

TRANSMITTAL

To:
THE COUNCIL

Date: **NOV 19 2015**

From:
THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.



ERIC GARCETTI
Mayor

Ana Guerrero



Housing Development Bureau
 1200 West 11th Street, Los Angeles, CA 90017
 (213) 808-9600
 www.housing.lacounty.gov



Mr. Garcetti, Mayor
 Rustina D. Carvajal, General Manager

November 18, 2015

Council File: New
 Council District: 13
 Contact Persons: Rochelle Cox (213) 808-8960
 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

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO ISSUE UP TO \$10,500,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS FOR THE BEVERLY TERRACE APARTMENTS.

SUMMARY

The Los Angeles Housing + Community Investment Department (HCIDLA) requests authority to issue tax-exempt multifamily conduit revenue bonds in the amount of up to \$10,500,000 to help finance the development of the Beverly Terrace Apartments. On September 16, 2015, the California Debt Limit Allocation Committee (CDLAC) designated December 15, 2015 as the bond issuance deadline.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests the following:

- I. 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.
- II. That the City Council, subject to the approval of the Mayor, take the following actions:
 - A. Adopt the Resolution, provided as Attachment A to this report, authorizing the issuance of up to \$10,500,000 in tax-exempt multifamily conduit revenue bonds for the development of the Beverly Terrace Apartments; and,

- B. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute relevant bond documents for the Beverly Terrace Apartments, subject to the approval of the City Attorney as to form; and,
- C. Increase the obligation for the Beverly Terrace Apartments to \$6,332,409.00 from \$6,016,700.00 by adding an additional obligation of \$315,709.00 from the following HOME funding source:

<u>Project</u>	<u>Fund</u>	<u>Acct</u>	<u>Account Name</u>	<u>Amount</u>
Beverly Terrace	561/43	43M008	AHTF	\$315,709.00

- D. Authorize the General Manager, HCIDLA, or designee, to negotiate and execute amendments to the loan documents related to the existing HCIDLA loan. Revisions will include but are not limited to interest rate, loan and affordability terms, increase in loan amount, subject to the approval of the City Attorney as to form and legality.

BACKGROUND

Project Summary

The proposed project is located at 3314-3330 W. Beverly Boulevard, Los Angeles, CA 90004, in the 13th Council District. The project involves the new construction of 40 units that will provide affordable housing for homeless individuals and young parents with mental illnesses. The site amenities include an onsite childcare center, a playground for the childcare center and the tenants' children, a rooftop garden and seating area, an onsite laundry facility and secure underground parking of 31 spaces.

Financing History

On April 20, 2005, the Mayor and City Council delegated inducement authority to HCIDLA (formerly the Los Angeles Housing Department) to issue bonds for the benefit of qualified affordable multifamily residential projects seeking bond financing from the City (CF 04-2646). On March 10, 2015, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On March 17, 2015, HCIDLA induced the Beverly Terrace Apartments which enabled the Sponsor to apply for a tax-exempt bond allocation. On March 20, 2015, HCIDLA submitted the CDLAC application for an allocation of tax-exempt bonds on behalf of the Sponsor. On April 17, 2015, the TEFRA Resolution and Minutes were approved by the Mayor and Council (CF 15-0132). The Beverly Terrace Apartments were awarded an allocation of \$10,500,000 in tax-exempt bonds from CDLAC on May 20, 2015. The current CDLAC bond issuance deadline is December 15, 2015.

The Beverly Terrace Apartments has an existing HCIDLA loan in the amount of \$6,016,700 (CF 15-0219). The borrower subsequently submitted a request to: a) increase the loan by \$315,709, for a total amount of \$6,332,409; b) increase the loan term from 42 years to 55 years and c) decrease the interest rate from 4% to 0.50%. Based upon our financial review, HCIDLA

recommends approval in order to meet the tax requirement of all subordinate loans and alleviate the capital accounts balance at the end of the tax credit 15 year term.

Affordability Restrictions

Pursuant to HCIDLA Bond Policies, the Beverly Terrace Apartments must provide a public benefit; and therefore a Bond Regulatory Agreement will be executed in connection with the issuance of tax-exempt bonds. The Bond Regulatory Agreement will include affordability restrictions throughout a term of no less than the longer of: 1) 15 years after the 50% of the units are first occupied; 2) the date such bonds are paid in full; or, 3) the date on which any Section 8 assistance terminates, if applicable. The CDLAC Resolution will also restrict the units for 55 years. The Beverly Terrace Apartments will also have affordability restrictions under separate agreements with the California Tax Credit Allocation Committee for a term of 55 years as a result of the allocation of 4% Low Income Housing Tax Credits. The project will also execute a project-based Section 8 contract with the Housing Authority of the City of Los Angeles.

The Beverly Terrace Apartments is comprised of 40 units, consisting of 39 units targeted to households at or below 50% of Area Median Income (AMI), and one unrestricted manager's unit. The table below provides a summary of the unit mix for the project.

