

**TRANSMITTAL**

To:  
**THE COUNCIL**

Date: **AUG 31 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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hcidla.city.org

August 25, 2015

Council File: 15-0132  
Council District: 1, 13, 15  
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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

**COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO ISSUE UP TO \$13,600,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS FOR THE LEASTER APARTMENTS**

**SUMMARY**

The Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests authority to issue tax-exempt multifamily conduit revenue bonds in the amount of up to \$13,600,000 to help finance the development of the Leaster Apartments. The California Debt Limit Allocation Committee (CDLAC) awarded the bond allocation on March 18, 2015 and the designated bond issuance deadline is September 16, 2015.

The proposed project entails the acquisition and rehabilitation of three scattered sites consisting of a total of 133 multifamily residential affordable rental housing units for families. The three sites are located at: 825 Green Avenue (Site 1 of 3: the Greenview Apartments, 48 units); 911 E. 120th Street (Site 2 of 3: the Wadsworth Apartments, 36 units); and, 1422 and 1430 Miramar Street (Site 3 of 3: the Miramar Apartments, 49 units). Amenities for the project include lobby reception areas, community rooms with kitchens, laundry facilities, a library, a computer center, outdoor seating and secured parking spaces.

The rehabilitation of the Leaster Apartments will include replacement of: interior and exterior doors; sliding glass doors; windows; kitchen cabinets; countertops; appliances; bathroom vanities; toilets; sinks; and, water heaters. The heating, ventilation and air conditioning systems and flooring will be updated on an as-needed basis. Rehabilitation work will also consist of the installation of accessibility features and energy star laundry equipment, upgrades to irrigation systems and new interior/exterior paint.

## RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests the following:

- I. 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;
- II. That the City Council, subject to the approval of the Mayor, take the following actions:
  - A. Adopt the Resolution, provided as Attachment A to this report, authorizing the issuance of up to \$13,600,000 in tax-exempt multifamily conduit revenue bonds for the development of the Leaster Apartments; and
  - B. Authorize the HCIDLA General Manager, or designee, to negotiate and execute relevant bond documents for the Leaster Apartments, subject to the approval of the City Attorney as to form.

## BACKGROUND

### Financing History

On April 20, 2005, the Mayor and Council delegated inducement authority to HCIDLA (formerly the Los Angeles Housing Department) to issue bonds for the benefit of qualified affordable multifamily residential projects seeking bond financing from the City (CF 04-2646). On January 13, 2015, HCIDLA induced the Leaster Apartments housing development, which enabled the sponsor to apply for a tax-exempt bond allocation. On January 16, 2015, HCIDLA submitted the CDLAC application for an allocation of tax-exempt bonds on behalf of the sponsor. On January 29, 2015, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On February 10, 2015, the TEFRA Resolution and Minutes were approved by the Mayor and Council (CF 15-0132). On March 18, 2015, the Leaster Apartments were awarded an allocation of \$13,600,000 in tax-exempt bonds from CDLAC. The CDLAC bond issuance deadline is September 16, 2015.

### Affordability Restrictions

Pursuant to HCIDLA Bond Policies, the Leaster Apartments housing development must provide a public benefit; and, a Bond Regulatory Agreement must be executed in connection with the issuance of tax-exempt bonds. The Bond Regulatory Agreement will include affordability restrictions throughout a term of no less than the longer of: 1) 15 years after the 50% of the units are first occupied; 2) the date such bonds are paid in full; or, 3) the date on which any Section 8 assistance terminates, if applicable. The Leaster Apartments will also have affordability restrictions under separate agreements with the California Tax Credit Allocation Committee for a minimum term of 55 years as a result of the allocation of 4% Low Income Housing Tax Credits.

The Leaster Apartments are comprised of 133 units, consisting of 117 units targeted to households at or below 50% of Area Median Income (AMI), 14 units targeted to 60% of AMI and two manager units. The table below provides a summary of the unit mix for the project.

*Table on next page.*

UNIT TYPE	50% AMI	60% AMI	Manager	TOTAL
Studio	51	2		53
1 Bedroom	48	2	1	51
2 Bedroom	7	4		11
3 Bedroom	11	6	1	18
<b>TOTAL</b>	<b>117</b>	<b>14</b>	<b>2</b>	<b>133</b>

Development Team

The Borrower/Sponsor is Leaster Apartments, L.P., a California limited partnership. Pico Union Housing Corporation (PUHC), a California 501(c)(3) nonprofit corporation, is the Managing General Partner and also acting as the Developer. The officers of PUHC include Gloria Farias, Executive Director; Genny Alberts, Assistant Executive Director; Mario Morales, President; Maria E. Venegas, Secretary; Carlos Hernandez, Director; and, Rosa M. Novoa, Director. PUHC has been involved in the development of at least nine projects consisting of a total of 950 affordable multifamily rental housing units.

