for the LDK Apartments to extend the term of the loan to February 16, 2016;
  - J. Negotiate and execute an Exclusive Negotiation Agreement for the Casa de Rosas project, subject to the satisfaction of all conditions and criteria stated in the former CRA/LA bidding and selection process, the conditions of approval included in previous CRA/LA and City Council actions, and updated terms deemed prudent and necessary by HCIDLA, subject to approval by the City Attorney as to form; and
  - K. Prepare Controller's Instructions and any necessary technical adjustment(s), consistent with Mayor and City Council actions, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions.
3. The HCIDLA General Manager also requests that the City Council, subject to the approval of the Mayor, authorize the City Controller to:
- A. Upon receipt of cash, allocate and expend funds from the following fund(s) and account(s) for the project below, in accordance with the Initial Call for Projects recommendations:

| <u>Project</u> | <u>Fund</u> | <u>Account</u> | <u>Account Name</u> | <u>Amount</u>    |
|----------------|-------------|----------------|---------------------|------------------|
| LDK Apartments | 561/43      | 43C212         | AHTF                | \$1,017,100      |
|                | 561/43      | 43J007         | AHTF                | 194,019          |
|                | 561/43      | 43K008         | AHTF                | <u>1,438,881</u> |
|                |             |                |                     | \$2,650,000      |

- B. De-obligate the allocations for the following projects to:

| <u>Project</u>    | <u>Fund</u> | <u>Account</u> | <u>Account Name</u> | <u>Amount</u> |
|-------------------|-------------|----------------|---------------------|---------------|
| Courtleigh Villas | 561/43      | 43C212         | AHTF                | \$57,500      |

| <u>Project</u>                   | <u>Fund</u> | <u>Account</u> | <u>Account Name</u> | <u>Amount</u> |
|----------------------------------|-------------|----------------|---------------------|---------------|
| 1 <sup>st</sup> & Soto TOD Apts. | 561/43      | 43C212         | AHTF                | \$959,600     |

- 4. The Mayor concur with the action of the City Controller.

**BACKGROUND**

**Affordable Housing Managed Pipeline - Recommended Projects for CTCAC 2014 Round 1**

On January 21, 2014, HCIDLA received Mayor and Council authority to admit 19 proposed affordable housing developments into the Initial Managed Pipeline. All 19 proposed affordable housing

developments passed the Threshold Criteria and were ranked using the Competitive Criteria as set forth in the City-adopted 9% LIHTC Managed Pipeline Plan (heretofore “Regulations”) (C.F. 13-0824).

HCIDLA proceeded to evaluate the 19 proposals using criteria in the Regulations to determine the projects that were ready to compete for 9% LIHTC in the first CTCAC round of 2014. Based on this review and several ongoing multi-lateral conversations with funders and developers, HCIDLA determined that five Managed Pipeline affordable housing developments will be ready to apply for CTCAC’s 2014 Round 1 in early March; these projects are listed in Table One below. For every project selected (with the exception of Paloma Terrace), readiness was determined by the commitments received from the Los Angeles County Community Development Commission (LACDC) or from one of two funding sources administered by the California Housing and Community Development Department (HCD): the Infill Infrastructure Grant (IIG) and the Transit-Oriented Development (TOD) program. The Paloma Terrace project was deemed ready based on the evaluation of readiness documents submitted on February 12, 2014. On February 18 and 19, respectively, LACDC and HCD informed HCIDLA of the projects with impending awards, as noted in the table. Of the five projects moving forward, the Gateway Apartments is the only project that received an AHTF award at the time the project was admitted into the Managed Pipeline (C.F. 13-0303).

