

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: June 24, 2015

CAO File No. 0220-00540-1140  
Council File No. 15-0219-S1  
Council District: 1, 6, 8, 10, 13, 14, 15

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Transmittal from the Housing and Community Investment Department dated June 5, 2015; received by the City Administrative Officer on June 15, 2015

Subject: **REQUEST FOR AUTHORITY TO ISSUE LETTERS OF FINANCIAL COMMITMENT FOR CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE 2015 ROUND 2 AFFORDABLE HOUSING TRUST FUND (AHTF) PIPELINE PROJECTS AND VARIOUS ACTIONS RELATED TO THE AHTF**

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### SUMMARY

The Housing and Community Investment Department (HCID) requests approval to issue Letters of Commitment, Recommendation or Support for ten proposed affordable housing projects which are included in the HCID Affordable Housing Trust Fund (AHTF) Pipeline. Of the ten projects, nine are applying for nine percent Low Income Housing Tax Credits (LIHTC) from the California Tax Credit Allocation Committee (CTCAC) in the 2015 Round 2 competition, which has a July 1, 2015 application deadline. The remaining project is applying for four percent LIHTC from CTCAC and tax-exempt bond allocations from the California Debt Limit Allocation Committee (CDLAC).

The HCID also requests approval to fund eight of the ten affordable projects for a combined total funding commitment of \$24,501,740, consisting of \$24,471,740 in HOME Investment Partnerships Program funds and \$30,000 in McKinney Act savings. The two other projects do not require AHTF funding commitments; however, HCID proposes to issue Letters of Support to accompany the CTCAC applications for both projects.

This Office concurs with the proposed HCID support of the ten projects and the related funding.

### BACKGROUND

In 2013, CTCAC designated the City of Los Angeles as a separate region to have its own geographic allocation of nine percent LIHTC. That year, the Mayor and Council also approved the adoption of AHTF Pipeline policies administered by HCID and the authorization of a biannual Call for Projects (C.F. 13-0824). A brief history of the AHTF and the Pipeline projects is included in the HCID transmittal dated March 18, 2015.

The HCID obtained Mayor and Council authorization to admit ten projects into the AHTF Pipeline for CTCAC 2015 Round 2 (C.F. 13-0303). Consequently, HCID proposes to issue AHTF financial commitments, support letters and tax credit recommendations for those ten projects which are identified in the HCID transmittal dated June 15, 2015, and included in Attachment A of this report. The projects will have a combined total development costs of approximately \$237 million and will result in the addition of 590 affordable rental housing units in the City of which 486 units will be for permanent supportive housing. The balance of 104 units will be for low-income, large families.

## **RECOMMENDATIONS**

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

1. Authorize the General Manager, Housing and Community Investment Department (HCID), or designee, to:
  - a. Issue a nine percent Tax Credit Recommendation Letter and/or Financial Commitment/Support Letter for each of the proposed affordable housing projects identified in Table 1 of the HCID transmittal dated June 5, 2015, in Attachment A of this report, subject to the following conditions:
    - i. That the final Affordable Housing Trust Fund (AHTF) commitment not exceed the amount listed in Table 1;
    - ii. That the project sponsor apply to the California Tax Credit Allocation Committee (CTCAC) in the allocation round authorized by HCID; and,
    - iii. That the disbursement of the AHTF funds will take place after the sponsor obtains enforceable commitments for all proposed funding, including, but not limited to, the full amount of the fund and/or tax credits proposed;
  - b. Issue a four percent Tax Credit Recommendation Letter and/or Financial Commitment for the project identified in Table 2 of the HCID transmittal dated June 5, 2015, in Attachment A of this report, subject to the following conditions:
    - i. That the final AHTF financial commitment not exceed the amount listed in Table 2; and,
    - ii. That the disbursement of AHTF funds will take place after the sponsor obtains enforceable commitments for all proposed funding, including, but not limited to, tax credit proceeds and operating subsidies;
  - c. Negotiate and execute an acquisition/predevelopment/construction/permanent loan agreement with the legal owner of each project identified in Table 1 and Table 2 that

receives an award from the proposed leveraging source, subject to the satisfaction of all conditions and criteria stated in the AHTF application, the HCID transmittal, and any HCID Letter of Commitment, subject to the review and approval of the City Attorney as to form;

- d. Execute subordination agreements for each of the projects in Table 1 and Table 2, wherein the City loan and regulatory agreements are subordinated to their respective conventional construction and permanent loans;
- e. Execute agreements with the project owners of each project in Table 1 and Table 2 and authorize the transfer of the City financial commitment to a limited partnership or other legal entity formed solely for the purpose of owning and operating the project in accordance with City and federal requirements;
- f. Prepare Controller instructions and make any technical adjustments that may be required and are consistent with the Mayor and Council actions on this item, subject to the approval of the City Administrative Officer, and instruct the Controller to implement these instructions;
- g. Replace the staff report for Norwood Learning Village which was included in HCID transmittal with the staff report in Attachment B of this report to correct the address of the project;

2. Authorize the Controller to:

- a. Obligate new HOME Investment Partnerships Program (HOME) fund allocations for each project listed below:

Project	Fund	Account	Account Name	Amount
<b>2015 CTCAC Round 2 – Nine Percent LIHTC Applicants</b>				
Campus at LA Family Housing	561/43	43M008	AHTF	\$1,900,000
Panama Apartments	561/43	43M008	AHTF	4,479,380
King 1101	561/43	43M008	AHTF	1,740,000
Beverly & Lucas	561/43	43M008	AHTF	6,690,000
Norwood Learning Village	561/43	43M008	AHTF	1,179,360
<b>Subtotal</b>				<b>\$15,988,740</b>
<b>2015 CTCAC – Bond and Four Percent LIHTC Applicants</b>				
127 <sup>th</sup> Street Apartments	561/43	43M008	AHTF	\$3,000,000
<b>Total – All Projects</b>				<b>\$18,988,740</b>

b. Obligate new McKinney Act savings for each project listed below:

Project	Fund	Account	Account Name	Amount
<b>2015 CTCAC Round 2 – Nine Percent LIHTC Applicants</b>				
Panama Apartments	561/43	43M008	AHTF	\$10,000
King 1101	561/43	43M008	AHTF	10,000
Beverly & Lucas	561/43	43M008	AHTF	10,000
<b>Total</b>				<b>\$30,000</b>

c. Expend funds upon proper demand of the HCID General Manager, or designee.

### FISCAL IMPACT STATEMENT

There is no impact to the General Fund. Approval of the recommendations in this report authorizes the Housing and Community Investment Department to issue Letters of Commitment to proposed affordable housing projects selected from the Managed Pipeline. Funding is available and provided from the Affordable Housing Trust Fund and the McKinney Act. The recommendations comply with City Financial Policies in that dedicated funding sources will fully fund commitments to projects selected through the California Tax Credit Allocation Committee 2015 Round 2 application process.

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Attachments