

TRANSMITTAL

To:

THE COUNCIL

Date: 10/25/2016

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(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

October 25, 2016

Council File: New
Council District: 9
Contact Persons: Steven Brady (213) 808-8538
Tim Elliott (213) 808-8596
Helmi Hisserich (213) 808-8662
Craig Takenaka (213) 978-7958

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 NEGOTIATE AND AMEND EXISTING AGREEMENTS FOR THE GILBERT LINDSAY APARTMENTS

SUMMARY

The Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests authority to negotiate and execute amendments to existing agreements related to the proposed acquisition and rehabilitation of the Gilbert Lindsay Apartments (Project). The existing agreements consist of a Disposition and Development Agreement (DDA) and its Implementation Agreements, a Loan Agreement and a Ground Lease that were executed by the former Community Redevelopment Agency of Los Angeles (CRA/LA). The intent of the proposed amendments is to: continue providing affordable housing for individuals and families; extend and increase the Project's existing affordability; rehabilitate the entire project; and, establish new ownership and management entities. Thomas Safran & Associates Development, Inc. is the Sponsor of the Project.

Approval of the recommendations will allow for the Project to obtain other sources of funds from the California Debt Limit Allocation Committee (CDLAC), as well as conventional financing and the U.S. Department of Housing and Urban Development Federal Housing Administration (FHA) financing. HCIDLA will submit a subsequent request to issue tax-exempt bond financing for the Project. It is anticipated that the tax-exempt bond transaction will close on or about December 20, 2016.

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. Authorize the HCIDLA General Manager, or designee, to negotiate and execute amendments to the Disposition and Development Agreement (DDA) including an Implementation Agreement, Loan Agreement (CRA/LA Loan or #C-871721) and related loan documents, and ground lease (Ground Lease), collectively referred to as Development Documents, subject to the approval of the City Attorney as to form; and,
 - B. Approve the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) Meeting Minutes dated August 4, 2016 provided as Attachment A, and adopt the TEFRA Resolution provided as Attachment B; and,
 - C. Authorize the HCIDLA General Manager, or designee, to negotiate and prepare for execution the relevant documents related to the various acquisition financing sources including but not limited to conventional and FHA financing, subject to the approval of the City Attorney as to form; and,
 - D. Authorize the HCIDLA General Manager, or designee, to negotiate and execute the relevant documents that, prior to the Borrower's acquisition of the Project, allow the Seller and the HCIDLA to amend the terms of the appropriate Development Documents, subject to the approval of the City Attorney as to form, to:
 - 1. Convert 76 of the 96 Moderate Income units in the Project to deeper affordability levels. Currently 96 Units are restricted to persons at or below Moderate Income (CRA/LA Moderate Income of 120%). Seventy Six (76) of the Moderate Income units shall be redesignated as units restricted to persons or families with qualifying incomes of not greater than 60% percent of the Area Median Income (Low Income) and with corresponding rents determined by the California Tax Credit Allocation Committee (TCAC); and,
 - 2. Extend the term of the affordability restrictions by 49 years in connection with the DDA, Ground Lease, and CRA/LA Loan through 2090.

BACKGROUND

Project Summary

The Project entails the acquisition and rehabilitation of an occupied family apartment building located at 601 W. 40th Place in Council District Nine. The project was developed by Coliseo Housing Partnership in 1988 with Low Income Housing Tax Credits (LIHTC) and a subsidy loan from the CRA/LA. The loan and ground lease were transferred to HCIDLA as the housing successor agency to CRA/LA. The LIHTC program was started in 1986, to create an incentive for the utilization of private equity in the development of affordable housing, and this project, being an early LIHTC transaction included a provision for a preferred return on equity which is not common to projects financed today. In 2015, Coliseo Housing Partnership proposed to sell the project to Thomas Safran & Associates Development Inc. (TSA) which HCIDLA supports. To effectuate the sale, HCIDLA accepted the seller's proposal to deepen and extend the affordability covenants in lieu of a pay down on the existing City debt. The City loan and accrued interest will be assumed by the new owner at the time of sale. Proceeds from the sale will be used to pay the developer's note, and remaining proceeds will be invested in project's renovation cost.

The Project will continue to provide 137 units of housing for individuals and families (including two staff units). The amenities will include: a laundry room, a community room with kitchen, elevator service, courtyard space, gated entry, garage parking, and a community garden. Temporary relocation is subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and will be required as part of the rehabilitation work. The acquisition of the Project will allow for a new owner and management team who will provide extended and increased affordability, as described on the next page.

