

## TRANSMITTAL

To:

**THE COUNCIL**

Date: **JUL 25 2014**

From:

**THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

**ERIC GARCETTI**  
Mayor



Eric Garcetti, Mayor  
Rushmore D. Cervantes, Interim General Manager

Housing Development Bureau  
1200 West 7th Street, 8th Floor, Los Angeles, CA 90017  
tel 213.808.8638 | fax 213.808.8610  
hcidla.lacity.org

July 9, 2014

Council File: NEW  
Council District: 13  
Contact Persons:  
Bruce Ortiz (213) 808-8958  
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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 \$8,750,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS FOR THE BERENDOS APARTMENTS PROJECT.**

**SUMMARY**

- The Los Angeles Housing and Community Investment Department (HCIDLA), respectfully requests authority to issue its tax-exempt multi-family housing conduit revenue bonds in the amount of \$8,750,000 to finance the development of an affordable housing development known as The Berendos Apartments (“Project”). The California Debt Limit Allocation Committee (CDLAC) has designated September 29, 2014 as the allocation expiration date.
- The subject site is located at 235 and 266 S. Berendo Street, Los Angeles, CA 90004 in the 13th Council District. The proposed project consists of two existing non-contiguous apartment buildings situated across the street from each other on the east and west sides of S. Berendo Street. The project is targeted to people with special needs and who are homeless. The buildings will undergo renovation and upgrades with high energy efficient systems and products, allowing for the building to function more efficiently, while providing refreshed residential units to include the addition of air conditioning into the units.

Rehabilitation includes new kitchen cabinetry/countertop, bath cabinet, refrigerator, stove and hood lighting, carpeting, and upgrades to the heating/air conditioning systems. Common area improvements include improved accessibility, painting, flooring, and hall ventilation. Energy and water efficiency improvements include bath low-flow fixtures, solar energy systems on the roof, and new windows.

## **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 \$8,750,000 in tax-exempt multi-family conduit revenue bonds (“Bond”) for the development of The Berendos Apartments Project;
  - b. Approve the related bond 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 bond loan documents, subject to the approval of the City Attorney as to form;
  - d. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute amendments to the loan documents related to the existing HCIDLA loans. Revisions will include but are not limited to interest rate, loan and affordability terms, paydown and accrued interest forgiveness, subordination to new permanent loans, and assignment and transfer to a new limited partnership, subject to the approval of the City Attorney as to form and legality;
3. That the Mayor concur with the action of the City Council.

**BACKGROUND/PROJECT DETAIL**

**Financing History**

Timeline

Inducement	October 8, 2013 (CF# 04-2646)
TEFRA Hearing	September 13, 2013
TEFRA Approved by Council	October 2, 2013 (CF# 13-1265)
CDLAC Application Submitted	March 21, 2014
CDLAC Allocation Award	May 21, 2014
CDLAC Allocation Expiration Date	September 29, 2014

On October 8, 2013, the Los Angeles Housing Department (LAHD), now known as the Los Angeles Housing and Community Investment Department (HCIDLA), induced the project (CF# 04-2646), thereby enabling the sponsor to apply for a tax-exempt bond allocation. LAHD was authorized to apply on behalf of the sponsor for an allocation of up to \$8,750,000 in tax-exempt bonds from CDLAC. On September 13, 2013, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On October 2, 2013, the TEFRA Resolution and Minutes were adopted by the City Council (CF#13-1265). On March 21 2014, HCIDLA, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds. On May 21, 2014, the project was awarded an allocation of \$8,750,000 in bonds from CDLAC. The current bond allocation expiration date will be September 29, 2014.

**Affordability Restrictions**

UNIT TYPE	30% AMI	35% AMI	50% AMI	MGR	TOTAL
0-Bdr.	16	12	31	2	61
1-Bdr.		11			11
<b>TOTAL</b>	<b>16</b>	<b>23</b>	<b>31</b>	<b>2</b>	<b>72</b>

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 period beginning on the first day on which 10% of the dwelling units in the Project are first occupied and ending on the latest of (a) the date which is 15 years after the date on which 50% of the dwelling units in the Project are first occupied, (b) the first date on which no tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates. The CDLAC conditions apply for a period which, in some cases, exceeds the Qualified Project Period.

