

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 25, 2020

CAO File No. 0220-00540-1420

Council File No. 19-0912

Council District: 15

To: The Mayor
The Council

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

Reference: Housing and Community Investment Department transmittal dated December 18, 2019; Received by the City Administrative Officer on January 23, 2020; Additional Information Received through February 20, 2020

Subject: **REQUEST FOR AUTHORITY TO ISSUE TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS IN THE AMOUNT UP TO \$15,254,797 FOR THE DAHLIA APARTMENTS PROJECT**

RECOMMENDATIONS

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

1. Adopt the Resolution attached to the Housing and Community Investment Department (HCID) transmittal dated December 18, 2019 (Report), authorizing the issuance of up to \$15,254,797 in tax-exempt multifamily conduit revenue bonds for the Dahlia Apartments Project; and,
2. Authorize the General Manager of HCID, or designee, to negotiate and execute the relevant bond documents for the development, subject to the approval of the City Attorney as to form.

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 \$16,818,393 to finance the construction of the affordable housing development known as the Dahlia Apartments Project (Project). The Project was formerly known as the South Main Street Apartments Project. It should be noted that the recommendations in this report differ from the recommendations included in the HCID transmittal dated December 18, 2019 (Report). Subsequent to the release of the HCID Report, this Office verified and HCID concurred that the total conduit revenue bond issuance amount should be \$15,254,797 in order to be consistent with the Resolution and attachments attached to HCID's Report. The Project consists of the new construction of 55 units of affordable housing for chronically homeless individuals plus one unrestricted manager unit. The subject site is located at 12003 S. Main Street, Los Angeles, CA 90061 in Council District 15. The California

Debt Limit Allocation Committee (CDLAC) awarded the tax-exempt bond allocation for the Project to the City on October 16, 2019 for an amount not to exceed \$15,254,797 and designated an April 13, 2020 issuance deadline. The HCID also requests authority to negotiate and execute the relevant loan documents for the Project. This Office concurs with the recommendations of the Department, as amended to reflect the correct conduit revenue bond issuance amount.

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 S. Main PSH, 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.

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. U.S. Bank, N.A. (USB) is currently in compliance with the reporting requirements of the RBO and HCID will ensure that USB continues to adhere to the RBO. Since the City acts only as a conduit issuer in these bond transactions and has no financial interest, the selection of these financial institutions does not constitute City business.

Proposition HHH Supportive Housing Loan

The Project's financing includes a \$12,000,000 Proposition HHH Supportive Housing Loan (Prop HHH) funding commitment. Subsequent to the release of their Report, the HCID reported that the developer requested a subordinate loan in the amount of \$1,648,703 from US Bank for acquisition costs. The HCID indicates that \$1,648,703 of the Prop HHH Loan will be bridged by the subordinate loan from US Bank and will be paid off four months after construction loan closing. HCID provided a revised Table 2, 3, and 4 to replace the tables located on page five of their Report in order to reflect the updated sources and uses for the project. The revised tables are listed below.

TABLE 2 – CONSTRUCTION SOURCES			
Construction	Total	Per Unit	% Total
Construction Loan	\$ 14,007,321	\$ 250,131	50%
Tax Credit Equity (Fed)	2,354,821	42,050	8%
HHH Funds (HCIDLA)	9,952,621	177,725	36%
Deferred Cost	1,737,739	31,031	6%
Total	\$ 28,052,502	\$ 500,937	100%

TABLE 3 – PERMANENT SOURCES			
Permanent	Total	Per Unit	% Total
Tranche B Loan	\$ 5,454,297	\$ 97,398	19%
HHH Funds (HCIDLA)	12,000,000	214,286	43%
AHP	550,000	9,821	2%
Tax Credit Equity	10,048,205	179,432	36%
Total	\$ 28,052,502	\$ 500,937	100%

TABLE 4 – USE OF FUNDS		
Permanent	Total Uses	Cost/Unit
Acquisition Costs	\$ 1,656,621	\$ 29,582
Construction Costs	17,847,996	318,714
Architecture & Engineering	1,100,000	19,643
Total Hard & Soft Contingency Costs	1,542,608	27,547
Legal Costs	225,000	4,018
Other Project Costs & Appraisal	2,244,277	40,076
Reserves	191,000	3,411
Construction Interest & Fees	745,000	13,303
Developer Fee/Costs	2,500,000	44,643
Total	\$ 28,052,502	\$ 500,937

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 Dahlia Apartments 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.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

DEBT IMPACT STATEMENT

There is no debt impact as these bonds are a conduit issuance debt and not a debt of the City.

RHL:MOF:02200115C