The transaction provides several significant benefits to the City, including but not limited to:

- 1) **Substantial Rehabilitation.** The Project will receive extensive rehabilitation to building exteriors, unit interiors, common areas, amenities, landscaping and all major systems, at an estimated cost of \$5,822,500 or \$42,500 per unit.
- 2) **Extended Affordability.** Based on the tax credit financing of the Project, a new 55-year Regulatory Agreement will be in place, providing stability to the 137 affordable units located in a community experiencing gentrification and increased market-rate development. The regulatory agreement will expire in approximately 2071, prior to the expiration of affordability restrictions in the Ground Lease (99 year lease) in 2090. To remain consistent with the Ground Lease, the affordability restrictions in the DDA and CRA/LA Loan documents will be amended to expire in 2090 as well, providing for continued affordability of the Project.
- 3) **Increased Affordability.** A redesignation of 76 of the existing 96 Moderate Income Units, which are currently restricted at 120% of AMI and rents based on 110% of AMI per CRA/LA restrictions (CRA/LA Moderate Income) to Low Income per the annual household income and rent designations from TCAC for Low Income at 60% of AMI (Low Income Units or TCAC 60%). The redesignation will allow for rent reductions to existing eligible lower income tenants or new tenants when an over-qualified household voluntarily moves out of a redesignated Low Income Unit. The redesignated Low Income Units respond to a significant need for affordable housing units targeted to Low Income households. The proposed affordability of the Project is provided in Table 1 below.
- 4) **No Rent Catch Up.** The Sponsor has agreed that there will be no “Rent Catch Up” on the redesignated Low Income Units, which insures that any household that currently pays less than the 60% rent, as determined by TCAC for a Low Income Unit, remains in place at their current rent and that all future rent increases are done pursuant to both TCAC and CRA/LA and any other applicable rent regulations. To the extent a restricted unit is subject to several applicable rent increase regulations, the most restrictive of them shall apply. In the event a unit designated as a Low Income Unit is currently occupied by a household below the 60% TCAC rent, the unit would only be subject to the 60% TCAC rent at the time the existing tenant leaves the unit, and a new qualified household occupies the Low Income Unit.
- 5) **New Ownership and Management.** The Sponsor is based in Los Angeles with more than 25 years of experience with developing, acquiring and rehabilitating affordable housing developments. The Sponsor is in compliance with the HCIDLA Business Policy and Bond Policy and guidelines. Professional management will be provided by the John Stewart Company and Levine Property Management, both experienced with affordable housing developments and acquisition and rehabilitation projects. The original borrower was Coliseo Housing Partnership, held by the Bedford Group (Chuck Quarles) and United Housing Preservation Corporation as its general partners. The

change in Sponsor and Property Management will provide the Project with more active and involved principals, which in turn will provide stability, management and maintenance of the Project throughout the affordability term.

Table 1 provides a summary of the units and respective affordability requirements that will apply to the HCIDLA bond Regulatory Agreement.

Table 1

Unit Type	50% AMI	60% AMI	120% AMI	Manager (Unrestricted)	Total
1 Bedroom	6	12	3		21
2 Bedroom	25	44	10	1	80
3 Bedroom	8	20	3	1	32
4 Bedroom	2	0	1		3
5 Bedroom	0	0	1		1
Total	41	76	18	2	137

The proposed transaction anticipates cash out to the Seller in the amount of \$12 Million which includes about:

\$1,188,000 for the Seller payoff of the First Trust Deed loan to SAMCO;

\$5,767,500 as repayment of General Partner loan (\$1,743,000) and partial repayment of accrued interest (\$4,024,500);

\$2,522,250 of Residual Sales proceeds (50% - Developer's portion under the DDA); and

\$2,522,250 of Residual Sales Proceeds (City's 50% under the DDA, to be paid by the City to the Seller in order to extend housing affordability on the 137 units by 50 years (to 2090), obtain lower qualified income deeper affordability by the designation of the 76 units from moderate income to low income; extend the ground lease by 49 years, and allow for re-syndication and replacement of the current ownership of the development with a new project sponsor/Buyer, in order to achieve stability in successful extended operation of the development, and to resolve any development related disputes with the current owners.

The HCIDLA's outstanding debt of \$11,880,537 will remain with the project, and existing terms for Net Capital Proceeds (i.e. 50/50 split) shall remain unchanged for any future recapitalization event in Year 15, or beyond. This deferral of Net Capital Proceeds also reflects the Project cost for the Seller and Developer to redesignate the 76 units from moderate income to low income.

