

TRANSMITTAL

To:

THE COUNCIL

Date:

OCT 02 2013

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Mercedes M. Márquez, General Manager

Finance & Development Division
1200 West 7th Street, 8th Floor, Los Angeles, CA 90017
tel 213.808.8901 | fax 213.808.8918
hcidla.lacity.org

September 17, 2013

Council File: NEW
Council District: 7
Contact Persons:
Rochelle Cox (213) 808-8960
Yaneli Ruiz (213) 808-8951
Manuel Bernal (213) 808-8901
Helmi Hisserich (213) 808-8662

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

COMMITTEE TRANSMITTAL: REQUESTING THAT MAYOR AND CITY COUNCIL AUTHORIZE THE ISSUANCE OF UP TO \$7,000,000 IN TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BONDS FOR THE MOONLIGHT VILLAS APARTMENTS PROJECT.

SUMMARY

- The Los Angeles Housing and Community Investment Department (HCIDLA) formerly known as the Los Angeles Housing Department (LAHD), respectfully requests authority to issue its tax-exempt multi-family housing conduit revenue bonds in the amount of \$7,000,000 to finance the development of an affordable housing development known as the Moonlight Villas Apartments ("Project"). The California Debt Limit Allocation Committee (CDLAC) has designated November 11, 2013 as the allocation expiration date.
- The subject site is located at 12381 Osborne Street Los Angeles, CA 91331 in the 7th Council District. The proposed project entails the new construction of a 27-unit complex that will provide affordable housing for homeless youth and families. Amenities include a community room, internet services for tenants and part-time services coordinator to assist the tenants. The Project contains 27 parking spaces.

RECOMMENDATIONS

The General Manager, HCIDLA, respectfully requests the following:

1. 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;
2. That the City Council:
 - a. Adopt the attached Resolution authorizing the issuance of up to \$7,000,000 in tax-exempt multi-family mortgage conduit revenue bonds (“Bond”) for the development of the Moonlight Villas Apartments Project;
 - b. Approve the related loan documents, subject to the approval of the City Attorney as to form;
 - c. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute the relevant loan documents, subject to the approval of the City Attorney as to form.
3. That the Mayor concur with the action of the City Council.

BACKGROUND/PROJECT DETAIL

Financing History

Timeline

| | |
|----------------------------------|-------------------------------|
| TEFRA Hearing | August 30, 2012 |
| Inducement | October 4, 2012 (CF# 04-2646) |
| CDLAC Application Submitted | October 26, 2012 |
| TEFRA Approved by Council | November 9, 2012 |
| CDLAC Allocation Award | December 12, 2012 |
| CDLAC Allocation Expiration Date | November 11, 2013 |

On August 30, 2012, LAHD conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). LAHD was authorized to apply on behalf of the sponsor for an allocation of up to \$8,125,000 in tax-exempt bonds from CDLAC. On October 4, 2012, LAHD induced the project (CF# 04-2646), thereby enabling the sponsor to apply for a tax-exempt bond allocation. On October 26, 2012, LAHD, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds. On November 9, 2012, the TEFRA Resolution and Minutes were adopted by the City Council (CF#12-1669). On December 12,

2012, the project was awarded an allocation of \$7,000,000 in bonds from CDLAC. The bond allocation expiration date is November 11, 2013.

Affordability Restrictions

| UNIT TYPE | 30% AMI | 35% AMI | 40% AMI | 50% AMI | Manager | TOTAL |
|------------------|--------------------|--------------------|--------------------|--------------------|----------------|--------------|
| 1 bedroom | 8 | 2 | | 2 | | 12 |
| 2 bedroom | 3 | | 4 | 4 | 1 | 12 |
| 3 bedroom | | | 1 | 2 | | 3 |
| TOTAL | 11 | 2 | 5 | 8 | 1 | 27 |

Pursuant to the Bond Regulatory Agreement to be executed in connection with the issuance of the tax-exempt bonds, the above referenced restrictions will have a term of not less than the longer of: (i) 15 years after 50% of the units are first occupied, (ii) the date such bond is paid in full, or (iii) the date on which any Section 8 assistance terminates, if applicable. In addition, CDLAC's resolution and rental income restrictions will be in place for at least 55 years. Also, because the Project will receive 4% Low Income Housing Tax Credits the subject units will also be restricted, via separate agreement, for a minimum of 55 years.

