

TRANSMITTAL

To:

THE COUNCIL

Date:

JUN 25 2014

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over a faint circular stamp.

(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor

Rushmore D. Cervantes, Interim General Manager

Housing Development Bureau
 1200 West 7th Street, 8th Floor, Los Angeles, CA 90017
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 hcidla.lacity.org

June 24, 2014

Council File: NEW
 Council District: 8, 9
Contact Persons:
 Yaneli Ruiz (213) 808-8951
 Manuel Bernal (213) 808-8901
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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 TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BONDS IN THE AGGREGATE AMOUNT OF UP TO \$39,625,000 FOR SIX EXISTING AFFORDABLE HOUSING PROJECT.

SUMMARY

- The Los Angeles Housing and 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 \$39,625,000 to finance the acquisition and rehabilitation of six affordable housing developments as shown below (“Project/s”). The California Debt Limit Allocation Committee (CDLAC) has designated July 28, 2014 as the allocation expiration date.

Project Name:	Address	#Units	Bond Amount
Central Avenue Village Square	1060 E. 53rd Street,	45	\$6,375,000
One Wilkins Place	1071 E 48th Street	18	\$2,750,000
Roberta Stephens Villas I & II	1035 & 1113 E 27th Street	40	\$5,000,000
Juanita Tate Legacy Towers	4827 S Central Avenue	118	\$17,125,000
Figueroa Senior Housing	5503 S Figueroa Street	66	\$4,000,000
Normandie Senior Housing	6301 S Normandie Avenue	75	\$4,375,000
Total			\$39,625,000

- On March 27, 2013, 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 six projects. In addition, City Council authorized the General Manager of the Los Angeles Housing and Community Investment Department (HCIDLA) to negotiate and execute modifications to the existing loan agreements for the Projects, including but not limited to: revise interest rates, extend loan terms, execute subordination agreements with the new financing and allow 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 schedule 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 conduit tax-exempt multi-family mortgage revenue bonds (“Bond”) for the development of the above referenced projects in the aggregate amount of up to \$39,625,000;
 - 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;
 - d. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute amendments to the existing loan agreements to revise: 1) the interest rate, 2) extend the term to 56 years, 3) revise the new principal balance due to include accrued interest and/ or a partial loan paydown, 4) execute subordination agreements to new bond documents, and 5) allow the transfer to a new limited partnership to enable admittance of tax credit investors, subject to approval by the City Attorney as to form and legality;

BACKGROUND/PROJECT DETAIL

Financing History

Timeline

Inducement	July 2, 2012 (CF# 04-2646)
CDLAC Application Submitted	January 17, 2014
TEFRA Hearing	March 5, 2013

TEFRA Approved by Council	March 27, 2013
CDLAC Allocation Award	March 19, 2014
<u>CDLAC Allocation Expiration Date</u>	<u>July 28, 2014</u>

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) the HCIDLA previously induced these Projects thereby enabling the sponsor to apply for a tax-exempt bond allocation. On March 5, 2014, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Subsequently, on March 27, 2014, 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 \$39,625,000. The current bond allocation expiration date is July 28, 2014.

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 six 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 project are 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
601 S. Figueroa Street, Suite 4200
Los Angeles, CA 90017

Financial Structure

Each of the six 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 and some will also have existing State loan funds. The tax-exempt bonds will be privately purchased for all six projects by individual banks. After the rehabilitation work and at the 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.

Further, as part of the recapitalization and resyndication of these existing affordable housing buildings, the HCIDLA conducted the necessary underwriting analysis to determine the necessary loan modifications. All six properties have existing loans, and each will execute amendments to the existing loan agreements to revise: 1) the interest rate, 2) extend the term to 56 years, 3) revise the new principal balance due to include accrued interest and/ or a partial loan payoff, 4) execute subordination agreements to new bond documents, and 5) allow the transfer to a new limited partnership, to enable admittance of tax credit investors; subject to approval by the City Attorney as to form and legality. The new loan balances will be as follows:

Project Name:	Principal Balance	Accrued Interest (as of 7/31/14)	Payoff Amount	New Loan Balance
Central Avenue Village Square	\$ 3,330,656.86	\$2,057,196.65	\$0	\$5,387,853.51
One Wilkins Place	\$ 655,812.70	\$835,114.97	\$0	\$1,490,927.67
Roberta Stephens Villas I & II	\$699,999.94	\$1,114,927.89	\$0	\$1,814,927.83
Juanita Tate Legacy Towers	\$1,833,758.71	\$898,319.19	\$2,732,077.90	\$0
Figueroa Senior Housing	\$2,369,828.60	\$1,797,461.64	\$0	\$4,167,290.24
Normandie Senior Housing	\$2,057,723.00	\$1,697,712.90	\$0	\$3,755,435.90

Additionally, the bond structures will adhere to both the Bond Policies and City’s Financial Policies and will be 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 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.

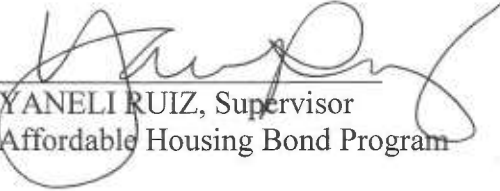
Timeline – Bond Closing Date

The California Debt Limit Allocation Committee has designated July 28, 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:


YANELI RUIZ, Supervisor
Affordable Housing Bond Program

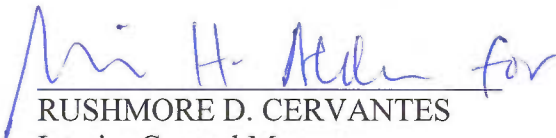
Reviewed By:


TIM ELLIOTT
Manager of Multi-Family Housing Finance


MANUEL BERNAL
Director of Housing

Approved By:


HELMI HISSERICH
Assistant General Manager


RUSHMORE D. CERVANTES
Interim General Manager

Attachments