

TRANSMITTAL

To:

THE COUNCIL

Date: **JUL 24 2014**

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read 'Eric Garcetti', is written over a faint, circular official seal.

(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 11, 2014

Council File: NEW
Council District: 9
Contact Persons:
Apolinar Abrajan (213) 808-8947
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 THE MAYOR AND CITY COUNCIL AUTHORIZE THE ISSUANCE OF UP TO \$8,050,000 IN TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BONDS FOR THE PARK PLAZA APARTMENTS PROJECT.

SUMMARY

- The Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests authority to issue tax-exempt multi-family conduit revenue bonds in the amount of up to \$8,050,000 to help finance the development of the Park Plaza Apartments Project. The California Debt Limit Allocation Committee (CDLAC) awarded the bond allocation on January 15, 2014 and designated April 25, 2014 as the initial bond issuance deadline; recently CDLAC extended the bond issuance deadline date to August 19, 2014.
- The subject site is located at 960 W. 62nd Place, Los Angeles, CA 90044 in the Ninth Council District. The development entails the rehabilitation of a 79 unit multi-story affordable family housing structure. Part of the site is vacant land. When completed, the project will include: elevator service, a laundry room, a community room, picnic/BBQ area(s), after school programs, parking spaces, and a tot lot. The vacant land will be donated to the Department of Recreation and Parks for the development of a new neighborhood park.

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 \$8,050,000 in tax-exempt multi-family conduit revenue bonds (Bonds) for the development of the Park Plaza Apartments Project;
 - b. Approve the related bond 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 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

Inducement	August 23, 2013 (CF 04-2646)
TEFRA Hearing	September 4, 2013
TEFRA Approved by Council	October 2, 2013 (CF 13-1265)
CDLAC Application Submitted	November 2013
CDLAC Allocation Award	January 15, 2014
CDLAC Allocation Expiration Date	August 19, 2014

Under and pursuant to the authority granted to the General Manager by the City Council by Resolution approved on April 20, 2005, (CF 04-2646), the HCIDLA previously induced this project thereby enabling the sponsor to apply for a tax exempt bond allocation. On September 4, 2013, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). In November 2013, HCIDLA, on behalf of the sponsor, submitted the CDLAC application for an allocation of tax-exempt bonds. On October 2, 2013, the TEFRA Resolution and Minutes were adopted by the City Council. On January 15, 2014, the project was awarded an allocation of \$8,050,000 in tax-exempt bonds from CDLAC. The initial CDLAC bond issuance deadline date was April 25, 2014 and has been extended to August 19, 2014.

Affordability Restrictions

UNIT TYPE	40% AMI	50% AMI	60% AMI	Manager	TOTAL
1 bedroom		6			6
2 bedroom		41			41
3 bedroom		31		1	32
TOTAL		78		1	79

Pursuant to the City's Conduit Financing Policies, the project must provide a public benefit, therefore, a Bond Regulatory Agreement will be executed in connection with the issuance of tax-exempt bonds, and the above referenced restrictions will have a term of not less than the longer of: (i) 15 years after the 50% of the units are first occupied, (ii) the date such bonds are 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 term of 55 years. The HCIDLA loans' regulatory agreements will also be in effect for a minimum term of 55 years.

Development Team

Previously, HCIDLA took possession of the site via a foreclosure process. Subsequently, through a Request for Proposal (RFP) process, Thomas Safran and Associates Development, Inc. (TSADI) was selected to acquire and develop the site (Ordinance No. 182788).

The Borrower/Sponsor/Owner is Vermont Park Plaza, L.P., a California limited partnership which includes TSA Park Plaza, LLC, a California limited liability company, as its General Partner. TSADI, a California corporation, is the Sponsor's limited partner and is the sole member of TSA Park Plaza, LLC. A non-profit corporation under Section 501(c)3, and a tax credit investor (Merritt Community Corporation) will be admitted to the Sponsor structure prior to or at construction loan closing.

The officers of TSADI include: Thomas L. Safran, Chairman, Andrew Gross, President, Jordan Pynes, Secretary, and Richard Siebert, CFO/Treasurer.

The Developer (TSADI) has been involved in the development of at least 45 projects which resulted in 4,058 affordable multi-family rental housing units.

