

TRANSMITTAL

To:

THE COUNCIL

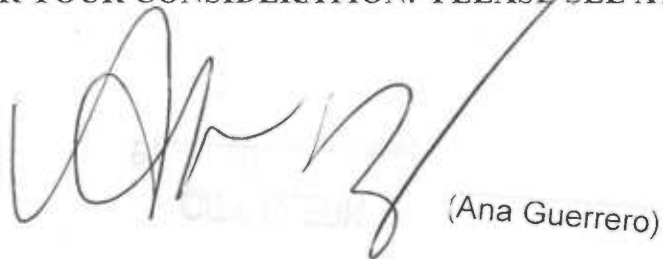
Date:

OCT 16 2014

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



(Ana Guerrero)

ERIC GARCETTI
Mayor

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CITY CLERK

BY ELS DEPUTY
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Eric Garcetti, Mayor
Rushmore D. Cervantes, 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

October 2, 2014

Council File: NEW
Council District: 1
Contact Persons:
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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 \$10,600,000 OF TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BOND FOR THE PASEO AT CALIFORNIAN APARTMENTS PROJECT.

SUMMARY

- The Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests authority to issue a tax-exempt multi-family conduit revenue bond in the amount of up to \$10,600,000 to help finance the development of the Paseo at Californian Apartments Project. The California Debt Limit Allocation Committee (CDLAC) awarded the bond allocation on July 16, 2014 and designated October 14, 2014 as the bond issuance deadline.
- The subject site is located at 1901-1919 W 6th St, Los Angeles, CA 90057 in the First Council District. The development entails the new construction of a total of 53 unit multi-family residential rental housing development. The proposed project will be constructed on a vacant site. The project will consist of a single elevator equipped mission style building housing 52 one, two and three-bedroom units and a single two-bedroom manager's unit. The proposed project will also have 54 parking spaces, laundry room, a courtyard/playground, landscaped rear yard, first floor lobby with mail room and manager's office, and a second floor community room featuring a small kitchen, lounge, TV and computer facilities.

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 \$10,600,000 in tax-exempt multi-family conduit revenue bonds (Bonds) for the development of the Paseo at Californian 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.
 - 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, and subordination to new permanent loans, 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 | April 17, 2014 (CF #04-2646) |
| TEFRA Hearing | March 20, 2014 |
| TEFRA Approved by Council | June 10, 2014 (CF #14-0726) |
| CDLAC Application Submitted | May 15, 2014 |
| CDLAC Allocation Award | July 16, 2014 |
| CDLAC Allocation Expiration Date | October 14, 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 March 20, 2014, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On May 15, 2014, HCIDLA, on behalf of the sponsor, submitted the CDLAC application for an allocation of tax-exempt bonds. On June 10, 2014 (CF #14-0726), the TEFRA Resolution and Minutes were adopted by the City Council. On July 16, 2014, the project was awarded an allocation of \$10,600,000 in tax-exempt bonds from CDLAC. The CDLAC bond issuance deadline date is October 14, 2014.

Affordability Restrictions

| UNIT TYPE | 35% AMI | 40% AMI | 50% AMI | 60% AMI | Manager | TOTAL |
|--------------|----------|-----------|-----------|-----------|----------|-----------|
| 1 bedroom | 1 | 6 | 7 | 12 | | 26 |
| 2 bedroom | 2 | 3 | 2 | 3 | 1 | 11 |
| 3 bedroom | 3 | 4 | 3 | 6 | | 16 |
| TOTAL | 6 | 13 | 12 | 21 | 1 | 53 |

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 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, 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

The Borrower/Sponsor/Owner is The Californian Partners, L.P., a California limited partnership, which includes Central Valley Coalition for Affordable Housing, a non-profit corporation, as its Managing General Partner and The California Developers, LLC, a Limited Liability Corporation, as its Administrative General Partner. American Communities, LLC, a for-profit corporation, is the developer. The officers of American Communities, LLC include: Frank Fonseca, Manager, and Mark Walther, Manager.

American Communities, LLC has been involved in the development of at least 13 projects, which resulted in 718 affordable multi-family rental housing units.

Developer: American Communities, LLC
8520 Washington Blvd
Culver City, CA 90232
Phone: (310) 876-0353
Contact: Cynthia Michels

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

The additional development team members are:

Architect: PSL Architects
1657 Alvira Street 2nd Floor
Los Angeles, CA 90035
Phone: (323) 954-9996
Contact: Richard Prantis

Attorney: Siegel, O'Connor, O'Donnell & Beck, P.C.
150 Trumbull Street
Hartford, CT 06103
Phone: (860) 727-8900
Contact: John Beck

General Contractor: American Community Home Builders, Inc.
8520 Washington Blvd.
Culver City, CA 90232
Phone: (310) 876-0353
Contact: Mark Walther, President

Property Manager: The John Stewart Company
888 S Figueroa Street 700
Los Angeles, CA 90017
Phone: (213) 833-1860
Contact: Lori Horn