The Sponsor will be assuming the Development Documents to implement the following amendments for the transaction:

- 1) For the DDA dated April 26, 1989, including First and Second Implementation Agreements, the proposed amendments will include extending the agreement and affordability expiration dates, and increasing the affordability of the Project.
- 2) For Loan Agreement (#C-871721) in the original principal amount of \$3,954,000 and dated June 19, 1991, the proposed amendment will include:
 - a. Extending the agreement and affordability expiration dates;

- b. A reduction in the interest rate from 9.45% to 3.0%, which is the current HCIDLA simple interest rate in support of a minimum required debt coverage ratio (DCR) of 1.15; and,
 - c. An adjustment to the Residual Receipts, whereby the City's 50% share will be divided at 10% in receipts for the Ground Lease and 40% in receipts for the CRA/LA Loan, until the CRA/LA Loan is repaid. Thereafter, the 50% share in receipts will be paid toward Ground Lease payment. The proposed adjustment to the Residual Receipts will achieve the required minimum DCR and provide necessary cashflow for the Borrower to be repaid the deferred developer fee as well as a portion of the partnership loan.
- 3) For the Ground Lease dated May 15, 1990 (with effective date of 1991), to be extended with new maturity date of 2090 and receive 10% of the Residual Receipt income, reflecting a decrease from the original 40% from the Ground Lease. This proposed adjustment will provide funds for CRA/LA Loan and developer fee and partnership loan repayment. The Affordability Restrictions stated in the Ground Lease and Agreement Containing Covenants will remain with the property through the extended term of the Ground Lease.

In addition, the transaction seeks conventional and FHA financing, which requires, among other things, that the Ground Lease be amended to include specific documents required by the U.S. Department of Housing and Urban Development (HUD). The required HUD documents include, but are not limited to, the following: Subordination Agreement; Lease Addendum; Rider to Lease; and, other amendments or other required documents that may be required by the bond purchaser, conventional and FHA lenders, and/or the tax credit investor.

Financing History

On April 20, 2005, the Mayor and City Council provided inducement authority to HCIDLA to issue bonds for the benefit of qualified affordable multifamily residential projects seeking bond financing from the City (C.F. 04-2646). On July 18, 2016, HCIDLA provided an inducement letter which allowed the Project sponsor to apply for tax exempt bonds. On August 4, 2016, HCIDLA conducted a public hearing in accordance with TEFRA, and the Minutes and Resolution require approval and adoption by the City Council (Attachments A and B of this transmittal). On August 11, 2016, HCIDLA submitted the bond application to CDLAC for an allocation of tax exempt bonds.

The proposed transaction must close in December 2016, pursuant to the terms of the executed and amended Purchase and Sale Agreement, as well as the FHA financing and credit enhancement. To this end, the HCIDLA has and will work with the City Attorney, bond counsel, lenders and other parties to secure all financing and project approvals, including but not limited to CDLAC's approval and allocation of \$25,875,000 in tax exempt bonds at its November 16, 2016 Committee Meeting. The HCIDLA submitted the borrower's CDLAC application on August 11, 2016, so as to be included at CDLAC's November Committee meeting.

Development Team

Prior to the transaction closing, the Sponsor/Borrower will create Gilbert Lindsay Housing LP as a single purpose entity for the Project, which will be comprised of Housing Corporation of America, a Salt Lake City-based 501(c)(3) organization as the Managing General Partner, and Gilbert Lindsay Housing, LLC as the Administrative General Partner. The initial Limited Partner is the Thomas L. Safran Living Trust, LLC, to be replaced by the tax credit equity investor as the subsequent Limited Partner.

The Sponsor has at least 25 years of experience in the development of multifamily rental housing and has developed 87 projects which resulted in 8,730 units. The Borrower/Sponsor is in compliance with the HCIDLA Business Policy.

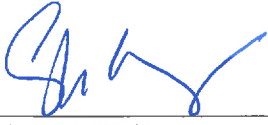
Timeline

The Project will be heard at the November 16, 2016 CDLAC Committee Meeting, and it is anticipated that CDLAC will designate May 16, 2017 as the bond issuance deadline. However, the Developer must close the PNC Bank commitment no later than December 31, 2016. It is anticipated the transaction will close on December 1, 2016.

FISCAL IMPACT STATEMENT

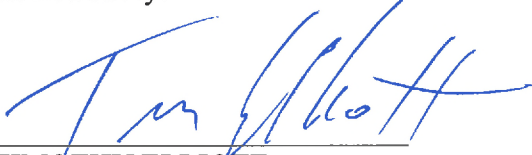
There is no impact to the General Fund. The recommendations in this transmittal will authorize HCIDLA to execute amendments to existing agreements related to the rehabilitation construction of the Project for the provision of 137 affordable housing units for low and moderate income individuals and families. HCIDLA will report back with additional recommendations to issue tax-exempt bond financing anticipated as source of funds the Project.

