

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: March 28, 2017

CAO File No. 0220-05351-0000  
Council File No. 16-0419-S1  
Council District: 8

To: The Mayor  
The Council

From:  Richard H. Llewellyn, Jr., Interim City Administrative Officer 

Reference: Housing and Community Investment Department transmittal dated March 7, 2017; Received by the City Administrative Officer March 10, 2017; Additional Information Received through March 24, 2017

Subject: **HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCID) REQUEST FOR AUTHORITY TO ISSUE UP TO \$9,500,000 IN TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BONDS FOR THE FLORENCE MOREHOUSE APARTMENTS, INCREASE HCID LOAN BY \$1,759,758, AND NEGOTIATE AND EXECUTE LOAN AMENDMENTS**

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**RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor:

1. Adopt the Resolution attached to the transmittal from the Housing and Community Investment Department (HCID) dated March 7, 2017, authorizing the issuance of up to \$9,500,000 in tax-exempt multi-family conduit revenue bonds for the development of the Florence Morehouse Apartments Project;
2. Authorize the General Manager, HCID, or designee, to negotiate and execute:
  - a. The relevant bond documents for the Florence Morehouse Apartments, subject to the approval of the City Attorney as to form;
  - b. An amended loan agreement with Florence Morehouse, L.P., Promissory Note One for the rehabilitation of the Florence Morehouse Apartments Project to: (1) extend the term of the HCID loan agreement to be coterminous with the 55 year term of the bond Regulatory Agreement, (2) amend the interest rate, (3) increase the loan amount to include accrued interest, and (4) allow the transfer of the title to the new limited partnership, subject to the review of the City Attorney as to form; and,
  - c. An amended loan agreement with Florence Morehouse, L.P., Promissory Note Two for the rehabilitation of the Florence Morehouse Apartments Project to: (1) include a Neighborhood Stabilization Program (NSP) debt amount of \$1,759,758, consisting of \$1,000,000 allocated by the City Council on December 14, 2016 (C.F. 10-0799) and a

prior acquisition expenditure amount of \$759,758, and (2) include appropriate language and requirements for the inclusion of NSP funds, subject to the review of the City Attorney as to form.

## **SUMMARY**

The Housing and Community Investment Department (HCID) requests authority to issue tax-exempt multi-family housing conduit revenue bonds in an amount not to exceed \$9,500,000, to finance the construction of the affordable housing development known as the Florence Morehouse Apartments Project (Project). The Project consists of the rehabilitation of two existing apartment complexes with 59 units serving low-income families plus two manager units. The subject sites are located at 910-916 Florence Avenue, Los Angeles, CA 90001 and 1750 West Martin Luther King Jr. Boulevard, Los Angeles, CA 90062 in Council District 8. The California Debt Limit Allocation Committee (CDLAC) awarded the bond allocation for the Project to the City of Los Angeles (City) on July 20, 2016 in an amount not to exceed \$9,500,000 and an initial bond issuance deadline of January 30, 2017. However, CDLAC approved an extended bond issuance deadline to March 31, 2017. Additionally, HCID requests authority to amend the loan agreement for an existing HCID loan for the development of the Project to extend the loan term to be coterminous with the bond Regulatory Agreement, lower the interest rate from six percent to three percent, increase the loan amount to include accrued interest and a Neighborhood Stabilization Program debt, and transfer the title from the current borrower to the new limited partnership.

The City's involvement in the issuance of tax-exempt, multi-family housing conduit revenue bonds is considered true conduit financing, in which the obligation for repayment of the bonds is the responsibility of Florence Morehouse, L.P. and the City bears no financial responsibility for repayment as the issuer. There will be no impact to the General Fund. The financing is consistent with City policies regarding conduit financing. This Office concurs with the recommendations of the Department.

The Council adopted a Responsible Banking Ordinance (RBO) in May 2012 (C.F. 09-0234 and C.F. 09-0234-S1). The purpose of the RBO is to create a social investment policy that reflects the community's priorities and acts as a tool when seeking financial services. Wells Fargo Bank, N.A. (Wells Fargo) is currently in compliance with the reporting requirements of the RBO and HCID will ensure that Wells Fargo continues to adhere to the RBO. The City has business relations with Wells Fargo; however, since the City acts only as a conduit issuer in these bond transactions and has no financial interest, the selection of the bank does not constitute City business.

## **FISCAL IMPACT STATEMENT**

There will be no impact to the General Fund as a result of the issuance of these tax-exempt multi-family conduit revenue bonds (bonds). The City is a conduit issuer and does not incur liability for the repayment of the bonds, which are a limited obligation payable solely from the revenues of the Florence Morehouse Apartments Project, and the City will in no way be obligated to make payments on the bonds.