

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 13, 2013

CAO File No. 0220-00540-1054
Council File No. 13-0315-S1
Council District: 15

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer *MS*

Reference: Transmittal from the Los Angeles Housing and Community Investment Department dated July 26, 2013; received by the City Administrative Officer on August 2, 2013

Subject: **REQUEST TO AUTHORIZE THE ISSUANCE OF UP TO \$63,683,756 IN TAX-EXEMPT MULTI-FAMILY MORTGAGE REVENUE BONDS FOR THE HARBOR VILLAGE APARTMENTS PROJECT**

SUMMARY

The Housing and Community Investment Department (HCID), formerly the Los Angeles Housing Department (LAHD), requests authority to issue tax-exempt multi-family mortgage revenue bonds in the amount of \$63,683,756 to finance the acquisition and rehabilitation of an affordable housing development known as the Harbor Village Apartments project (Project) located at 981 Harbor Village Drive and 25500-25514 Bayside Place, Los Angeles, 90710, in Council District 15. The California Debt Limit Allocation Committee (CDLAC) has designated August 23, 2013 as the allocation expiration date.

The Project includes the acquisition and rehabilitation of two existing buildings with a total of 400 units that will continue to provide affordable housing for families. In addition, the tenants will have access to on-site management offices, community/recreation center, fitness center, two swimming pools, tot lots, sports court, barbeque/picnic areas, and a child care facility.

BACKGROUND

On January 18, 2013, LAHD induced the Project with authority from Council (C.F. 04-2646) which enables the Project Sponsor to apply for a tax-exempt bond allocation. The HCID conducted a public hearing on March 5, 2013 in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). The HCID was authorized to apply on behalf of the sponsor for an allocation of up to \$70,000,000 in tax-exempt bonds from CDLAC. On March 15, 2013, HCID, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds. On March 27, 2013, the TEFRA Resolution and Minutes were adopted by the City Council (C.F. 13-0315). On May 15, 2013, the Project was awarded an allocation of \$63,683,756 in bonds from CDLAC; but the Sponsor concluded the project will only use \$56,712,558 in tax-exempt bonds. Pursuant to the

advice of bond counsel, a second TEFRA hearing was held on July 25, 2013 to correct the exact Project addresses. The bond allocation expiration date is August 23, 2013.

The Project Sponsor/Borrower will be Harbor Village Housing Partners, L.P. The Managing General Partner is La Cienega, LOMOD, Inc., an affiliate of the Housing Authority of the City of Los Angeles. The Administrative General partner is Related/Harbor Village Development Company, LLC., an affiliate of the Related Companies of California, LLC. The Developer is Related/Harbor Village Development Co., LLC. William A Witte is the Principal of the Developer. The Attorney is Bocarsly Emden Cowan Esmail & Arndt. The General Contractor is Portrait Homes, Inc. The Property Manager is Related Management Company. The Equity Investor is Union Bank.

The bonds will be privately placed with Citibank and Citibank will use the back-to-back loan structure. Citibank will make a tax-exempt loan in the amount of \$56,712,558 to the City of Los Angeles (Citibank Loan). The City will then loan the proceeds of the Citibank Loan to the Borrower (Borrower Loan) to finance a portion of the Project. The Borrower will use the proceeds to provide affordable housing within the City in compliance with federal, state, and local laws, as well as the policies and procedures of the City. The construction loan term will be 24 months, plus one 6-month extension with interest-only payments due during the construction phase. The construction phase interest rate will be a variable rate equal to SIFMA plus a spread of 1.85% currently at 3.38%. The obligation of the Borrower to repay the Borrower Loan will be secured by a mortgage on the Project (Mortgage). The Mortgage will be pledged by the City to a trustee/fiscal agent action on behalf of Citibank as the sole security for payment of the Citibank Loan. Similar to a private placement tax-exempt bond structure, the obligations of the City are secured only by and payable only from payments received from the Borrower under the Loan Agreement between the Borrower and the City. The Citibank Loan will be a strictly limited, non-recourse loan.

Once construction is completed, the construction loan will be paid down with proceeds from permanent sources. The permanent lender will also be Citibank. The permanent loan will be in the amount of \$41,877,000 and will have a 30/35-year term/amortization period. The currently underwritten permanent interest rate is about 5.95% fixed but will be locked in at the time of loan conversion. The Developer has received an allocation of 4% Low Income Housing Tax Credits (LIHTC) and is expected to raise at least \$20,791,743 in tax credit equity.

For this bond financing, the City only acts as a conduit issuer. The bonds are not general obligations of the City because the conduit Borrower, Harbor Village Housing Partners, L.P., is solely responsible for paying the debt. In addition, the bonds are based on the credit of the conduit Borrower. Furthermore, HDIC must ensure that the Funding Loan Agreement states that the City is fully indemnified by the Borrower, Harbor Village Housing Partners, L.P.

The HCID states in its transmittal that labor costs for the Project are subject to the State of California's Prevailing Wage requirements and/or Federal Davis Bacon wages, if applicable.

RECOMMENDATIONS

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

1. Adopt the Resolution attached to the Los Angeles Housing and Community Investment Department (HCID) transmittal dated July 26, 2013 (C.F. 13-0315-S1), authorizing the issuance of up to \$63,683,756 in tax-exempt multi-family mortgage revenue bonds for the development of the Harbor Village Apartments Project;
2. Approve the related loan documents attached to the HCID transmittal dated July 26, 2013 (C.F. 13-0315-S1), subject to the approval of the City Attorney as to form; and,
3. Authorize the General Manager, HCID, or designee, to negotiate and execute the relevant loan documents, subject to the approval of the City Attorney as to form.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The City bears no financial responsibility for repayment of the bond. Approval of the recommendations will enable the Harbor Village Apartments Project (Project) to secure funding to rehabilitate an affordable housing development. The recommendations are in accordance with the City's Debt Management Policy in that no City funds are being used to issue the bonds or to support the Project.

MAS:AKB/MMR:02140017C