Prepared By:



STEVEN BRADY
Finance Development Officer I

Reviewed By:



TIMOTHY ELLIOTT
Community Housing Program Manager

Reviewed By:



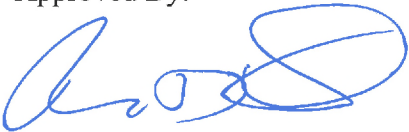
HELMİ HISSERICH
Assistant General Manager

Reviewed By:



LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager

Attachment A – TEFRA Publication and Minutes
Attachment B – TEFRA Resolution

ATTACHMENT A
HCIDLA Request to Amend Agreements for Gilbert Lindsay Apartments

TEFRA Publication and Minutes for Gilbert Lindsay Apartments on next page.

PACKAGE NAME: Legal-Notices

Product(s): Los Angeles Times, classified.latimes.com, CApublicnotice.com

AdSize(s): 1 Column,

Run Date(s): Thursday, July 21, 2016, Friday, July 22, 2016

Color Spec. B/W

Preview

**NOTICE OF PUBLIC
HEARING ON MUL-
TIFAMILY HOUSING
REVENUE BONDS FOR
MULTIFAMILY HOUSING
PROJECTS LOCATED
IN THE CITY OF LOS
ANGELES**

Notice is hereby given that on August 4, 2016, a public hearing will be held as required by Section 147(f) of the Internal Revenue Code of 1986 with respect to the proposed issuance of multifamily housing revenue bonds in the maximum amounts specified below, issued in one or more series, pursuant to a plan of financing, for the purpose of providing funds to make a loan to the respective project sponsors specified below or to a special purpose entity created by or on behalf of such

Project Name: Gilbert Lindsay
Address: 601 West 40th Place Los Angeles, CA 90037
#Units: 137 (including 2 manager units)
Project Sponsor: Gilbert Lindsay Housing LP
Maximum Amount: \$25,875,000

Project Name: Dudley Oaks
Address: 2119 2127 South

PACKAGE NAME: Legal-Notices

Oak Street Los Angeles,
CA 90007

#Units: 20 (including 1
manager unit)

Project Sponsor: Dudley
Oaks Apartments LP

Maximum Amount:
\$6,778,836

Project Name: Rolland
Curtis West

Address: 1077 West 38th
Street Los Angeles, CA
90037

#Units: 70 (including 1
manager unit)

Project Sponsor: Rolland
Curtis West, L.P.

Maximum Amount:
\$26,300,000

The hearing will commence at 10:00 a.m., August 4, 2016, and will be held in the Los Angeles Housing and Community Investment Department, Room 833, Eighth Floor, 1200 West 7th Street, Los Angeles, California. Interested persons wishing to express their views on either the issuance of the multifamily bonds or the Projects will be given an opportunity to do so at the public hearing, or may, prior to the time of the hearing, submit written comments to the Los Angeles Housing and Community Investment Department, City of Los Angeles, Eighth Floor, 1200 West 7th Street, Los Angeles, California 90017, Attention: Mr. Timothy Elliott, Phone (213) 808-8596.

TEFRA PUBLIC HEARING MEETING MINUTES
THURSDAY – AUGUST 4, 2016
10:00 AM
THE LOS ANGELES
HOUSING + COMMUNITY INVESTMENT DEPARTMENT
1200 W 7TH STREET, ROOM 833
TIMOTHY ELLIOTT, CHAIR

This meeting is to conduct the required Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) Public Hearing for the Dudley Oaks, Gilbert Lindsay, and Rolland Curtis West Apartments Projects.

This meeting is called to order on Thursday, August 4, 2016 at 10:00 a.m. in Room 833 of the Los Angeles Housing + Community Investment Department.

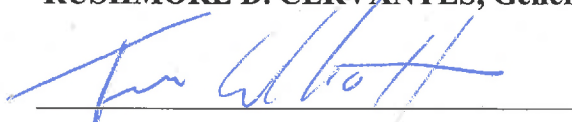
A notice of this hearing was published in the Los Angeles Times on July 21, 2016. The purpose of this meeting is to hear public comments regarding the subject Multifamily Revenue Bonds.

The City of Los Angeles Housing + Community Investment Department representatives present were Timothy Elliott, Bruce Ortiz, Lemono Lott, Steven Brady, and Carmen Velazquez.

