

**TRANSMITTAL**

To:


**THE COUNCIL**

Date: MAR 27 2014

From:

**THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

**ERIC GARCETTI**  
Mayor



Housing Development Bureau  
1200 West 7th Street, 8th Floor, Los Angeles, CA 90017  
tel 213.808.8638 | fax 213.808.8610  
hcidla.lacity.org



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

March 12, 2014

Council File: NEW  
Council District: 7.  
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 \$14,325,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS FOR THE LAUREL VILLAGE 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 \$14,325,000 to finance the development of an affordable housing development known as the Laurel Village Apartments ("Project"). The California Debt Limit Allocation Committee (CDLAC) has designated June 17, 2014 as the allocation expiration date.
- The subject site is located at 9700 Laurel Canyon Boulevard, Los Angeles, CA 91331 in the 7th Council District. The proposed project entails the rehabilitation of ten two-story wood-framed buildings, totaling 80-units. The existing complex will continue to provide affordable housing for families. Amenities include two laundry rooms, a half-size basketball court and children's play area. The project contains 173 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 \$14,325,000 in tax-exempt multi-family mortgage conduit revenue bonds (“Bond”) for the development of the Laurel Village 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	July 2, 2012 (CF# 04-2646)
TEFRA Hearing	August 1, 2013
CDLAC Application Submitted	September 13, 2013
TEFRA Approved by Council	September 3, 2013
CDLAC Allocation Award	November 13, 2013
CDLAC Allocation Expiration Date	June 17, 2014

On July 2, 2012, LAHD induced the project (CF# 04-2646), thereby enabling the sponsor to apply for a tax-exempt bond allocation. LAHD was authorized to apply on behalf of the sponsor for an allocation of up to \$14,325,000 in tax-exempt bonds from CDLAC. On August 1, 2013, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On September 3, 2013, the TEFRA Resolution and Minutes were adopted by the City Council (CF#13-1087). On September 13, 2013, HCIDLA, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds. On November 13, 2013, the project was awarded an allocation of \$14,325,000 in bonds from CDLAC. The current bond allocation expiration date will be June 17, 2014.

### Affordability Restrictions

<b>UNIT TYPE</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>Manager</b>	<b>TOTAL</b>
2 bedroom	20	44		64
3 bedroom	4	11	1	16
<b>TOTAL</b>	<b>24</b>	<b>55</b>	<b>1</b>	<b>80</b>

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 Borrower/ Sponsor is Laurel Village, L.P. (LV). The General Partner is Laurel Village GP, LLC (LVGP), of which Abode Communities is the sole member. The principals of LV, LVGP, AC, are Robin Hughes, President and CEO; Rick Saperstein, Executive Vice-President and CFO; Holly Benson, Vice-President, Housing Development and Kasey Archey, Vice-President, Property Management and Resident Services. At the time of the bond closing, the present tax credit equity investor will be replaced with the new tax credit equity investor, Wells Fargo Bank.

The Developer is Abode Communities (AC), a nonprofit corporation under Section 501c3. The developer has over 29 years of experience in the development of multifamily rental housing and has developed over 36 projects in California resulting in a total of approximately 2,309 housing units.

Developer: Abode Communities  
701 E. 3rd Street, Suite 400  
Los Angeles, CA 90013  
Phone : (213) 629-2702  
Contact : Holly Benson

The borrower and developer are in compliance with HCIDLA's Business Policy.

The additional development team members are:

Attorney: Bocarsly Emden Cowan Esmail & Arndt  
633 W. Fifth Street, 70<sup>th</sup> Floor  
Los Angeles, CA 90017  
Phone: (213) 239-8029  
Contact: Nicole Deddens

General Contractor: Walton Construction Services  
358 Foothill Boulevard  
San Dimas, CA 91733  
Phone: (909) 267-7777 x10  
Contact: Sam Walton

Property Manager: Abode Communities  
701 E. 3rd Street, Suite 400  
Los Angeles, CA 90013  
Phone : (213) 629-2702  
Contact : Kasey Archey

Equity Investor: Wells Fargo Bank  
2030 Main Street, Suite 500  
Irvine, CA 92624  
Phone: (213) 240-3144  
Contact: Paul Buckland

### **Financial Structure**

Wells Fargo Bank has proposed a private placement bond structure for the Project that requires waiver of certain Bond policies related to the issuance of non-rated tax-exempt bonds. In general, the policies HCIDLA has been asked to waive address liquidity considerations for Wells Fargo Bank, the bond purchaser. After review, discussion and negotiation, HCIDLA has agreed to a limited modification of its policies solely for this Project. HCIDLA has permitted certain modifications that nonetheless retain City protections intended by the policies and prevent the City from incurring undue risk or liability. HCIDLA has allowed the limited modifications in view of certain financial benefits of the Wells Fargo Bank structure. The policies to which HCIDLA has agreed to are summarized as follows:

(a) Wells Fargo Bank, N.A. as Bond purchaser has agreed that the Bond shall be issuable only as a single fully registered Bond, without coupons in the principal amount equal to the aggregate of the purchase price of the Bond advanced from time to time by Wells Fargo Bank, N.A. and any subsequent owner of the Bond;

(b) HCIDLA has agreed to allow the Bond to be held in a special purpose entity, a trust or custodial arrangement established by Wells Fargo Bank, N.A. or an affiliate thereof with respect to which either (1) the Wells Fargo Bank, N.A. as Bondowner Representative or an affiliate thereof, as transferor, represents in writing to the Trustee that all of the beneficial owners of which are "qualified institutional buyers" ("QIBs"); or (2) the Bondowner Representative or an affiliate thereof, as transferor, represents in writing to the Trustee that all of the interests in such trust or arrangement (other than residual interests retained by QIBs) are rated in the "A" category or higher by a rating agency provided, however, that a

single QIB shall at all times hold a controlling interest in the residual interests and such trust or arrangement shall be controlled by the Bondowner Representative or an affiliate thereof.

