

TRANSMITTAL

To:

THE COUNCIL

Date: JAN 16 2015

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



ERIC GARCETTI
Mayor

(Ana Guerrero)



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau
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January 9, 2015

Council File: 14-0728
Council District: 8, 9
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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

COMMITTEE TRANSMITTAL: REQUESTING THAT MAYOR AND CITY COUNCIL AUTHORIZE THE ISSUANCE OF SUPPLEMENTAL TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BONDS IN THE AGGREGATE AMOUNT OF UP TO \$1,112,500 FOR THREE EXISTING AFFORDABLE HOUSING PROJECTS, FOR A TOTAL BOND AMOUNT OF \$12,237,500.

SUMMARY

- The Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests authority to issue its tax-exempt multi-family housing conduit revenue bonds in the aggregate amount of up to \$12,237,500 to finance the acquisition and rehabilitation of three affordable housing developments as shown below (“Project/s”). The California Debt Limit Allocation Committee (CDLAC) has designated March 10, 2015 as the allocation expiration date for Figueroa Senior Housing, March 20, 2015 as the allocation expiration date for Normandie Senior Housing, and March 30, 2015 as the allocation expiration date for One Wilkins Place.

Project Name:	Address	#Units	Original Bond Amount	Additional Bond Amount	Total
One Wilkins Place	1071 E 48th St	18	\$2,750,000	\$275,000	\$3,025,000
Figueroa Senior Housing	5503 S Figueroa St	66	\$4,000,000	\$400,000	\$4,400,000
Normandie Senior Housing	6301 S Normandie Ave	75	\$4,375,000	\$437,500	\$4,812,500
Total			\$11,125,000	\$1,112,500	\$12,237,500

- On September 9, 2013 (One Wilkins Place), October 15, 2013 (Normandie Senior Housing), and January 14, 2014 (Figueroa Senior Housing), the City Council adopted resolutions setting the official intent of the City to issue multi-family housing revenue bonds to finance the acquisition and rehabilitation of the three projects. In addition City Council authorized the General Manager of HCIDLA to negotiate and execute modifications to the existing loan agreements for the Projects, including but not limited to: revising interest rates, extending loan terms, executing subordination agreements with the new financing and allowing the transfer to the new to-be-formed limited partnerships. (CF 12-1582-S1)

RECOMMENDATIONS

The General Manager, HCIDLA, respectfully requests the following:

1. That your office schedules this transmittal at the next available meeting(s) of the appropriate Council Committee(s) for review and forward it to the City Council for consideration and approval immediately thereafter.
2. That the City Council, subject to the approval of the Mayor:
 - a. Adopt the attached resolutions authorizing the issuance of three series of conduit tax-exempt multi-family mortgage revenue bonds for the development of the above referenced projects in the aggregate amount of up to \$12,237,500;
 - 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 related to the tax-exempt bonds, subject to the approval of the City Attorney as to form;
3. That the Mayor concurs with the action of the City Council.

BACKGROUND/PROJECT DETAIL

Financing History

Timeline

TEFRA Hearing	March 5, 2013
TEFRA Approved by Council	March 27, 2013
CDLAC Application Submitted	January 17, 2014
Initial CDLAC Allocation Award	March 19, 2014
Additional CDLAC Allocation Award	December 10, 2014
CDLAC Allocation Expiration Date	March 10, 2015, March 20, 2015 and March 30, 2015

Under and pursuant to the authority granted to the General Manager by the City Council by Resolution approved on April 20, 2005 (CF#04-2646) HCIDLA previously induced these Projects thereby enabling the sponsor to apply for a tax-exempt bond allocation. On March 5, 2013, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).

Subsequently, on March 27, 2013, the TEFRA Resolution and Minutes were adopted by the City Council (CF#12-1582-S1). On January 17, 2014, HCIDLA, on behalf of the developer, submitted the CDLAC applications for allocations of tax-exempt bonds. On March 19, 2014, the projects were awarded separate allocation of bonds by CDLAC in the aggregate amount of \$11,125,000. On December 10, 2014, the projects were awarded separate additional allocations of bonds by CDLAC in the aggregate amount of \$1,112,500. The current bond allocation expiration dates are March 10, 2015 (Figueroa Senior Housing), March 20, 2015 (Normandie Senior Housing), and March 30, 2015 (One Wilkins Place).

Affordability Restrictions

Pursuant to the Bond Regulatory Agreements to be executed in connection with the issuance of the tax-exempt bonds, the affordability 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

All three developments will be owned and developed by limited partnerships. Each one will have a nonprofit corporation, as defined under Section 501(c) (3), as part of the ownership entity. The borrowers are in compliance with HCIDLA's Business Policy at the time of the bond issuance. Individual team information is listed under each staff report, as attached.

The HCIDLA Bond Team for these projects is as follows:

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

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

Bond Counsel
Kutak Rock, LLP
777 S. Figueroa Street, Suite 4550
Los Angeles, CA 90017

Financial Structure

Each of the three developments will have their own financial structure, which is further described in each staff report as attached. All of them will have construction financing, which involves a combination of tax-exempt bonds, 4% tax credits, deferral of the existing developer fee and existing HCIDLA financing, while some will also utilize existing State loan funds. The tax-exempt bonds will be privately purchased for all three projects by individual banks. After the rehabilitation work and at the time of permanent conversion of the projects, a private lender will be the permanent lender. The Bonds will remain as a single instrument and will each have their own separate loan terms.

The bond structure adheres to both HCIDLA's Bond Policies and the City's Financial Policies and has been reviewed by the City Attorney's office and bond counsel. HCIDLA will require Boston to adhere to the reporting requirements of the City's Responsible Banking Ordinance. 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 reasonably requested.

Sources and Uses:

Sources and Uses for each development are provided in the attached Staff Reports.

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 March 10, 2015 (Figueroa Senior Housing), March 20, 2015 (Normandie Senior Housing), and March 30, 2015 (One Wilkins Place) 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. The bond debt is payable solely from revenues or other funds provided by the borrower. The City does not incur liability for repayment of the bonds.

Prepared By:



CARMEN ERIVES
Management Assistant

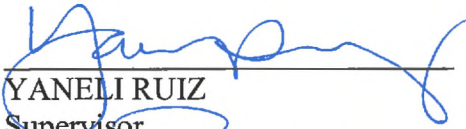
Reviewed By:



ROCHELLE COX
Finance Development Officer



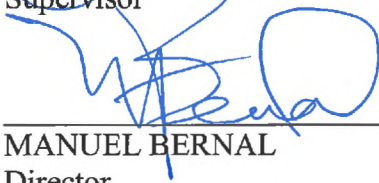
BRUCE ORTIZ
Rehab Project Coordinator



YANELI RUIZ
Supervisor

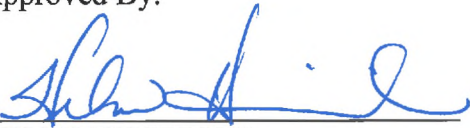


GEORGE GUILLEN
Manager



MANUEL BERNAL
Director

Approved By:



HELMI HISSERICH
Assistant General Manager



RUSHMORE D. CERVANTES
General Manager

Attachments