

TRANSMITTAL

To:

THE COUNCIL

Date: JAN 16 2015

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read 'Eric Garcetti', is written over a light gray grid background.

(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau

1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org

January 8, 2015

Council File: NEW
Council District: 10
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 \$27,000,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS FOR THE WILSHIRE TOWERS APARTMENTS.

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 amount of \$27,000,000 to finance the development of an affordable housing development known as the Wilshire Towers Apartments (“Project”). The project involves FHA/HUD financing. As such, the borrower is seeking a FHA/HUD forward commitment letter and anticipates receiving this commitment letter in January. Upon receipt, HCIDLA will then forward the letter to the California Debt Limit Allocation Committee (CDLAC). CDLAC will subsequently schedule the project for an allocation meeting on January 21, 2015, where it is expected CDLAC will designate April 21, 2015 as the allocation expiration date.
- The subject site is located at 616 S. Normandie Avenue, Los Angeles, CA in the 10th Council District. The proposed project will involve the acquisition and rehabilitation of an existing 287-unit apartment complex, which will be reduced to 283 units for seniors. Amenities will include a courtyard with a barbecue, a community room, a business center, a service coordinator and an onsite manager. The project will contain 95 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 its tax-exempt multi-family housing conduit revenue bonds in the amount of up to \$27,000,000 (“Bond”) for the development of the Wilshire Towers 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	September 19, 2014 (CF# 04-2646)
TEFRA Hearing	October 8, 2014
CDLAC Application Submitted	October 10, 2014
TEFRA Approved by Council	November 7, 2014
CDLAC Allocation Award	January 21, 2015
CDLAC Allocation Expiration Date	April 21, 2015

On September 19, 2014, HCIDLA induced the project (CF# 04-2646), thereby enabling the sponsor to apply for a tax-exempt bond allocation. On October 8, 2014, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On October 10, 2014, HCIDLA, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds. HCIDLA was authorized to apply on behalf of the sponsor for an allocation of up to \$33,750,000 in tax-exempt bonds from CDLAC. On November 7, 2014, the TEFRA Resolution and Minutes were adopted by the City Council (CF#14-1484). On January 21, 2015, the project is expected to be awarded an allocation of \$27,000,000 in bonds from CDLAC. The bond allocation expiration date will be April 21, 2015.

Affordability Restrictions

UNIT TYPE	50% AMI	60% AMI	Manager	TOTAL
0 bedroom (Studio)	42	166	0	208
1 bedroom	15	57	2	74
2 bedroom	0	0	1	1
TOTAL	57	223	3	283

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. The project will also execute a project based Section 8 contract with the Housing Authority of the City of Los Angeles (HACLA).

Development Team

The Project Sponsor is Wilshire Towers, L.P. (WTL). The Administrative Limited Partner is Wilshire Manor, LLC (WML). The Sole General Partner is Housing Corporation of America (HCA), which is a nonprofit 501(c)(3) corporation. The Developer is Thomas Safran, and Associates Development, Inc. (TSAD). The tax credit equity investor is Wells Fargo Bank (WB). The principals of WTL are Thomas Safran, Sole Member and Manager and Rick Siebert, Chief Financial Officer. The principals of HCA are Ronald Olson, President and Carol Cromar, Vice President and Board Member. The principal of TSAD is Thomas Safran, Owner, Rick Siebert, Chief Financial Officer and Treasurer and Andrew Gross, President. The principal of WB is Patricia R. Callahan, Senior Executive Vice-President and Chief Administrative Officer.

The developer has over 33 years of experience in the development of multifamily rental housing and has developed over 15 projects in California resulting in a total of approximately 1,562 housing units.