Development Team

The Project Sponsor is Moonlight Villas, L.P. (MV). There are two (2) General Partners- Abbey Road, Inc. (AR), a California non-profit corporation, and the Los Angeles Housing Partnership, Inc. (LAHP), also a California non-profit corporation. Both are also the developers. The tax credit equity investor is the National Equity Fund, Inc. (NEF). The principals of AR are Ivelise Markowitz, President; and Bernard LaFianza, Chief Financial Officer. The principals of LAHP are Louis Bernardy, LAHP Board Member; Marva Smith Battle-Bey, Chair; Richard Tarbell, Secretary, and Kerry Doi, Treasurer.

The developers have over 25 years of experience in the development of multi-family rental housing and have developed over 28 projects in California resulting in a total of approximately 1,220 housing units.

Developers: Abbey Road Inc.
15305 Rayen Street
North Hills, CA 91343
Phone : (818) 332-8008
Fax : (818) 892-3574
Contact : Nuccio Patti

Los Angeles Housing Partnership
1200 Wilshire Boulevard, Suite 307
Los Angeles, CA 90017
Phone : (213) 629-9172 x110
Fax : (213) 629-9179
Contact: Brady Gunther

The borrowers and developers are in compliance with LAHD's Business Policy.

The additional development team members are:

Attorneys: Bocarsly Emden Cowan Esmail & Arndt
633 W. Fifth Street, 70th Floor
Los Angeles, CA 90017
Phone: (213) 239-8048
Fax: (213) 559-0704
Contact: Kyle Arndt

Bergman & Allderdice
1200 Wilshire Boulevard, Suite 600
Los Angeles, CA 90017
Phone: (213) 736-5101
Fax: (213) 947-4371
Contact : Beth Bergman

General Contractor: Walton Construction Services
358 Foothill Boulevard
San Dimas, CA 91733
Phone: (909) 267-7777 x10
Fax: (909) 267-7052
Contact: Thomas Gibson

Property Manager: Community Housing Management Services
4698 E. Pacific Coast Highway #B
Long Beach, CA 90804
Phone : (562) 597-6200 x 242
Fax : (562) 597-9572
Contact : Julia Moore

Equity Investor: National Equity Fund, Inc.
 500 S. Grand Avenue, Suite 2300
 Los Angeles, CA 90071
 Phone: (213) 240-3144
 Fax: (213) 250-0014
 Contact: Todd Fabian

Financial Structure

The Bonds will be privately placed and purchased by BBCN Bank and will provide a construction and permanent loan to the Borrower. The \$7,000,000 construction loan term will be 24 months with a variable rate at 1% over the WS Prime with 4.50% floor rate. The permanent loan will be amortized over 35 years with a fixed rate at 4.75%. The developer has received 4% LIHTCs for \$4,206,280. HCIDLA is providing financing of \$2,044,211 from the AHTF 2012, Round 2 (CF#11-1920).

Sources and Uses:

| Construction | Total Sources | Per Unit | % Total |
|-------------------------|----------------------|------------------|----------------|
| Tax-Exempt Bonds (BBCN) | \$7,000,000 | \$259,259 | 57% |
| HCIDLA | \$2,044,211 | \$75,712 | 17% |
| Tax Credit Equity | \$1,865,397 | \$69,089 | 15% |
| Deferred Costs/Reserves | \$1,293,573 | \$47,911 | 11% |
| TOTAL | \$12,203,181 | \$451,971 | 100% |

| Permanent | Total Sources | Per Unit | % Total |
|-------------------------|----------------------|------------------|----------------|
| Tax-Exempt Bonds (BBCN) | \$2,500,000 | \$92,593 | 20% |
| HCIDLA | \$2,044,211 | \$75,712 | 17% |
| Tax Credit Equity | \$4,206,280 | \$155,788 | 35% |
| MHP | \$2,800,489 | \$103,722 | 23% |
| Deferred Developer Fee | \$652,201 | \$24,156 | 5% |
| TOTAL | \$12,203,181 | \$451,971 | 100% |

