



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

November 17, 2016

Council File: 16-0339
Council Districts: 1, 2, 7, 12
Contact Persons:

Steven Brady	(213) 808-8538
Jeremy Johnson	(213) 808-8964
Tim Elliott	(213) 808-8596
Edwin C. Gipson II	(213) 808-8597
Helmi Hisserich	(213) 808-8662

Honorable Members of the City Council
City of Los Angeles
C/o City Clerk
200 Spring Street, 3rd Floor
Los Angeles, CA 90012

Attn: John White, Legislative Assistant

ERRATUM TO COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO ISSUE UP TO AN AGGREGATE AMOUNT OF UP TO \$17,050,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS IN THE FORM OF A NOTE FOR VIVIENDAS DEL VALLE AND NEW PARK PLACE AND AUTHORITY TO NEGOTIATE AND EXECUTE LOAN AMENDMENTS (C.F. 16-0339)

On October 19, 2016 the Mayor's Office released to the City Clerk Los Angeles Housing + Community Investment Department's (HCIDLA) transmittal dated October 17, 2016, "Request for Authority to Issue Up to An Aggregate Amount of Up to \$17,050,000 in Tax-Exempt Multifamily Conduit Revenue Bonds in the Form of a Note for Viviendas del Valle and New Park Place and Authority to Negotiate and Execute Loan Amendments". Subsequently it was determined that the original Transmittal did not sufficiently detail the forgiveness of the accrued interest, as allowed by the loan documents.

HCIDLA is making the following amendment to the above mentioned Council Transmittal and Attachment B of the Transmittal. All other aspects of the transmittal remain the same.

- Page 2, Recommendation D is amended to read as follows:

That the City Council subject to the approval of the Mayor, authorize the HCIDLA General Manager or designee, to negotiate and execute amendments to the existing loan documents related to the VDV and NPP, including but not limited to: loan and affordability terms; interest rate; subordination to new permanent loans; accrued interest forgiveness; and

assumption, assignment and transfer to a new limited partnership, subject to the approval of the City Attorney as to form.

- Page 4, Financial Structure, Amend by adding a new second full paragraph:

“Each Staff Report details the financing for VDV and NPP (see Attachment A and B, respectively), and the transactions include the amendment and restatement of each HCIDLA loan and all related documents to the Borrowers. The amendment and restatement of the NPP Loan includes forgiveness of the accrued interest pursuant to the loan documents (see Staff Report - Attachment B), and HCIDLA will provide written evidence attesting to the interest forgiveness not less than seven business days prior to the transaction closing. The City Attorney has reviewed the documents and opined that the accrued interest is not due and payable, per the terms of the loan documents, and should be forgiven. Upon transaction closing, the amended and restated NPP Loan will again begin accruing interest, pursuant to the loan documents.”

- Lastly, Attachment B - Staff Report for New Park Place Apartments has been amended to reflect a minor reduction in project costs (less than \$100), as well as a realignment of costs to meet the California Tax Credit Allocation Committee’s 50% test, which requires at least 50% of project’s aggregate basis be financed by the tax-exempt bonds proceeds. Attached is the amended Staff Report with the updated Sources and Uses, with the changes highlighted in yellow.



RUSHMORE D. CERVANTES
General Manager

cc: Honorable Eric Garcetti, Mayor
c/o Mandy Morales, Legislative Coordinator

**STAFF REPORT
November 17, 2016**

**New Park Place Apartments
Council District One**

SUMMARY

The development is an occupied family apartment located at 2500 W. 4th Street, Los Angeles, CA, 90057, in Council District One. The proposed development entails the acquisition and rehabilitation of the existing project in order to continue to provide affordable housing for families and individuals in its 49 units. The amenities include two laundry rooms, a community room with kitchen, elevator service, courtyard space, and a community garden. Temporary relocation will be required as part of the rehabilitation work. The recapitalization of the project will allow the developer, Abode Communities, to rehabilitate the Project with all new interiors, building exteriors, and upgrade all amenities and major systems, and extend the Project’s affordability.

AFFORDABILITY

Unit Type	50% AMI	60% AMI	Manager (Unrestricted)	Total
2 Bedroom	7	7		14
3 Bedroom	15	19	1	35
Total	22	26	1	49

Pursuant to HCIDLA’s Bond Policies, the development must provide a public benefit, therefore, a bond Regulatory Agreement will be executed in connection with the issuance of tax-exempt bonds, and the affordability restrictions will have a term of no less than the longer of: 1) 15 years after 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. In addition, the CDLAC Resolution and rental income restrictions will be in place for at least 55 years. The New Park Place Apartments project will also have affordability restrictions under separate agreements with CDLAC for a minimum term of 55 years as a result of the allocation of 4% Low Income Housing Tax Credits. Lastly, there is an existing Department of Housing and Community Development Rental Housing Construction Program agreement dated June 24, 1993 (matures June 24, 2035), and restricts the Very Low Income (50% of AMI) units to rents based on income levels of 35% of AMI.