Developer: Thomas Safran & Associates, Inc.
11812 San Vicente Boulevard, Suite 600
Los Angeles, CA 90049
Phone : (310) 820-4888
Contact : Rick Siebert

The borrower and developer are in compliance with HCIDLA's Business Policy.
The additional development team members are:

Attorney: Kantor Taylor Nelson Evatt & Decina, PC
901 Fifth Avenue, Suite 4000
Seattle, WA 98164
Phone: (206) 812-2486
Contact: Patrick Evatt

General Contractor: KPRS, Inc.
 2850 Saturn Street
 Brea, CA 992821
 Phone: (213) 236-3798
 Contact: Kevin Ivey

Property Manager: Thomas Safran & Associates, Inc.
 11812 San Vicente Boulevard, Suite 600
 Los Angeles, CA 90049
 Phone : (310) 820-4888
 Contact : Jordan Pynes

Equity Investor: Wells Fargo Bank
 203 Main Street, Suite 800
 Irvine, CA 92614
 Phone: (949) 251-6065
 Contact: Paul Buckland

Financial Structure:

The Bonds will be privately placed and purchased by Citibank and will provide a construction loan to the Borrower. Additionally, the Bonds will be cash collateralized and rated AA+. The \$27,000,000 construction loan will have a term for 24 months with interest-only payments. At permanent status, PNC will be the permanent lender and will provide FHA/HUD financing, consisting of a 221(d)(4) structure. The PNC permanent loan of \$29,181,300 will pay off the Citibank construction loan. The PNC permanent loan will be for 41.5 years with a fixed rate at 4.25%.

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 Citibank 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:

Construction	Total Sources	Per Unit	% Total
Tax-Exempt Bonds (Citibank)	\$27,000,000	\$95,406	52%
Taxable Bond Proceeds	\$2,181,300	\$7,708	4%
NOI During Construction	\$1,643,703	\$5,808	3%
Tax Credit Equity (4%) (WB)	\$19,118,989	\$67,558	36%
Developer Fee Loan	\$2,500,000	\$8,834	5%
TOTAL	\$52,443,992	\$185,314	100%

Permanent	Total Sources	Per Unit	% Total
Permanent Loan- PNC 221(d)(4)	\$29,181,300	\$103,114	56%
NOI During Construction	\$1,643,703	\$5,808	3%
4% Tax Credit Equity	\$19,928,780	\$70,420	38%
Deferred Developer Fee	\$1,690,209	\$5,972	3%
TOTAL	\$52,443,992	\$185,314	100%

Uses of Funds	Total Uses	Cost/Unit
Acquisition Costs	\$8,500,000	\$30,035
Construction Costs	\$33,221,936	\$117,392
Arch., Eng., Legal	\$920,000	\$3,251
Financing Costs	\$3,217,721	\$5,332
Reserves	\$1,509,166	\$9,100
Other Soft Costs	\$2,575,169	\$8,834
Developer Costs	\$2,500,000	\$11,370
TOTALS	\$52,443,992	\$185,314

The HCIDLA Bond Team for the financing of the Wilshire Towers Apartments Project is as follows:

Bond Issuer Financial Advisor

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

Bond Counsel

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

Bond Issuer Counsel

Los Angeles City Attorney
200 N. Main Street, 9th 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 will designate April 21, 2015 as the expiration date for the issuance of the tax-exempt bonds.

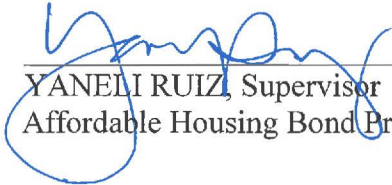
FISCAL IMPACT STATEMENT

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 bonds are a limited obligation payable strictly from revenue from the project and the City will in no way be obligated to make payments on the bonds.

Prepared By:



ROCHELLE COX
Finance Development Officer



YANELI RUIZ, Supervisor
Affordable Housing Bond Program

Reviewed By:



GEORGE GUILLEN
Manager of Multi-Family Housing Finance



MANUEL BERNAL
Director of Housing

Approved By:



HELMİ HISSERICH
Assistant General Manager



RUSHMORE D. CERVANTES
General Manager