**TABLE ONE – PROJECTS RECOMMENDED FOR 9% LIHTC IN  
 CTCAC 2014 ROUND 1**

| PROJECT NAME  | CD   | UNITS | HCD OR LACDC<br>COMMITMENT<br>AWARDED | 9% LIHTC<br>NEEDED<br>(Estimate) |
|---|------|-------|---------------------------------------|----------------------------------|
| <b>NONPROFIT SET-ASIDE</b>                                      |      |       |                                       |                                  |
| <b>\$4,391,393 IN 9% LIHTC AVAILABLE IN CTCAC 2014 ROUND 1</b>  |      |       |                                       |                                  |
| Gateway Apartments  | 11   | 21    | LACDC                                 | 628,735                          |
| LDK Senior Apartments   | 4/10 | 67    | HCD IIG                               | 1,187,044                        |
| <b>TOTAL</b>  |      | 88    |                                       | <b>\$1,815,779</b>               |
| <b>L.A. CITY GEOGRPAHIC REGION</b>                              |      |       |                                       |                                  |
| <b>\$3,059,554 IN 9% LIHTC AVAILABLE IN CTCAC 2014 ROUND 1*</b> |      |       |                                       |                                  |
| Paloma Terrace  | 9    | 59    | N/A                                   | 1,710,954                        |
| Selma Community Housing   | 13   | 66    | HCD TOD                               | 1,892,212                        |
| Taylor Yard Senior Housing <sup>1</sup>                         | 1    | 108   | HCD TOD                               | 2,499,750                        |
| <b>TOTAL</b>  |      | 233   |                                       | <b>\$6,102,916</b>               |

\* The combined 9% LIHTC needed for Paloma Terrace and Selma Community Housing is 117% of the total Federal LIHTC available for 2014 CTCAC Round One. This percentage is below the 125% maximum allowable rule, in accordance with Section 10325(d)(2) of the CTCAC Regulations.

<sup>1</sup>Taylor Yard Senior will be recommended for the Geographic Region as an alternate, in the event that either Paloma or Selma does not pass CTCAC threshold requirements. The addition of alternate projects is permissible under Section 7.4 of the Managed Pipeline Regulations.

## **Current Actions**

Because LDK Apartments will be competing with projects statewide in the Non-Profit Set-Aside, HCIDLA proposes to heighten the project's competitiveness by providing AHTF funding in an amount that will commensurately lower the amount of the tax credit request, which will in turn increase the final CTCAC tie-breaker score. After researching winning tie-breaker scores in several prior CTCAC rounds, it was determined that a funding amount of \$2,650,000 would be sufficient to raise the project's tie-breaker score to a competitive level within the set-aside.

In total, the Managed Pipeline affordable housing developments recommended for CTCAC's 2014 Round 1 will create 213 units<sup>2</sup> of affordable housing.

## **January 2014 Call for Projects**

As mentioned in the November 25, 2013 HCIDLA Transmittal (C.F. #13-0303), the Initial Managed Pipeline did not fully capture the currently available leverage sources and types of projects needed, specifically, projects with pending HCD TOD awards, permanent supportive housing proposals, and projects eligible for the \$14.7 million Crenshaw Corridor Prop 1C grant.

To address these gaps, HCIDLA opened another round to solicit projects within these categories, with an application deadline of February 12, 2014. Projects that pass HCIDLA threshold and readiness tests will be recommended for future 9% LIHTC CTCAC rounds, along with any other projects currently in the pipeline that have achieved readiness. HCIDLA will present its recommendations to the Mayor and City Council for approval prior to CTCAC's Round 2 deadline in early July.

## **Various Actions**

### Florence Mills Apartments

On March 8, 2011, a Predevelopment and Acquisition Loan Agreement was executed by the former CRA/LA and Hollywood Community Housing Corporation (HCHC) in the amount of \$3,100,000. The Agreement stipulates that unless the conditions precedent to loan conversion are met within two years of the date of the agreement, the full amount of principal and interest will become due and payable. On July 11, 2012, the CRA/LA Chief Executive Officer, Christine Essel, granted HCHC a one-year extension, bringing the current expiration date to March 8, 2014. Due to unforeseen project delays, HCIDLA is requesting an additional two-year extension to the loan that will bring the expiration date to March 8, 2016.

### LDK Senior Apartments

On February 17, 2011, the LDK Senior Apartments Loan Agreement was executed by the former CRA/LA and Little Tokyo Service Center, Community Development Corporation (LTSC CDC) in the amount of \$4,690,000. The Agreement stipulates that unless the conditions precedent to loan conversion are met within two years of the date of the agreement, the full amount of principal and

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<sup>2</sup> The unit count of 213 assumes that the Paloma Terrace and Selma Community Housing projects obtain 9% LIHTC allocations from CTCAC.

interest will become due and payable. On February 15, 2013, the CRA/LA granted LTSC CDC a one-year extension, bringing the current expiration date to February 16, 2014. Due to unforeseen project delays, it is requested that an additional two-year extension to the loan be executed, with a new expiration date of February 16, 2016.

