

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 2, 2018

CAO File No. 0220-00540-1295
Council File No. 18-0473-S1
Council District: 14

To: The Mayor
The Council

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



Reference: Housing and Community Investment Department transmittal dated September 5, 2018; Received by the City Administrative Officer on September 10, 2018; Additional information received through October 2, 2018

Subject: **REQUEST FOR AUTHORITY TO ISSUE MULTIFAMILY CONDUIT REVENUE BONDS IN AN AMOUNT UP TO \$200 MILLION FOR THE GRAND AVENUE PARCEL Q APARTMENTS PROJECT**

RECOMMENDATION

That the Council, subject to the approval of the Mayor, adopt the Recommendations of the Housing and Community Investment (HCID) transmittal dated September 5, 2018 relative to the issuance of tax-exempt multifamily conduit revenue bonds for the development of the Grand Avenue Parcel Q Apartments Project.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue tax-exempt multifamily housing conduit revenue bonds in an amount not to exceed \$200 million to finance the construction of the affordable housing development known as the Grand Avenue Parcel Q Apartments Project (Project). The HCID indicates that the Project consists of the demolition of an existing parking structure and the new construction of a total of 323 residential rental units consisting of 89 units of affordable housing, 233 Fair Market Rate units and one unrestricted manager unit. The Project is one of five components of a larger development known as the Grand Avenue Project which will include residential, hotel, retail, and parking elements. The Project will be located at 100 South Grand Avenue and 151 South Olive Street in Council District 14. The California Debt Limit Allocation Committee (CDLAC) awarded the tax-exempt bond allocation for the Project to the City on July 18, 2018 in an amount not to exceed \$200 million and designated a January 28, 2019 issuance deadline. This Office concurs with the recommendations of the Department.

The City's involvement in the issuance of tax-exempt, multifamily housing conduit revenue bonds is considered true conduit financing, in which the obligation for repayment of the bonds is the responsibility of CORE/Related GALA Rentals, L.P. and the City bears no financial responsibility

for repayment as the issuer. There will be no impact to the General Fund. The proposed financing is consistent with City policies regarding conduit financing.

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. As the placement agent for the bond purchaser, Deutsche Bank Securities Inc., Hilltop Securities Inc. (Hilltop) is subject to the investment banking requirements of the RBO. Hilltop is currently in compliance with the reporting requirements of the RBO and HCID will ensure that Hilltop continues to adhere to the reporting requirements. The City does not have business relations with Hilltop; 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 multifamily conduit revenue bonds (bonds) for the Grand Avenue Parcel Q Apartments Project (Project). 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 Project, and the City will in no way be obligated to make payments on the bonds.

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