Tax Credit Investor: Credit Capital, LLC
501 Santa Monica Blvd., Suite 702
Santa Monica, CA 90401
Phone: (310) 393-1514
Contact: Bruce Nelson

| Permanent | Total Sources | Per Unit | % Total |
|------------------------|----------------------|------------------|----------------|
| CCRC | \$2,700,000 | \$50,943 | 13% |
| HCD - TOD | \$3,791,330 | \$71,535 | 17% |
| HCD – TOD -RHL | \$2,600,000 | \$49,057 | 12% |
| HCIDLA | \$2,800,000 | \$52,830 | 13% |
| HCIDLA – AB 1290 funds | \$361,417 | \$6,819 | 2% |
| LACDC | \$1,100,000 | \$20,755 | 6% |
| Tax Credit Equity | \$7,774,954 | \$146,697 | 36% |
| Deferred Sources | \$312,133 | \$5,889 | 1% |
| TOTAL | \$21,439,834 | \$404,525 | 100% |

| Uses of Funds | Total Uses | Cost/Unit |
|-------------------------------|---------------------|------------------|
| Acquisition | \$ 3,032,810 | \$57,224 |
| Construction Costs | \$12,100,000 | \$228,302 |
| Architecture & Engineering | \$700,000 | \$13,205 |
| Construction Financing Costs | \$1,299,224 | \$24,514 |
| Permanent Financing costs | \$42,000 | \$792 |
| Legal Fees | \$200,000 | \$3,774 |
| Reserve costs | \$180,774 | \$3,411 |
| Appraisal & Contingency costs | \$733,500 | \$13,840 |
| Developer Fee | \$2,000,000 | \$37,736 |
| Other costs | \$1,151,526 | \$21,727 |
| TOTAL | \$21,439,834 | \$404,525 |

The HCIDLA Bond Team for the financing of the Paseo at Californian 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
 777 S. Figueroa Street, Suite 4550
 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.

Financial Structure

The bond will be issued as a single bond, privately placed and purchased by Bank of America (BA). The bond will be unenhanced and unrated but will be subject to the HCIDLA's Bond Policies. BA will provide a construction loan to the Borrower. The BA construction loan will be in the amount of up to \$10,600,000 with a maturity of 24 months after the recordation of the deed of trust securing the loan with an additional 6 months to extend the loan and shall bear interest at a rate equal to the daily floating LIBOR rate plus 235 basis points estimated at 3.41%.

At conversion to permanent financing, BA construction loan will be paid down with sources available. CCRC will purchase from BA the remaining principal of the bond thus providing the permanent loan in the amount of up to \$2,700,000 for a term of 18 years with an amortization period of 35 years at an estimated current interest rate of 4.75%. On August 20, 2014, the Sponsor received a reservation of 4% tax credits, which is expected to generate \$7,768,733 in tax credits. State of California Department of Housing and Community Development (HCD) has awarded the project \$2,600,000 under the Transit Oriented Development grant program at construction and \$3,791,330 under the Transit Oriented Development loan program at permanent; and lastly on February 27, 2013, LACDC has granted the project a loan of \$1,100,000.

On June 26, 2014, HCIDLA executed an \$8,661,417 loan (C-124137) to help finance acquisition, predevelopment, construction, and permanent costs. At the completion of construction, the Borrower will paydown the HCIDLA construction loan by \$5,500,000 leaving a balance of \$3,161,417 to be converted to a permanent loan. The loan shall be evidenced by two Promissory Notes. Promissory Note A in the amount of \$5,500,000 will have a 2 year term at a 0% interest rate. Promissory Note B in the amount of \$3,161,417 will have a term of 55 years at a 4% interest rate.

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 |
|------------------------|---------------------|------------------|-------------|
| Bank of America | \$10,600,000 | \$200,000 | 49% |
| HCIDLA - Permanent | \$2,800,000 | \$52,830 | 13% |
| HCIDLA – AB 1290 funds | \$361,417 | \$6,819 | 2% |
| HCD – RHL | \$2,600,000 | \$49,057 | 12% |
| LACDC | \$1,100,000 | \$20,755 | 6% |
| Deferred Sources | \$1,645,931 | \$31,055 | 8% |
| Tax Credit Equity | \$2,332,486 | \$44,009 | 10% |
| TOTAL | \$21,439,834 | \$404,525 | 100% |

Timeline

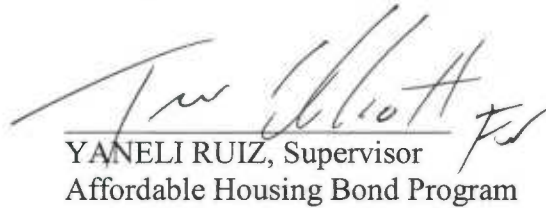
The California Debt Limit Allocation Committee designated October 14, 2014 as the bond issuance deadline.

FISCAL IMPACT STATEMENT

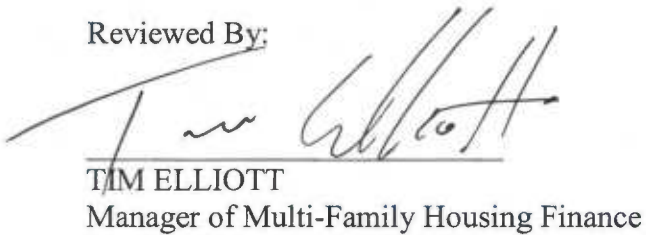
There will be no fiscal impact on the General Fund as a result of the issuance of the bonds. The City is a conduit issuer and does not incur liability for repayment of the bond. The bond is a limited obligation payable strictly from revenue from the project and the City will in no way be obligated to make payments on the bond.

Prepared By:


BRUCE ORTIZ
Project Coordinator


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
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 (PASEO AT CALIFORNIAN APARTMENTS PROJECT) SERIES 2014K IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$10,600,000 TO PROVIDE 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 A TRUST INDENTURE, 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 (Paseo at Californian Apartments Project) Series 2014K in an aggregate principal amount not to exceed \$10,600,000 (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, Bank of America, N.A., a national banking association (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 March 6, 2014 to the effect that a public hearing would be held on March 20, 2014 regarding the issuance of the Bond; and

WHEREAS, the Los Angeles Housing and Community Investment 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 (Paseo at Californian Apartments Project) Series 2014K,” in an aggregate principal amount not to exceed \$10,600,000 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 a Trust Indenture (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