Developer: Pico Union Housing Corporation  
1038 Venice Blvd.  
Los Angeles, CA 90015  
Phone: (213) 913-2905  
Contact: Gloria Farias

The Borrower/Sponsor and Developer are in compliance with HCIDLA Business Policies. The additional development team members are:

Architect: Birba Group  
2350 Hyperion Avenue  
Los Angeles, CA 90027  
Phone: (323) 666-9768  
Contact: Pedro Birba

Attorney: Goldfarb & Lipman LLP  
1300 Clay St., 11th Floor  
Oakland, CA 94612  
Phone: (510) 836-6336  
Contact: Robert Mills

General Contractor: Alpha Construction  
14601 Aetna St.  
Van Nuys, CA 91411  
Phone: (818) 779-3000  
Contact: Irv Laxineta

Property Manager: Genessy Management  
334 N Normandie Ave., Suite 104  
Los Angeles, CA 90004

Phone: (323) 913-2905 x325  
Contact: Reint B. Alberts

Tax Credit Investor: Hudson – Tax Credit Equity  
7545 Irvine Center Dr., #200  
Irvine, CA 92618  
Phone: (949) 623-8563  
Contact: Blake Davis

### Financial Structure

The bonds will be issued as a single bond, privately placed and purchased by BBCN Bank (BBCN). The bonds will be unenhanced and unrated but will be subject to the HCIDLA Bond Policies. BBCN will provide a construction loan to the Borrower. The construction loan will be in the amount of up to \$13,600,000 with a maturity of 24 months after the recordation of the deed of trust securing the loan with a conditional six-month extension. The construction loan will carry a variable interest rate which is based on prime plus 1.25% (4.5% as of August 14, 2015).

At conversion to permanent financing, the BBCN construction loan will be paid down by funds from tax credit equity. BBCN will be providing the permanent loan in the reduced amount of up to \$9,162,000 with a loan term and amortization period of 35 years at an estimated current interest rate of 5.5%. On May 20, 2015, the sponsor received a reservation of 4% Low Income Housing Tax Credits, which is expected to generate \$785,390 in annual federal tax credits. The seller will carry a note for \$5,450,000 during the construction and permanent phases of the project.

HCIDLA will require BBCN to meet the reporting requirements of the City Responsible Banking Ordinance. The project financing complies with both the HCIDLA Bond Policies and City Financial Policies. At closing, 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 for the Leaster Apartments will include language that: establishes the bond structure as a limited obligation and strictly payable from the project revenues; and, requires the Borrower/Sponsor to provide annual statements, and additional information as may be reasonably requested by HCIDLA.

### Sources and Uses

The tables below provide a summary of the sources and uses for the project, including cost per unit and cost category percentages.

Construction	Total Sources	Per Unit	% Total
BBCN	\$13,600,000	\$102,256	56%
Seller Note	\$5,450,000	\$40,977	23%
Cash from Reserves/Operations	\$192,000	\$1,444	1%
Deferred Sources	\$2,974,000	\$22,360	12%
Hudson - Tax Credit Equity	\$1,925,000	\$14,474	8%
<b>TOTAL</b>	<b>\$24,141,000</b>	<b>\$181,511</b>	<b>100%</b>

Permanent	Total Sources	Per Unit	% Total
BBCN	\$9,162,000	\$68,887	38%
Seller Note	\$5,450,000	\$40,977	22%
Cash from Reserves /Operations	\$782,000	\$5,880	3%
Deferred Sources	\$1,049,000	\$7,887	5%
Tax Credit Equity	\$7,698,000	\$57,880	32%
<b>TOTAL</b>	<b>\$24,141,000</b>	<b>\$181,511</b>	<b>100%</b>

Uses of Funds	Total Uses	Cost/Unit
Land & Improvements	\$11,330,000	\$85,188
Rehabilitation Costs	\$6,254,000	\$47,023
Relocation	\$125,000	\$940
Construction Interests & Fees	\$1,262,000	\$9,489
Permanent Financing Costs	\$152,000	\$1,143
Legal Fees	\$141,000	\$1,060
Reserves, Rent up Costs	\$370,000	\$2,782
Total Other Costs	\$1,186,000	\$8,917
Developer Fee	\$2,500,000	\$18,797
Total Contingency Costs	\$821,000	\$6,172
<b>TOTALS</b>	<b>\$24,141,000</b>	<b>\$181,511</b>

The HCIDLA Bond Team for the financing of the Leaster Apartments is as follows:

Bond Issuer Financial Advisor  
 CSG Advisors, Inc.  
 315 W. 5<sup>th</sup> Street, Suite 302  
 Los Angeles, CA 90013

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

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

Labor Costs

Labor costs for the Leaster Apartments housing development are subject to California prevailing wage requirements and/or federal wage requirements under the Davis–Bacon Act of 1931 and Related Acts, if applicable.

Timeline

CDLAC designated September 16, 2015 as the bond issuance deadline.

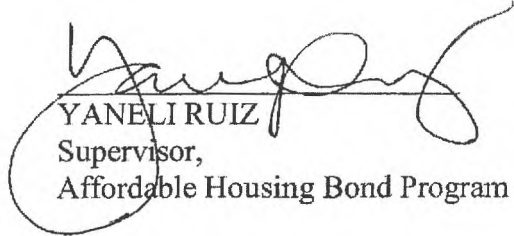
**FISCAL IMPACT STATEMENT**

There is no fiscal impact on the General Fund as a result of the issuance of the bonds. The City is a conduit issuer and will not incur liability for repayment of the bonds. The bonds are a limited obligation payable strictly from revenue from the project. The City will not be obligated to make payments on the bonds.


Prepared By:

  
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Rehabilitation Project Coordinator I


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Affordable Housing Bond Program

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MANUEL BERNAL  
Director,  
Finance and Development

Reviewed By:

  
HELMI HISSERICH  
Assistant General Manager

Reviewed By:

  
LAURA K. GUGLIELMO  
Executive Officer

Approved By:

  
RUSHMORE D. CERVANTES  
General Manager

- Attachment A – Resolution for Leaster Apartments
- Attachment B – Loan Agreement
- Attachment C – Indenture of Trust
- Attachment D – Regulatory Agreement