| Uses of Funds | Total Uses | Cost/Unit |
|-----------------------------------|---------------------|------------------|
| Acquisition Costs | \$295,386 | \$10,940 |
| New Construction Costs | \$7,493,039 | \$277,520 |
| Arch., Eng., Studies, Legal, etc. | \$1,731,742 | \$64,139 |
| Financing Costs | \$902,014 | \$33,408 |
| Reserves, Rent-Up Costs | \$581,000 | \$21,519 |
| Developer Fee | \$1,200,000 | \$44,445 |
| TOTALS | \$12,203,181 | \$451,971 |

The HCIDLA Bond Team for the financing of the Moonlight Villas Apartments Project is as follows:

Bond Issuer Financial Advisor

CSG Advisors, Inc.
315 West 5th Street, Suite 302
Los Angeles, CA 90013

Bond Counsel

Kutak Rock, LLP
601 S. Figueroa Street, Suite 4200
Los Angeles, CA 90017

Bond Issuer Counsel

Los Angeles City Attorney
200 N. Main Street, 9th Floor
Los Angeles, CA 90012

Labor Costs

Labor costs are subject to the State of California's Prevailing Wage requirements and/or Federal Davis Bacon wages, if applicable.

Timeline – Bond Closing Date

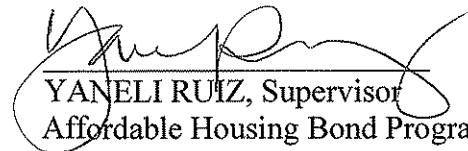
The California Debt Limit Allocation Committee has established November 11, 2013 as the expiration date for the issuance of the tax-exempt bonds.

FISCAL IMPACT STATEMENT

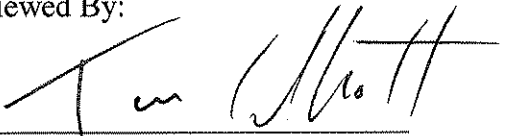
There will be no fiscal impact on the General Fund as a result of the issuance of the bonds. The City is a conduit issuer and does not incur liability for repayment of the bonds.


Prepared By:


ROCHELLE COX
Finance Development Officer


YANELI RUIZ, Supervisor
Affordable Housing Bond Program

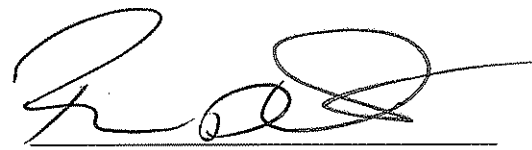
Reviewed By:



TIM ELLIOTT
Manager of Multi-Family Housing Finance


MANUEL HERNAL
Director of Housing

Approved By:


HELMI HISSERICH
Assistant General Manager


RUSHMORE D. CERVANTES
Executive Officer


MERCEDDES M. MÁRQUEZ
General Manager

RESOLUTION

CITY OF LOS ANGELES

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A BOND BY THE CITY OF LOS ANGELES DESIGNATED AS ITS MULTIFAMILY HOUSING REVENUE BOND (MOONLIGHT VILLAS APARTMENTS PROJECT) SERIES 2013L IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$7,000,000 TO PROVIDE PERMANENT FINANCING FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT SPECIFIED IN PARAGRAPH 16 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, A LOAN AGREEMENT AND RELATED DOCUMENTS AND AGREEMENTS AND THE TAKING OF RELATED ACTIONS, INCLUDING THE EXECUTION OF AMENDATORY DOCUMENTS THERETO.