The time is now 10:30 a.m. and seeing no other representatives from the public are present, this meeting is now adjourned.

I declare under penalty of perjury that this is a true and exact copy of the TEFRA hearing held for the above referenced project on August 4, 2016 at Los Angeles, California.

CITY OF LOS ANGELES
Los Angeles Housing + Community Investment Department
RUSHMORE D. CERVANTES, General Manager



Timothy Elliott, Manager
Affordable Housing Bond Program

ATTACHMENT B
HCIDLA Request to Amend Agreements for Gilbert Lindsay Apartments

TEFRA Resolution for Gilbert Lindsay Apartments on next page.

RESOLUTION
CITY OF LOS ANGELES

A RESOLUTION APPROVING FOR PURPOSES OF SECTION 147(f) OF THE INTERNAL REVENUE CODE OF 1986 THE ISSUANCE OF BONDS BY THE CITY OF LOS ANGELES TO FINANCE THE ACQUISITION, REHABILITATION, CONSTRUCTION OR EQUIPPING OF MULTIFAMILY RESIDENTIAL RENTAL PROJECT LOCATED WITHIN THE CITY OF LOS ANGELES.

WHEREAS, the City of Los Angeles (the “City”) is authorized, pursuant to Section 248, as amended, of the City Charter of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the “Law”), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California (the “Act”), to issue its revenue bonds for the purpose of providing financing for the acquisition, construction, rehabilitation and equipping of multifamily rental housing for persons and families of low or moderate income; and

WHEREAS, the City intends to issue for federal income tax purposes certain bonds (the “Bonds”) the proceeds of which will be used to finance the acquisition, construction, rehabilitation and equipping of multifamily rental housing project described in paragraph 5 hereof (the “Project”); and

WHEREAS, the Project are located wholly within the City; and

WHEREAS, it is in the public interest and for the public benefit that the City authorize the financing of the Project, and it is within the powers of the City to provide for such financing and the issuance of the Bonds; and

WHEREAS, the interest on the Bonds may qualify for a federal tax exemption under Section 142(a)(7) of the Internal Revenue Code of 1986 (the “Code”), only if the Bonds are approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, Bonds are required to be approved, following a public hearing, by an elected representative of the issuer of the Bonds (or of the governmental unit on behalf of which the Bonds are issued) and an elected representative of the governmental unit having jurisdiction over the area in which the relevant Project is located; and

WHEREAS, this City Council is the elected legislative body of the City and is the applicable elected representative required to approve the issuance of the Bonds within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on July 21, 2016, to the effect that a public hearing would be held with respect to the Project on August 4, 2016 regarding the issuance of the Bonds; and

WHEREAS, the Los Angeles Housing and Community Investment Department held said public hearing on such date, at which time an opportunity was provided to present arguments both for and against the issuance of the Bonds; and

WHEREAS, the minutes of said hearing have been presented to this City Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

1. The recitals hereinabove set forth are true and correct, and this City Council so finds. This Resolution is being adopted pursuant to the Law and the Act.

2. Pursuant to and solely for purposes of Section 147(f) of the Code, the City Council hereby approves the issuance of the Bonds by the City in one or more series to finance the Project pursuant to a plan of finance. It is intended that this Resolution constitute approval of the Bonds: (a) by the applicable elected representative of the issuer of the Bonds; and (b) by the applicable elected representative of the governmental unit having jurisdiction over the area in which the relevant Project is located, in accordance with said Section 147(f).

3. Pursuant to the Law and in accordance with the Act, the City hereby authorizes the Los Angeles Housing and Community Investment Department to proceed with a mortgage revenue bond program designed to provide housing within the City of Los Angeles for low- and moderate-income persons through the issuance of the Bonds for the Project, in one or more series, pursuant to a plan of finance and in amounts not to exceed those specified in paragraph 5 hereof.

4. Notwithstanding anything to the contrary hereof, the City shall be under no obligation to issue any portion of the Bonds described in paragraph 5 hereof to be issued by the City for the Project prior to review and approval by the City and the City Attorney of the documents, terms and conditions relating to such Bonds.

5. The "Project" referred to hereof is as follows:

Project Name:	Address	#Units:	Project Sponsor	Maximum Amount:
Gilbert Lindsay	601 West 40th Place Los Angeles, CA 90037	137 (including 2 manager units)	Gilbert Lindsay Housing LP	\$25,875,000

6. This Resolution shall take effect immediately upon its passage and adoption.

PASSED AND ADOPTED this _____ day of _____, 2016 at Los Angeles, California.

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 2016.

By _____
Title _____