**Development Team**

The Project Borrower/Sponsor is Berendos, L.P. (BLP). The General Partner is A Community of Friends (ACOF). The principals of BLP and ACOF are Dora Leong Gallo, Chief Executive

Officer; Helena Jubany, Chair; Sean Leonard, Vice Chair; Allen Freeman, Treasurer; and Mitchell Menzer, Secretary. The tax credit investor is Enterprise Community Partners.

The Developer is A Community of Friends (ACOF), a nonprofit corporation under Section 501c3. The developer has over 22 years of experience in the development of multi-family rental housing and has developed over 42 projects in California resulting in a total of approximately 1,551 housing units.

Developer: A Community of Friends  
3701 Wilshire Blvd., Suite 700  
Los Angeles, CA 90010  
Phone : (213) 480-0809 x230  
Contact : Tara Barauskas

The borrower and developer are in compliance with HCIDLA's Business Policy.

The additional development team members are:

Attorney: Gubb & Barshay  
505 14<sup>th</sup> Street, Suite 1050  
Oakland, CA 94612  
Phone: (415) 781-6600 x2  
Contact: Scott Barshay

General Contractor: Walton Construction  
358 E. Foothill Blvd.  
San Dimas, CA 91773  
Phone: (909) 267-7777  
Contact: Cameron Hawkins

Property Manager: A Community of Friends  
3701 Wilshire Blvd., Suite 700  
Los Angeles, CA 90010  
235 Berendo Phone : (213) 381-3927  
Contact : Donna Green  
226 Berendo Phone: (213) 388-2522  
Contact: Marisa Fergus

Equity Investor: Enterprise Community Partners  
600 Wilshire Blvd., Suite 600  
Los Angeles, CA 90017  
Phone: (213) 787-8229  
Contact: Reagan Maechling

## Financial Structure

Wells Fargo Bank has proposed a private placement bond structure for the Project. The Bond will be issued as a single instrument without credit enhancement or rating. The Bond will be purchased by Wells Fargo Bank and any transfer will be subject to the restrictions of the City's Bond Policies. Wells Fargo Bank will provide a construction financing in the principal amount of \$8,750,000. The term is 18 months with a variable interest rate monthly based upon 30-day Libor plus 175 basis points, and a bank origination fee of a 75 basis point.

The Berendos will have a variety of funding sources, including existing loans, private and public loans, and equity proceeds from the tax credit investor. An existing HCD-CHRP loan in the amount of \$1,681,983 will be extended to a new 55 years at 3%. An existing HCIDLA loan in the amount of \$1,399,671 (CF#91-2332 & C-98928) plus accrued interest (approx. \$1,015,885) and CRA loan in the amount of \$1,788,214 plus accrued interest (approx \$1,213,197) will be combined. As proposed, half of the total accrued interest for both HCIDLA and CRA loans will be paid by the Sponsor and the other half will be waived. The remaining combined principal amount (approx \$3,187,885) is to be extended to a new 55-year term at the Applicable Federal Rate (AFR) currently at 3.02% compounded. Sponsor will provide a loan to the partnership in the amount of \$844,714 at 0% for 55 years.

At the permanent conversion of the project, the Wells Fargo Bank loan will be paid off from available funds. All subordinate loans from the construction phase including sponsor loan will be carried over and converted to permanent. Other funding will include new funds from HACOLA in the amount of \$3,300,000, deferred developer fee, income from operations, and equity from Federal Energy Credit.

Additionally, the bond structure adheres to both the Bond Policies and City's Financial Policies and has been reviewed by the City Attorney's office and bond counsel. Bond counsel will provide the City the required legal opinions as to the tax exempt status of the bonds under federal and state law. The legal and financing documents will also include the required items as per the policies, including but not limited to; language that the bond structure is a limited obligation and strictly payable from the project revenues, requiring the borrower to provide annual statements, and providing additional information as may be reasonably requested.