WHEREAS, the City of Los Angeles (the "City") is authorized, pursuant to Section 248, as amended, of the City Charter (the "Charter") of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (the "Law"), to issue its revenue bonds for the purposes of providing permanent financing for the acquisition, construction and development of multifamily rental housing for persons and families of low or moderate income (the "Program") which will satisfy the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"); and

WHEREAS, the City desires to issue pursuant to the Law and in accordance with the Act, its revenue bond to provide permanent financing for the acquisition, construction and equipping of that certain multifamily rental housing project described in paragraph 16 below (the "Project"); and

WHEREAS, the Project will be located wholly within the City; and

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

WHEREAS, the City proposes to issue, pursuant to the Law and in accordance with the Act, its Multifamily Housing Revenue Bond (Moonlight Villas Apartments Project) Series 2013L in an aggregate principal amount not to exceed \$7,000,000 (the "Bond"); and

WHEREAS, the City proposes to use the proceeds of the Bond to cause the financing of the Project and, if applicable, to pay certain costs of issuance in connection with the issuance of the Bond; and

WHEREAS, BBCN Bank, a California banking corporation (the "Purchaser"), has expressed the intention of the Purchaser to purchase the Bond authorized hereby or to cause such Bond to be purchased by its affiliate, in whole and this Council (the "City Council") finds that the public interest and necessity require that the City at this time make arrangements for the sale of such Bond; and

WHEREAS, the interest on the Bond may qualify for a federal tax exemption under Section 142(a)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), only if the Bond is approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Bond is required to be approved, following a public hearing, by an elected representative of the issuer of the Bond and an elected representative of the governmental unit having jurisdiction over the area in which the 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 Bond 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 August 15, 2012, to the effect that a public hearing would be held on August 30, 2012 regarding the issuance of the Bond; and

WHEREAS, the Los Angeles Housing 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 Bond; and

WHEREAS, the minutes of such public hearing, together with any written comments received in connection therewith, have been presented to the 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.
2. Pursuant to the Law and in accordance with the Act and the Indenture (as hereinafter defined), a revenue bond of the City, to be designated as "City of Los Angeles Multifamily Housing Revenue Bond (Moonlight Villa Apartments Project) Series 2013L," in an aggregate principal amount not to exceed \$7,000,000 is hereby authorized to be issued. The principal amount of the Bond to be issued shall be determined by a Designated Officer (as defined below) in accordance with this Resolution.
3. The proposed form of an Indenture of Trust (the "Indenture") by and between the City and such party as shall be designated by the City in the final form of Indenture, as trustee (the "Trustee"), substantially in the form attached hereto, is hereby approved along with any additions or supplements which may, in the determination of a

Designated Officer, be necessary to document the issuance of the Bond authorized hereunder. The Mayor of the City, the General Manager, the Interim General Manager or any Assistant General Manager, Interim Assistant General Manager, Executive Officer or Director—Major Projects Division of the Los Angeles Housing Department (each hereinafter referred to as a “Designated Officer”) are hereby authorized and directed to execute and deliver, for and in the name and on behalf of the City, said Indenture with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel to the City and approval of the City Attorney, provided that such additions or changes shall not authorize an aggregate principal amount of the Bond in excess of the amount stated above, such approval by the City Attorney to be conclusively evidenced by the execution and delivery of the Indenture with such additions, changes or corrections.

Any Designated Officer shall be authorized to approve the appointment of the Trustee.

4. The proposed form of the Bond, as set forth in the Indenture, is hereby approved, and the Mayor and City Treasurer, the Interim City Treasurer or Deputy City Treasurer of the City are hereby authorized and directed to execute, by manual or facsimile signatures of such officers under the seal of the City, and the Trustee or an authenticating agent is hereby authorized and directed to authenticate, by manual signatures of one or more authorized officers of the Trustee or an authenticating agent, the Bond in substantially such form, and the Trustee is hereby authorized and directed to sell and deliver such Bond to the Purchaser in accordance with the Indenture and the Loan Agreement (hereinafter defined). The date, maturity date, interest rate (which may be either fixed or variable), interest payment dates, denomination, form of registration privileges, manner of execution, place of payment, terms of redemption, use of proceeds, and other terms of the Bond shall be as provided in the Indenture as finally executed; provided, however, that the principal amount of the Bond shall not exceed \$7,000,000, the interest rate on the Bond shall not exceed 12% per annum and the final maturity of the Bond shall be no later than September 1, 2053. The initial purchase price of the Bond shall be 100% of the par amount thereof as advances are made with respect to the Bond by the Purchaser. The Bond may, if so provided in the Indenture, be issued as a “draw-down” bond to be funded over time as provided in the Indenture. Such Bond may be delivered in temporary form pursuant to the Indenture if, in the judgment of the City Attorney, delivery in such form is necessary or appropriate until the Bond in definitive form can be prepared.

5. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) to be entered into by and among the City, the Trustee and the owner of the Project (as set forth in paragraph 16 below, the “Owner”), substantially in the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Regulatory Agreement, with such additions, changes and corrections as the Designated Officer may approve upon consultation with the City Attorney and Bond Counsel and approval of the City Attorney, such approval to be conclusively evidenced by the execution of said Regulatory Agreement with such

additions, changes or corrections. Any Designated Officer is hereby authorized and directed for and in the name and on behalf of the City to execute amendments to the Regulatory Agreement in order that interest on the Bond remains tax-exempt.

6. The proposed form of Loan Agreement (the "Loan Agreement"), by and among the City, the Purchaser and the Owner, in substantially the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute the Loan Agreement, with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel and approval by the City Attorney, such approval to be conclusively evidenced by the execution of the Loan Agreement with such additions, changes or corrections.

7. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bond are hereby approved, confirmed and ratified, and each Designated Officer of the City, the City Clerk and other properly authorized officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including, but not limited to, those described in the Indenture, the Loan Agreement, the Regulatory Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bond and the implementation of the Program in accordance with the Act and the Law and this Resolution and resolutions heretofore adopted by the City.

8. The City Clerk of the City or any deputy thereof is hereby authorized to countersign or to attest the signature of any Designated Officer and to affix and attest the seal of the City as may be appropriate in connection with the execution and delivery of any of the documents authorized by this resolution, provided that the due execution and delivery of said documents or any of them shall not depend on such signature of the City Clerk or any deputy thereof or affixing of such seal. Any of such documents may be executed in multiple counterparts.

9. In addition to the Designated Officers, any official of the City, including any official of the Los Angeles Housing Department, as shall be authorized in writing by the Mayor of the City, is hereby authorized for and on behalf of the City to execute and deliver any of the agreements, certificates and other documents, except the Bond, authorized by this Resolution.

10. In accordance with procedures established by the City Charter, the City Council, by adoption and approval of this Resolution and with the concurrence of the Mayor, does hereby direct that the proceeds of the Bond be delivered directly to the Trustee, instead of the City Treasurer, to be deposited into the funds and accounts established under the Indenture.

11. Pursuant to Section 147(f) of the Code, the City Council hereby approves the issuance of the Bond to finance the Project. It is intended that this Resolution

constitute approval of the Bond by the applicable elected representative of the issuer of the Bond and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f).

12. Pursuant to the City Charter all agreements to which the City is a party shall be subject to approval by the City Attorney as to form.

13. Each Designated Officer and other properly authorized officials of the City as specifically authorized under this resolution are hereby authorized, directed and empowered on behalf of the City and this Council to execute any other additional applications, certificates, agreements, documents or other instruments or any amendments or supplements thereto, subject to approval by the City Attorney as to form, or to do and to cause to be done any and all other acts and things as they may deem necessary or appropriate to carry out the purpose of the foregoing authorizations and to address any issues arising with respect to the Bond or the agreements relating thereto subsequent to their issuance.

14. The Bond shall contain a recital that it is issued pursuant to the Law and in accordance with the Act.

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

16. The "Project" and "Owner", as used herein, shall have the following meanings

| Project Name | Number of Units | Address | Owner |
|-----------------------------|------------------------|--|------------------------|
| Moonlight Villas Apartments | 26 plus 1 manager unit | 12381 Osborne Street, Los Angeles CA 91331 | Moonlight Villas, L.P. |

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I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 2013.

By _____
Name _____
Title _____