

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 23, 2015

CAO File No. 0220-00540-1119
Council File No. 14-0728
Council District: 8, 9

To: The Mayor
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Housing and Community Investment Department transmittal dated January 9, 2015; Received by the City Administrative Officer January 16, 2015; Supplemental information received through January 21, 2015

Subject: **HOUSING AND COMMUNITY INVESTMENT DEPARTMENT (HCID) REQUEST TO ISSUE SUPPLEMENTAL TAX-EXEMPT MULTI-FAMILY CONDUIT REVENUE BONDS FOR ONE WILKINS PLACE, FIGUEROA SENIOR HOUSING AND NORMANDIE SENIOR HOUSING DEVELOPMENTS**

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue tax-exempt, multi-family housing conduit revenue bonds, in an aggregate amount not to exceed \$12,237,500, to finance the acquisition and rehabilitation of three affordable housing developments, known as the Projects, shown below:

Project Name	Address	C.D.	No. of Units	Original Bond Amount	Supplemental Bond Amount	TOTAL
One Wilkins Place	1071 E. 48th St	9	18	\$ 2,750,000	\$ 275,000	\$ 3,025,000
Figueroa Senior Housing	5503 S. Figueroa St.	9	66	4,000,000	400,000	4,400,000
Normandie Senior Housing	6301 S. Normandie Ave.	8	75	4,375,000	437,500	4,812,500
TOTAL			159	\$ 11,125,000	\$ 1,112,500	\$12,237,500

The California Debt Limit Allocation Committee (CDLAC) awarded separate bond allocations for the projects on March 19, 2014 in the aggregate amount not to exceed \$11,125,000. On December 10, 2014, CDLAC awarded the projects separate supplemental bond allocations in an aggregate amount not to exceed \$1,112,500. The bond issuance deadlines for the projects are: March 10, 2015 (Figueroa Senior Housing), March 20, 2015 (Normandie Senior Housing), and March 30, 2015 (One Wilkins Place).

The HCID also requests that the Council adopt the related Resolutions which authorize the bond issuances. The Resolutions are attached to the HCID transmittal dated January 9, 2015. The projects will use a variety of funding sources including tax-exempt bonds, loans from HCID and Century Housing, tax credit equity and developer equity.

The City's involvement in the issuance of tax-exempt, multi-family housing conduit revenue bonds is considered true conduit financing, in which the obligation for repayment of the bonds is the responsibility of the Project Sponsors and the City bears no financial responsibility for repayment as the issuer. There will be no impact to the General Fund. The financing is consistent with City policies regarding conduit financing. This Office concurs with the recommendations of the Department.

BACKGROUND

Financing History

On March 5, 2013, HCID conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), and on March 27, 2013, the TEFRA Resolution and Minutes were adopted by the Council (C.F. 12-1582-S1). The HCID received authorization to induce the Projects on April 20, 2005 (C.F. 04-2646). The HCID induced the Projects on the following dates, thereby enabling the Project Sponsors to apply for a tax-exempt bond allocation from CDLAC:

- One Wilkins Place on September 9, 2013
- Normandie Senior Housing on October 15, 2013
- Figueroa Senior Housing on January 14, 2014

On January 17, 2014, HCID, on behalf of the Project Sponsors, submitted applications to CDLAC for three separate allocations of tax-exempt bonds. On March 19, 2014, the Projects were initially awarded separate tax-exempt bond allocations from CDLAC in the total amount of \$11,125,000. Subsequently, the Projects submitted applications for three separate supplemental tax-exempt bond allocations. The HCID states that the Borrowers and Developers are in compliance with HCID's Business Policy and that labor costs are subject to the State of California's Prevailing Wage requirements and/or Federal Davis Bacon wages, if applicable.

Affordability Restrictions

Pursuant to the City's Conduit Financing Policies, a Project must provide a public benefit necessitating the execution of a Bond Regulatory Agreement in connection with the issuance of tax-exempt bonds. The restrictions of the agreements executed in connection with the issuance of bonds for the Projects are shown below and will have a term of not less than the longer of (i) 15 years after 50 percent 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. The CDLAC resolution and rental income restrictions will be in place for at least 55 years. In addition, the Projects will all receive four percent Low Income Housing Tax Credits, and the subject units will be subject to the restrictions detailed below via separate agreements, for a minimum of 55 years. The regulatory agreements for the HCID loans will also be in effect for a minimum term of 55 years. The tables below identify the number and sizes of units by a percentage of the Area Median Income (AMI). The AMI is the median income within the Los Angeles-Long Beach Metropolitan Fair Market Rent Area as defined by the United States Department of Housing and Urban Development (HUD).