Developer: Thomas Safran and Associates Development, Inc.
11812 San Vicente Bl. (Ste. 600)
Los Angeles, CA 90049
Phone: (310) 820-4888
Contact: Andrew Gross

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

The additional development team members are:

Architect: Withee Malcolm Architects
2251 West 190th St.
Torrance, CA 90504
Phone: (310) 217-8885 x225
Contact: Dan Withee

Attorney: Bocarsly, Emden, Cowan, Esmail and Arndt
633 W. 5th Street (70th floor)
Los Angeles, CA 90071
Phone: (213) 239-8029
Contact: Nicole Deddens

General Contractor: To be determined

Property Manager: Thomas Safran and Associates, Inc.
11812 San Vicente Bl. (Ste. 600)
Los Angeles, CA 90049
Phone: (310) 820-4888
Contact: Heather Sharp

Tax Credit Investor: Merritt Community Capital Corp.
1970 Broadway (Ste. 250)
Oakland, CA 94612
Phone: (510) 444-7870 x309
Contact: Karen Smyda – Acquisitions Director

Financial Structure

The bonds will be privately placed and purchased by JPMorgan Chase Bank, N.A. (CHASE). The bonds will be unenhanced and unrated but will be subject to the Bond Policies. CHASE will provide a construction and permanent loan to the Borrower. The CHASE construction loan will be in the amount of up to \$8,050,000 with a maturity of 18 months (subject to any extension option) with a fixed rate of interest reset every 30 days at 145 basis points in excess of the 30 day LIBOR rate; the current indicative fixed rate is 1.60%. At conversion to permanent financing, the CHASE construction loan will be paid down with sources available at the permanent financing stage. The CHASE permanent loan will be in the amount of \$2,525,000 with a term not to exceed 30 years. The applicable interest rate shall be the 10 year interest rate swap plus 2.57%; the current indicative all in rate is 5.22%.

On January 24, 2014, HCIDLA executed a \$7,150,000 seller take back loan (C-123595) to help finance acquisition and a \$3,000,000 loan (C-123594) to help finance predevelopment/construction costs. At the time of acquisition, the Borrower assumed and paid down an existing \$1,632,000 loan; thus, the current balance of the \$7,150,000 acquisition loan is \$5,518,000. On January 29, 2014, the Sponsor received a reservation of 4% tax credits which is expected to generate \$5,288,407 in tax credit equity.

Additionally, the bond structure adheres to both the Bond Polices 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 reasonable requested.

Sources and Uses:

Construction	Total Sources	Per Unit	% Total
Tax-Exempt Bond Proceeds (CHASE)	\$8,050,000	\$101,899	49%
HCIDLA (Seller Take Back)	\$5,518,000	\$69,848	34%
HCIDLA (NSP3)	\$2,522,886	\$31,935	15%
4% Tax Credit Equity	\$50,000	\$633	0%
Deferred Costs	\$290,520	\$3,677	2%
TOTAL	\$16,431,406	\$207,992	100%

Permanent	Total Sources	Per Unit	% Total
Tax-Exempt Bond Proceeds (CHASE)	\$2,525,000	\$31,962	15%
HCIDLA (Seller Take Back)	\$5,518,000	\$69,848	34%
HCIDLA (NSP3)	\$3,000,000	\$37,974	18%
4% Tax Credit Equity	\$5,288,407	\$66,942	32%
GP Equity	\$100,000	\$1,266	1%
TOTAL	\$16,431,407	\$207,992	100%

Uses of Funds	Total Uses	Cost/Unit
Acquisition	\$7,150,000	\$90,506
Construction Costs	\$4,361,155	\$55,204
Architecture & Engineering	\$305,315	\$3,865
Overhead & Profit	\$311,224	\$3,939
Developer Fee	\$1,670,117	\$21,141
Other Soft Costs	\$2,633,596	\$33,337
TOTALS	\$16,431,407	\$207,992

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

Bond Issuer Financial Advisor

CSG Advisors, Inc.
One Post Street, Ste. 2130
San Francisco, CA 94104

Bond Counsel

Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102

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.

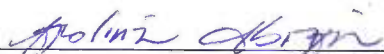
Timeline

The California Debt Limit Allocation Committee designated April 25, 2014 as the original bond issuance deadline. The issuance deadline has been further extended to August 19, 2014.


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 bonds are a limited obligation payable strictly from revenue from the project and the City will in no way be obligated to make payments on the bonds.

Prepared By:

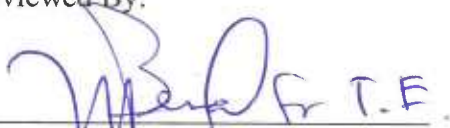


APOLINAR ABRAJAN
Finance Development Officer




YANELI 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