### Sources and Uses:

Construction	Total Sources	Per Unit	% Total
Tax-Exempt Bonds (WFB)	\$8,395,407.00	\$116,603.00	49%
Tax Credit Equity	\$300,000.00	\$4,167.00	1%
Existing HCD	\$2,691,812.00	\$37,386.00	16%
Existing HCIDLA	\$3,187,885.00	\$44,276.00	19%
Sponsor loan	\$844,714.00	\$11,732.00	5%
Deferred Costs	\$1,788,699.00	\$24,843.00	10%

<b>TOTAL</b>	<b>\$17,208,517.00</b>	<b>\$239,007.00</b>	<b>100%</b>
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<b>Permanent</b>	<b>Total Sources</b>	<b>Per Unit</b>	<b>% Total</b>
Existing HCD	\$2,691,812.00	\$37,386.00	16%
Existing HCIDLA	\$3,187,885.00	\$44,277.00	19%
HACOLA	\$3,300,000.00	\$45,833.00	19%
Deferred Developer fee	\$758,661.00	\$10,537.00	4%
Income from operations	\$78,337.00	\$1,088.00	1%
Sponsor loan	\$844,714.00	\$11,732.00	5%
GP capital contribution	\$646.00	\$9.00	0%
Equity from Federal Energy Credit	\$475,353.00	\$6,602.00	3%
Tax Credit equity	\$5,871,109	\$81,543.00	33%
<b>TOTAL</b>	<b>\$17,208,517.00</b>	<b>\$239,007.00</b>	<b>100%</b>

<b>Uses of Funds</b>	<b>Total Uses</b>	<b>Cost/Unit</b>
Acquisition Costs	\$6,998,104.00	\$97,196.00
Construction Costs	\$5,324,297.00	\$73,948.00
Contingency	\$798,544.00	\$11,091.00
Arch., Eng., Reports, Legal, etc..	\$300,208.00	\$4,169.00
Construction Financing Costs	\$605,641.00	\$8,412.00
Reserves	\$382,257.00	\$5,309.00
Relocation	\$485,589.00	\$6,744.00
Other Soft Costs	\$480,215.00	\$6,670.00
Developer Fee	\$1,833,662.00	\$25,468.00
<b>TOTALS</b>	<b>\$17,208,517.00</b>	<b>\$239,007.00</b>

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

*Bond Issuer Financial Advisor*

CSG Advisors, Inc.  
 315 West 5<sup>th</sup> 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, 9<sup>th</sup> 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.

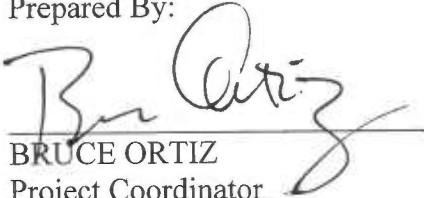
**Timeline – Bond Closing Date**

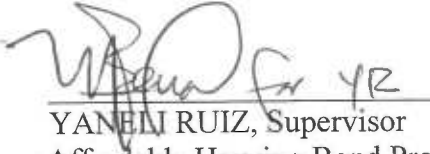
The California Debt Limit Allocation Committee has designated September 29, 2014 as the expiration date for the issuance of the tax-exempt bonds.

**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. The bond debt is payable solely from revenues or other funds provided by the Borrower. The City does not incur liability for repayment of the bonds.


Prepared By:

  
BRUCE ORTIZ  
Project Coordinator

  
YANEM RUIZ, Supervisor  
Affordable Housing Bond Program


Reviewed By:

  
TIM ELLIOTT  
Manager of Multi-Family Housing Finance

  
MANUEL BERNAL  
Director of Housing

Approved By:

  
HELMI HISSERICH  
Assistant General Manager

  
RUSHMORE D. CERVANTES  
Interim General Manager