DEVELOPMENT TEAM

The proposed Borrower/Sponsor is New Park Place, L.P., a California limited partnership which includes Park Place Terrace Repurchase, LLC, a California limited liability company, as its general partner, and held by Abode Communities as the sole member, a California nonprofit

corporation (“Abode”); and the current limited partner is Abode Communities, which will later be transferred to the equity investor. The executives of Abode include: Robin Hughes, President and Chief Executive Officer; Rick Saperstein, Executive Vice President and Chief Financial Officer; and Holly Benson, Executive Vice President and Chief Operating Officer. Abode’s Board of Directors include: Ken King, Chair; Theodore S. Chandler, Vice Chair; Fernando Villa, Treasurer; and Board members include Dr. Raphael Bostic, Maria Bustria-Glickman, Howard M. Heitner, Sean Spear, Lucinda Starrett, Ronnie Thielen, and Feng Xiao.

The Sponsor has been involved in the development of at least 45 projects consisting of a total of 2,603 affordable rental housing over a period of 48 years of experience.

FINANCIAL STRUCTURE

Bond Financing

MUFG Union Bank, N.A. (Union Bank) will directly purchase approximately \$6,350,000 in private activity at construction closing under its private placement structure. The bonds will be unenhanced and unrated but will be subject to the HCIDLA Bond Policies. Union Bank is utilizing a “back to back” bond structure, which is detailed in the Transmittal. During the construction phase, the bonds will carry a variable interest rate, which is based on 65% of the LIBOR plus a spread with no floor, currently estimated at 3.77%. The construction loan will have an 18 month term with one optional three-month extension. Union Bank will require a full repayment guaranty and a Deed of Trust. The anticipated bond closing date is December 1, 2016.

At conversion to permanent financing, the Union Bank construction loan will be paid down by funds from 4% tax credit equity from Wells Fargo Community Lending and Investment. California Community Reinvestment Corporation (“CCRC”) will be providing the permanent loan in the amount of up to \$2,031,300, with a 30/30 year loan term/amortization term, at an estimated current interest rate of 5.05%.

Additional Financing

The financing structure also includes amending or amending and restating two existing loans, one with HCIDLA in the principal amount of \$1,657,000 and accrued interest in the approximate amount of \$2,152,912 (as of 12/01/2016), and one loan with the State of California Department of Housing and Community Development (HCD) Rental Housing Construction Program (RHCP) in the amount of \$2,505,150, plus accrued/deferred interest as applicable. Both loans will be assigned to the new ownership entity.

HCIDLA Loan

The HCIDLA Loan will be amended and restated, and the HCIDLA will forgive all accrued interest pursuant to the loan documents. The HCIDLA loan documents (Loan Agreement, Residual Receipts Promissory Note, Section 6) requires payment of accrued interest if the project’s debt is less than Fair Market Value. Based on a recent appraised value of \$4,660,000 (2015) and the proposed debt structure (including accrued/deferred interest) totaling approximately \$5,900,000, debt exceeds Fair Market and therefore accrued interest is not due

and payable at this time. The City Attorney has reviewed the loan documents and opined that the accrued interest is not due and payable and should be forgiven at transaction closing. To insure no adverse tax consequences to the limited partner joining the Borrower entity, the forgiveness of accrued interest must occur prior to the transaction closing. Therefore, the HCIDLA will provide written evidence attesting to the interest forgiveness not less than seven (7) business days prior to the transaction closing (Interest Forgiveness Date), with the accrued interest being calculated based on the Interest Forgiveness Day. Upon transaction closing, the amended and restated HCIDLA Loan will again begin accruing interest.

RHCP Loan

The RHCP Program has been included in HCD’s recent Loan Portfolio Restructuring (LPR) Program, which was created after Assembly Bill 1699 (AB 1699) was enacted in 2012 to address a variety of former HCD loan programs and the need to provide guidelines to restructure and/or amend existing debt for refinances, resyndication, or other action, including but not limited to extending loan terms, subordination of loan to a senior loan, and tax credit investment in the project. As such, the RHCP loan will be amended and restated by HCD.

The two loans are detailed below.