One Wilkins Place Affordability Restrictions Summary

Unit Type	35% AMI	50% AMI	60% AMI	Manager	TOTAL
2 Bedroom	3	3	3		9
3 Bedroom	2	4	2	1	9
TOTAL	5	7	5	1	18

Figueroa Senior Housing Affordability Restrictions Summary

Unit Type	40% AMI	Manager	TOTAL
0 Bedroom	65	1	66
TOTAL	65	1	66

Normandie Senior Housing Affordability Restrictions Summary

Unit Type	40% AMI	Manager	TOTAL
0 Bedroom	74	1	75
TOTAL	74	1	75

One Wilkins Place

The One Wilkins Place site is located at 1071 E. 48th Street, Los Angeles, CA 90011 in Council District 9. The proposed Project entails the rehabilitation of an 18-unit three-story building, including one manager’s unit and two commercial spaces. When completed, the Project will continue to provide affordable housing for very low to low income families and will have upgraded amenities including a lobby, elevator, unit kitchens, offices, outside common area, laundry, central air conditioning, intercom entry system and 35 parking spaces.

The development team for the One Wilkins Place Project is comprised of:

- One Wilkins Place Preservation, L.P. (OWP) is the Project Sponsor, also known as the Borrower;
- Concerned Citizens of South Central Los Angeles (CCSCLA), a Section 501(c)3 non-profit corporation, is the General Partner and Co-Developer, and BlueGreen Preservation and Development, LLC (BG) is also a Co-Developer. The HCID states that CCSCLA has 20 years of experience developing multifamily rental housing and has developed 11 projects in California, resulting in approximately 351 housing units. BG is a consultant that is currently part of the development team to satisfy CDLAC development experience requirements for the issuance of bonds for the One Wilkins Place Project;
- WNC, LLC is the Tax Credit Investor;
- Hobson Bernardino & Davis, LLP and Elkins Kalt Weintraub Reuben Gartside, LLP are the Attorneys;
- Shangri-La Construction is the General Contractor;
- CCSCLA is the Property Manager; and,
- Birba Group Architects AIA is the Architect.

Financial Structure

The HCID states that the bonds will be privately placed with Boston Private Bank & Trust Company (Boston) and will be unenhanced and unrated; however, the bonds will be subject to HCID's Bond Policies' denomination and sale provisions. Boston will use the bond proceeds to provide a construction loan to OWP in the amount of \$3,025,000. The term for the construction loan will be 18 months and will carry an interest rate of 2.2 percent. The obligation of OWP to purchase the bonds as tendered by Boston under the Loan Agreement, will be secured by a Letter of Credit (LOC) from East West Bank. The LOC is neither held by the Trustee nor does it secure payment of the principal and interest of the bond. The LOC secures a put right held by Boston should the loan not convert to permanent status. When the One Wilkins Place project converts to permanent financing, OWP will repay a portion of the construction loan (\$1,850,874) and the remaining balance of the construction loan will be converted to a permanent loan in the amount of \$1,174,874 and will carry a 35-year term with an 18-year call and an interest rate equal to 80 percent Federal Home Loan Classic Advance one month Regular Advance Rate.

Other sources of financing will include an existing loan from HCID (C.F. 91-2331) in the approximate amount of \$2,804,679 (principle plus interest accrued), which will be assigned to the new ownership structure, and an existing loan from the California Department of Housing and Community Development assigned via an MOU in November 1995 to Century Housing Corp in the amount of \$1,299,540. Additional sources of funding include Four Percent Tax Credits, developer equity, and net operating income.

Figueroa Senior Housing

The Figueroa Senior Housing site is located at 5503 S. Figueroa Street, Los Angeles, CA 90037 in Council District 9. The project will entail the acquisition and rehabilitation of a 66-unit building. When completed, the project will continue to provide affordable housing to seniors and will have upgraded amenities including a community building, security gates, and onsite management and laundry facilities.

The development team for the Figueroa Senior Housing Project is comprised of:

- Figueroa Senior Housing Preservation, L.P. (FSHP) is the Project Sponsor, also known as the Borrower;
- Figueroa Economical Housing Development Corporation (FEHD) is the General Partner and Developer, and BG is the Co-Developer. The HCID states that FEHD has three years of experience in the development of multifamily rental housing and has developed two projects in California, resulting in approximately 111 housing units. BG is a consultant that is currently part of the development team to satisfy CDLAC development experience requirements for the issuance of bonds for the Figueroa Senior Housing Project;
- Hunt Capital Partners, LLC is the Tax Credit Investor;
- Hobson Bernardino & Davis, LLP; Cox, Castle & Nicholson; and the Law Office of Vivian M. Lum, P.C. are the Attorneys;

- SK Management Company, LLC is the Property Manager
- Shangri-La Construction is the General Contractor; and,
- Birba Group Architects AIA is the Architect.

Financial Structure

The HCID states that the bonds will be privately placed with Boston and are unenhanced and unrated; however, the bonds will be subject to the HCID's Bond Policies' denomination and sale provisions. Boston will use the bond proceeds to provide a construction loan to FSHP in the amount of \$4,400,000. The construction loan will carry a variable interest rate equal to 80 percent Federal Home Loan Classic Advance one month Regular Advance Rate and the term will be 18 months with interest-only payments. The obligation of FSHP to purchase the bonds as tendered by Boston under the Loan Agreement will be secured by a Letter of Credit (LOC) from East West Bank. The LOC is neither held by the Trustee nor does it secure payment of the principal and interest of the bond. The LOC secures a put right held by Boston should the loan not convert to permanent status. When the Figueroa Senior Housing project converts to permanent financing, FSHP will repay a portion of the construction loan (\$2,220,653) and the remaining balance of the construction loan will be converted to a permanent loan in the amount of \$2,179,347 and will carry an 18-year term amortized over 35 years with a 4.4 percent interest rate.