#### Casa de Rosas

After a public Request For Proposals (RFP) process, in October 2011 the former CRA/LA selected Clifford Beers Housing Inc. to redevelop Casa de Rosas, a CRA/LA REO with an outstanding HCD loan and covenant requiring the provision of permanent supportive housing at the site. In December 2011, the City Council approved Clifford Beers Housing Inc. as the developer, and authorized the execution of an Exclusive Negotiation Agreement (ENA). Due to the dissolution of community redevelopment agencies, the CRA/LA never executed the ENA, and subsequently HCIDLA acquired ownership of Casa de Rosas through the transfer of CRA/LA assets. HCIDLA hereby requests that the Mayor and City Council re-authorize HCIDLA to execute an updated ENA. The City Attorney has opined that the competitive selection process conducted by the former CRA/LA also meets the City standards for such a selection process.

#### Courtleigh Villas and 1<sup>st</sup> and Soto TOD

Authority is requested to de-obligate AHTF commitments for the 1<sup>st</sup> and Soto TOD and Courtleigh Villas projects.

Courtleigh Villas received a funding award in 2013 Round 1 but later returned their AHTF commitment. The 1<sup>st</sup> and Soto TOD project applied for and received an AHTF commitment in 2013 Round 2, which solicited projects intending to apply for HCD TOD funds with the condition that the AHTF commitment would be valid for one leveraging source round. The project applied to the HCD TOD program but did not receive an award.

#### **FISCAL IMPACT STATEMENT:**

HCIDLA's proposed fiscal actions will commit \$2,650,000 in HOME funds for one project recommended under the Initial Call for Projects. There is no impact to the General Fund.

Prepared by:



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Management Analyst



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TIMOTHY S. ELLIOTT  
Manager, Affordable Housing Trust Fund

Reviewed by:



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MANUEL HORACIO BERNAL  
Director of Housing

Approved by:



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HELMI HISSERICH  
Assistant General Manager



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RUSHMORE D. CERVANTES  
Interim General Manager