Lender:	Principal Balance	Accrued Interest (as of 12/01/2016)	Interest Rate	Loan Term	New Loan Balance
HCIDLA	\$1,657,000	\$2,152,912	6.0%	55 Years	\$1,657,000*
State of California Housing & Community Development	\$2,505,150	\$1,590,811	3.0%	55 Years	\$4,095,961

* *The accrued interest will be forgiven at transaction closing (see above).*

Lastly, on July 22, 2016, HCIDLA provided an Inducement Letter which allowed the Project Sponsor to apply for tax-exempt bonds, and submitted the bond application to CDLAC for an allocation of tax-exempt bonds in the amount of \$6,325,000. The developer subsequently increased their request to \$6,350,000 (+\$25,000 higher than inducement amount), due to a minor cost increase in the project. HCIDLA’s bond counsel has provided an opinion that the \$6,350,000 bond amount is within the published IRS Guidelines of a maximum allowed increase of 5% (\$25,000 bond increase is 1.004% greater than the induced amount), and HCIDLA’s CDLAC application was submitted with the increased amount. On September 21, 2016, the development was awarded an allocation of \$6,350,000 in tax-exempt bonds. Per CDLAC the tax-exempt bonds must be issued by March 20, 2017.

SOURCES AND USES

The tables below (Tables 2-4) provide a summary of the sources and uses for the project, including cost per unit and cost category percentages.

Table 2

Interim/Construction	Total Sources	Per Unit	% Total
Tax-exempt Bond proceeds (Union Bank)	\$6,350,000	\$129,592	51.3%
HCD-RHCP loan	\$2,505,150	\$51,126	20.3%
HCD-RHCP loan/assumed accrued interest	\$1,187,849	\$24,242	9.6%
HCIDLA loan	\$1,657,000	\$33,816	13.4%
Limited Partner	\$96,654*	\$1,973	0.8%
Deferred developer fee	\$487,485	\$9,949	3.9%
GP Sponsor loan & accrued interest	\$82,500	\$1,684	0.7%
TOTAL	\$12,366,638	\$252,380	100%

Table 3

Permanent	Total Sources	Per Unit	% Total
Tax-exempt permanent loan (Union Bank)	\$2,031,300	\$41,455	16.4%
HCD-RHCP loan	\$2,505,150	\$51,126	20.3%
HCD-RHCP loan/accrued-deferred interest	\$77,800	\$1,588	0.6%
HCD-RHCP loan/deferred interest	\$1,550,407	\$31,641	12.5%
HCIDLA loan	\$1,657,000	\$33,816	13.4%
HCIDLA loan deferred/accrued interest	\$66,800	\$1,363	0.5%
NOI During Rehab	\$89,021	\$1,817	0.7%
GP Sponsor loan & accrued interest	\$82,500	\$1,684	0.7%
Deferred developer fee	\$487,485	\$9,949	3.9%
Tax credit equity 4%	\$3,819,175	\$77,942	30.9%
Total	\$12,366,638	\$252,380	100%

Table 4

Uses of Funds	Total Uses	Cost/Unit
Acquisition	\$6,165,625	\$125,829
Construction Costs	\$2,577,395	\$52,600
Architecture & Engineering	\$330,000	\$6,735
Overhead & Profit	\$181,547	\$3,705
Developer Fee	\$1,233,214	\$25,168
Other Soft Costs	\$1,878,857	\$38,344
TOTALS	\$12,366,638	\$252,380

NOTE: changes from original Sources and Uses are highlighted in yellow.

DEVELOPMENT TEAM

Developer: Abode Communities
1149 S. Hill Street, Suite 700
Los Angeles, CA 90015
Phone: (213) 225-2730
Contact: Karl Lauff, Vice President, Portfolio Management

The Borrower/Sponsor is in compliance with the HCIDLA Business Policy.

The additional development team members are:

Architect: Abode Communities Architecture
1149 S. Hill Street, Suite 700
Los Angeles, CA 90015
Phone: (213) 225-2730
Contact: Gio Aliano, Senior Vice President, Principal Architect

Attorney: Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102
Phone: (805) 231-8805
Contact: J. Toger Swanson

General Contractor: Walton Construction
358 E. Foothill Boulevard, Suite 100
San Dimas, CA 91773
(909) 267-7777
Attn: Tim Norris, Project Manager

Property Manager: Abode Communities Property Management
1149 S. Hill Street, Suite 700
Los Angeles, CA 90015
Phone: (213) 225-2730
Contact: Luz Soto, Senior Vice President, Property Management & Resident Services

Tax Credit Investor: MUFG Union Bank, F.A.
1901 Avenue of the Stars, Suite 600
Los Angeles, CA 90067
(310) 551-8964
Perica Bell, Director

TIMELINE

CDLAC has designated March 20, 2017 as the bond issuance deadline. However, the Union Bank commitment requires the closing occur by December 15, 2016. The anticipated closing date is December 12, 2016.