At the permanent conversion of the project, Union Bank will be the permanent lender. The current permanent 15-yr fixed rate is 5% for the Tranche A note and 4.90% for the Tranche B note. The Bond will remain as a single instrument but will be denominated as a Governmental Lender Note, with the Trust Indenture amended and restated into a Funding Loan Agreement and the Loan Agreement amended and restated into a Permanent Loan Agreement.

The property currently has an existing HCIDLA loan in the principal amount of \$1,462,000 plus accrued interest (approx \$305,000). Accrued interest for two months will be waived, approximately \$13,000, based on the delay in the approval of the required TEFRA notice, which was out of the control of the Sponsor. The remaining principal and interest (approx. \$1,754,000) is proposed to be paid-off at the close of escrow.

Additionally, the bond structure adheres to both the Bond Policies and City's Financial Policies and has been reviewed by the City Attorney's office and bond counsel. Bond counsel will provide the City the required legal opinions as to the tax exempt status of the bonds under federal and state law. The legal and financing documents will also include the required items as per the policies, including but not limited to; language that the bond structure is a limited obligation and strictly payable from the project revenues, requiring the borrower to provide annual statements, and providing additional information as may be reasonable requested.

**Sources and Uses:**

<b>Construction</b>	<b>Total Sources</b>	<b>Per Unit</b>	<b>% Total</b>
Tax-Exempt Bonds (WFB)	\$14,325,000	\$179,063	65%
Cash Reserves From Seller	\$947,207	\$11,840	4%
Seller Note	\$4,437,593	\$55,470	20%
Income From Operations	\$176,205	\$2,202	1%
LP Equity	\$500,000	\$6,250	2%
Deferred Costs	\$1,680,858	\$21,011	8%
<b>TOTAL</b>	<b>\$22,066,863</b>	<b>\$275,836</b>	<b>100%</b>

<b>Permanent</b>	<b>Total Sources</b>	<b>Per Unit</b>	<b>% Total</b>
Tax-Exempt Bonds (Union Bank)	\$5,672,000	\$70,900	26%
Tax-Exempt Perm Loan (Section 8 Increment)	\$3,428,000	\$42,850	15%
Cash Reserves From Seller	\$947,207	\$11,840	4%
Seller Note	\$4,437,593	\$55,470	20%
Income From Operations	\$615,449	\$7,693	3%
LP Equity	\$6,966,614	\$87,083	32%
<b>TOTAL</b>	<b>\$22,066,863</b>	<b>\$275,836</b>	<b>100%</b>

<b>Uses of Funds</b>	<b>Total Uses</b>	<b>Cost/Unit</b>
Acquisition Costs	\$10,327,207	\$129,090
Construction Costs	\$5,865,323	\$73,317
Arch., Eng., Reports, Legal, etc..	\$1,870,096	\$23,376
Financing Costs	\$913,921	\$11,424
Reserves	\$670,800	\$8,385
Other Soft Costs	\$273,816	\$3,423
Developer Fee	\$2,145,700	\$26,821
<b>TOTALS</b>	<b>\$22,066,863</b>	<b>\$275,836</b>

The HCIDLA Bond Team for the financing of the Laurel Village Apartments Project is as follows:

*Bond Issuer Financial Advisor*  
CSG Advisors, Inc.  
315 West 5<sup>th</sup> 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, 9<sup>th</sup> 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**

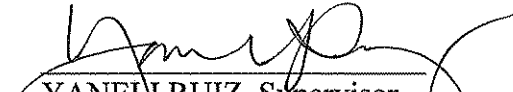
The California Debt Limit Allocation Committee has designated June 17, 2014 as the expiration date for the issuance of the tax-exempt bonds.

### **FISCAL IMPACT STATEMENT**

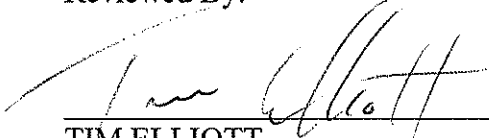
There will be no fiscal impact on the General Fund as a result of the issuance of the bonds. The City is a conduit issuer and does not incur liability for repayment of the bonds.


Prepared By:

  
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ROCHELLE COX  
Finance Development Officer


  
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YANELI RUIZ, Supervisor  
Affordable Housing Bond Program

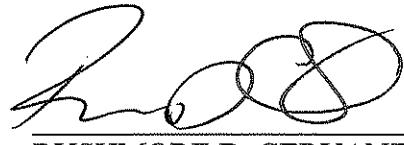
Reviewed By:

  
\_\_\_\_\_  
TIM ELLIOTT  
Manager of Multi-Family Housing Finance

  
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MANUEL BERNAL  
Director of Housing

Approved By:

  
\_\_\_\_\_  
HELMI HISSERICH  
Assistant General Manager

  
\_\_\_\_\_  
RUSHMORE D. CERVANTES  
Interim General Manager