Attachment: Project Readiness List



**HCIDLA 9% CTCAC MANAGED PIPELINE**  
current as of February 20, 2014

ATTACHMENT 1

| PROJECT NAME  | Total # of Units | APPLICANT NAME  | CD # | 9% Federal Tax Credits Needed (Estimated) | Ready for Tax Credit Application? (Financing and/or Entitlement Status) | 2014 ROUND 1                                 | 2014 ROUND 2          | 2015 ROUND 1        | 2015 ROUND 2        |                     |
|---|------------------|---|------|---|---|--|-----------------------|---------------------|---------------------|---------------------|
| <b>SPECIAL NEEDS SET-ASIDE PROJECTS</b>   |                  |   |      |   |   | 9% Federal Tax Credits Available (Estimated) | \$ 1,756,557          | \$ 1,756,557        | \$ 1,756,557        | \$ 1,756,557        |
| Marmion Way Apartments  | 49               | PATH Ventures and PC Los Angeles Developers LLC               | 1    | \$ 1,282,442                              | Not Ready   |  |                       |                     |                     |                     |
| PATH Metro Villas   | 72               | PATH Ventures and Affirmed Housing Group                      | 13   | \$ 1,163,200                              | Not Ready   |  |                       |                     |                     |                     |
| South West View Apartments  | 64               | Palm Communities  | 10   | \$ 1,600,766                              | Not Ready   |  |                       |                     |                     |                     |
|   |                  |   |      |   |   | <b>CREDITS REMAINING (Estimated)</b>         | <b>\$ 1,756,557</b>   | <b>\$ 1,756,557</b> | <b>\$ 1,756,557</b> | <b>\$ 1,756,557</b> |
| <b>NON PROFIT HOMELESS APPORTIONMENT PROJECTS</b>   |                  |   |      |   |   | 9% Federal Tax Credits Available (Estimated) | \$ 4,391,393          | \$ 4,391,393        | \$ 4,391,393        | \$ 4,391,393        |
| Gateway Apartments  | 21               | Venice Community Housing Corporation & Hollywood Community HC | 11   | \$ 628,735                                | Ready as of Feb. 18, 2014   | \$ 628,735                                   |                       |                     |                     |                     |
| LDK Senior Apartments   | 67               | LDK Senior Apartments, LP (Little Tokyo SC)                   | 4/10 | \$ 1,726,893                              | Ready as of Feb. 19, 2014   | \$ 1,726,893                                 |                       |                     |                     |                     |
| Arlington Square  | 48               | A Community of Friends  | 10   | \$ 1,066,033                              | Not Ready   |  |                       |                     |                     |                     |
| Campus at L.A. Family Housing, The  | 50               | L.A. Family Housing Corporation                               | 6    | \$ 817,644                                | Not Ready   |  |                       |                     |                     |                     |
| Rampart Apartments  | 23               | West Hollywood Community Housing Corp.                        | 13   | \$ 611,769                                | Not Ready   |  |                       |                     |                     |                     |
| West Villas   | 49               | A Community of Friends  | 8    | \$ 918,450                                | Not Ready   |  |                       |                     |                     |                     |
|   |                  |   |      |   |   | <b>CREDITS REMAINING (Estimated)</b>         | <b>\$ 3,762,658</b>   | <b>\$ 4,391,393</b> | <b>\$ 4,391,393</b> | <b>\$ 4,391,393</b> |
| <b>9% L.A. CITY GEOGRAPHIC APPORTIONMENT PROJECTS</b>   |                  |   |      |   |   | 9% Federal Tax Credits Available (Estimated) | \$ 3,059,554          | \$ 4,987,868        | \$ 4,987,868        | \$ 4,987,868        |
| Coronel Apartments  | 54               | Hollywood Community Housing Corporation                       | 13   | \$ 1,178,880                              | Not Ready   |  |                       |                     |                     |                     |
| Florence Mills  | 58               | Hollywood Community Housing Corporation                       | 9    | \$ 2,093,216                              | Not Ready   |  |                       |                     |                     |                     |
| Highland Park Transit Village   | 60               | HPTV Apts, L.P. (McCormack Baron)                             | 1    | \$ 2,019,798                              | Not Ready   |  |                       |                     |                     |                     |
| Norwood Learning Village  | 29               | Thomas Safran & Associates Dev't, Inc                         | 1    | \$ 844,951                                | Not Ready   |  |                       |                     |                     |                     |
| Paloma Terrace  | 59               | Paloma Terrace RHF Partners, LP Retirement Housing Foundation | 9    | \$ 1,710,954                              | Ready as of Feb. 12, 2014   | \$ 1,710,954                                 |                       |                     |                     |                     |
| Paseo at Californian, The <sup>see Notes</sup>  | 52               | The Californian Partners, L.P. (American Communities)         | 1    | \$ 1,489,325                              | Ready as of Feb. 12, 2014 (4%/Bonds)                                    |  |                       |                     |                     |                     |
| Selma Community Housing   | 66               | Abode Communities   | 13   | \$ 1,892,212                              | Ready as of Feb. 19, 2014   | \$ 1,892,212                                 |                       |                     |                     |                     |
| Taylor Yard Senior Housing  | 108              | Taylor Yard Senior Housing, L.P. (McCormack Baron)            | 1    | \$ 2,499,750                              | Ready as of Feb. 19, 2014   | \$ 2,499,750                                 |                       |                     |                     |                     |
|   |                  |   |      |   |   | <b>CREDITS REMAINING (estimated)</b>         | <b>\$ (3,043,362)</b> | <b>\$ 4,987,868</b> | <b>\$ 4,987,868</b> | <b>\$ 4,987,868</b> |
| <b>Notes:</b><br>1. The Paseo at California is a 4%/Tax-Exempt Bonds project;<br>2. This chart is published in accordance with the City of Los Angeles Affordable Housing Trust Fund Regulations implementing the Managed Pipeline Policies and Procedures. Section 10.3 of the Regulations states that, "Developments that are "Ready" will be placed in line in order of the date on which "Readiness" was achieved. Each development will be placed in only one line within the Managed Pipeline: Non-profit Homeless, Special Needs, At-risk, or the City of Los Angeles Geographic Apportionment pool, and it will wait in line for an allocation of Public Funds and/or financial and/or administrative support for 9% LIHTC from that pool in the order of when "Readiness" was achieved"; |                  |   |      |   |   |  |                       |                     |                     |                     |