Other sources of financing include an existing HCID loan (C.F. 94-1236) in the approximate amount of \$4,211,541 (principal and interest accrued), which will be assigned to the new ownership structure, Four Percent Tax Credits, developer equity and net operating income.

Normandie Senior Housing

The Normandie Senior Housing site is located at 6301 S. Normandie Ave., Los Angeles, CA 90044 in Council District 8. The project will entail the acquisition and rehabilitation of a 75-unit building. When completed, the project will continue to provide affordable housing to seniors and will have upgraded amenities including a community building, security gates, and onsite management and laundry facilities.

The development team for the Normandie Senior Housing Project is comprised of:

- Normandie Senior Housing Preservation, L.P. (NSHP) is the Project Sponsor, also known as the Borrower;
- Normandie Non-Profit Housing, Inc. (NNHP) is the General Partner and Developer, and BG is the Co-Developer. The HCID states that NNHP has 17 years of experience in the development of multifamily rental housing and has developed one project in California, resulting in 75 housing units. BG is a consultant that is currently part of the development team to satisfy CDLAC development experience requirements for the issuance of bonds for the Normandie Senior Housing Project;
- Hunt Capital Partners, LLC is the Tax Credit Investor;

- Hobson Bernardino & Davis, LLP; Cox, Castle & Nicholson; and the Law Office of Vivian M. Lum, P.C. are the Attorneys;
- SK Management Company, LLC is the Property Manager
- Shangri-La Construction is the General Contractor; and,
- Birba Group Architects AIA is the Architect.

Financial Structure

The HCID states that the bonds will be privately placed with Boston and will be unenhanced and unrated; however, the bonds will be subject to the HCID's Bond Policies' denomination and sale provisions. Boston will use the bond proceeds to provide a construction loan to NSHP in the amount of \$4,812,500. The construction loan will carry a variable interest rate equal to 80 percent Federal Home Loan Classic Advance one month Regular Advance Rate and the term will be 18 months with interest only-payments. The obligation of NSHP to purchase the bonds as tendered by Boston under the Loan Agreement, will be secured by a Letter of Credit (LOC) from East West Bank. The LOC is neither held by the Trustee nor does it secure payment of the principal and interest of the bond. The LOC secures a put right held by Boston should the loan not convert to permanent status. When the Normandie Senior Housing project converts to permanent financing, NSHP will repay a portion of the construction loan (\$2,313,687) and the remaining balance of the construction loan will be converted to a permanent loan in the amount of \$2,498,813 and will carry an 18-year term amortized over 35 years with a 4.4 percent interest rate.

Other sources of financing include an existing HCID loan (C.F. 94-0962) in the approximate amount of \$5,979,300 (principal and interest accrued), which will be assigned to the new ownership structure, Four Percent Tax Credits, developer equity and net operating income.

The bond structures for the Projects adhere to both the HCID's Bond Policies and the City's Financial Policies and have been reviewed by the City Attorney and Bond Counsel. Bond Counsel will provide the City with the required legal opinions regarding 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. Additionally, the bonds are based on the credit of the conduit Borrower.

The HCID will require Boston to adhere to the reporting requirements of the City's Responsible Banking Ordinance. The Council adopted a Responsible Banking Ordinance (RBO) in May 2012 (C.F. 09-0234 and C.F. 09-0234-S1). The purpose of the RBO is to create a social investment policy that reflects the community's priorities and acts as a tool when seeking financial services. The City does not have prior business relations with Boston; however, since the City acts only as a conduit issuer in these bond transactions and has no financial interest, the selection of the bank does not constitute City business.

RECOMMENDATIONS

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

1. Adopt the Resolutions included in the transmittal from the Housing and Community Investment Department (HCID) dated January 9, 2014, authorizing the issuance of up to \$12,237,500 in tax-exempt multi-family conduit revenue bonds in the form of multi-family collateralized notes for the development of the One Wilkins Place, Figueroa Senior Housing and Normandie Senior Housing Projects;
2. Approve the related loan documents, subject to the approval of the City Attorney as to form;
3. Require that Boston Private Bank and Trust Company fulfill the reporting requirements of the Responsible Banking Ordinance adopted by the Council on May 25, 2012 (C.F. 09-0234) prior to the execution of the relevant loan documents; and,
4. Authorize the General Manager, HCID, or designee, to negotiate and execute the relevant loan documents related to the tax-exempt bonds, subject to the approval of the City Attorney as to form.

FISCAL IMPACT STATEMENT

There will be no impact to the General Fund as a result of the issuance of these bonds. The City is a conduit issuer and does not incur liability for the repayment of the bonds, which are a limited obligation payable solely from the revenues of the Project, and the City will in no way be obligated to make payments on the bonds.

MAS:MMR:NSC:02150054C