UNIT TYPE	30% AMI	50% AMI	Manager	TOTAL
1 Bedroom	13	14		27
2 Bedroom	7	5	1	13
TOTAL	20	19	1	40

Development Team

The Borrower/Sponsor is Beverly PSH, L.P., a California limited partnership. Supportive Housing LLC (SH) is the Managing General Partner and is a subsidiary of A Community of Friends (ACOF). St. Anne's Maternity Home (St. Anne's) is a 501c3 nonprofit corporation and is the Administrative General Partner. ACOF, also a 501c3 nonprofit corporation, is the Developer. Enterprise Community Investment (Enterprise) is the Limited Partner and tax credit equity investor. The officers of ACOF include Dora Leong Gallo, Chief Executive Officer and President and Mitchell B. Menzer, Secretary. The officers of St. Anne's include Patrick Pascal, Board Chair and Kyla Lee, Chief Financial Officer. ACOF has been involved in the development of at least forty-two (42) projects, consisting of a total of 1,551 affordable multifamily rental housing units.

Developer: A Community of Friends (ACOF)
3701 Wilshire Blvd., Suite 700
Los Angeles, CA 90010
Phone: (213) 480-0809 x236
Contact: Tara Barauskas

The Borrower/Sponsor and Developer are in compliance with HCIDLA Business Policies. The additional development team members are:

Architect: Egan Simon Architects
7440 W. Manchester Avenue, Suite 205
Los Angeles, CA 90293
Phone: (310) 306-7804
Contact: John Egan

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

General Contractor: TBD

Property Manager: Barker Management
1101 E. Orangewood Avenue
Anaheim, CA 92805
Phone: (714) 533-3450
Contact: Peter Barker

Tax Credit Investor: Enterprise Community Investment
110 16th Street, Suite 1310
Denver, CO 82020
Phone: (212) 284-7193
Contact: Kelly Biscuso

Financial Structure

The bonds will be issued as a single bond, privately placed and purchased by Wells Fargo Bank (WFB). The bonds will be unenhanced and unrated but will be subject to the HCIDLA Bond Policies. WFB will provide a construction and permanent loan to the Borrower. The construction loan will be in the amount of up to \$10,500,000 with a maturity of 24 months with two three-month extensions. The construction loan will carry a variable interest rate of One-Month LIBOR plus 1.75% points, currently estimated at 2.10%.

At conversion to permanent financing, the WFB construction loan will be paid down by funds from tax credit equity. WFB will be providing the permanent loan in the reduced amount of up to \$951,500 with a loan term and amortization period of 15 years, at an estimated current interest rate of 4.35%. On May 20, 2015, the Sponsor received a reservation of 4% Low Income Housing Tax Credits, which is expected to generate \$7,444,318 in Tax Credit Equity.

HCIDLA will require WFB to meet the reporting requirements of the City Responsible Banking Ordinance. The project financing complies with both the HCIDLA Bond Policies and City Financial Policies. HCIDLA submitted the bond structure for review by the City Attorney and bond counsel. Throughout the project, bond counsel will provide HCIDLA the required legal

opinions as to the tax-exempt status of the bonds under federal and state law. The legal and financing documents for the Beverly Terrace Apartments will include language that: establishes the bond structure as a limited obligation and strictly payable from the project revenues; and, requires the Borrower/Sponsor to provide annual statements, and additional information as may be reasonably requested.

Sources and Uses

The tables below provide a summary of the sources and uses for the project, including cost per unit and cost category percentages.

Construction	Total Sources	Per Unit	% Total
Wells Fargo Bank (WFB)	\$10,500,000	\$262,500	49%
HCIDLA Loan & Accrued Interest	\$2,985,288	\$74,632	14%
LA County- First Five	\$2,043,333	\$51,083	10%
LA County Community Development Commission	\$1,741,942	\$43,549	8%
AHP (WFB)	\$390,000	\$9,750	2%
Costs Deferred During Construction	\$1,030,501	\$25,763	5%
Deferred Developer Fee	\$693,864	\$17,347	3%
General Partner Equity- St. Anne's	\$1,250,000	\$31,250	6%
Enterprise- Tax Credit Equity	\$744,432	\$18,611	3%
TOTAL	\$21,379,360	\$534,485	100%

Permanent	Total Sources	Per Unit	% Total
Wells Fargo Bank (WFB)	\$951,500	\$23,788	4%
HCIDLA Loan & Accrued Interest	\$6,364,403	\$159,110	30%
LA County- First Five	\$2,543,333	\$63,583	12%
LA County Community Development Commission	\$1,741,942	\$43,549	8%
AHP (WFB)	\$390,000	\$9,750	2%
Deferred Developer Fee	\$693,864	\$17,347	3%
General Partner Equity- St. Anne's	\$1,250,000	\$31,250	6%
Enterprise-Tax Credit Equity	\$7,444,318	\$186,108	35%
TOTAL	\$21,379,360	\$534,485	100%

Uses of Funds	Total Uses	Cost/Unit
Land Costs	\$1,269,331	\$31,733
Construction Costs	\$13,455,113	\$336,378
Architecture & Engineering	\$683,499	\$17,088
Construction Interest & Fees	\$638,869	\$15,972
Legal Fees	\$85,000	\$2,125
Reserves	\$620,714	\$15,518
Other Soft Costs	\$2,567,014	\$64,175
Developer Fee	\$2,059,820	\$51,496
TOTALS	\$21,379,360	\$534,485

The HCIDLA Bond Team for the financing of the Beverly Terrace Apartments is as follows:

Bond Issuer Financial Advisor
CSG Advisors, Inc.
315 W. 5th Street, Suite 302
Los Angeles, CA 90013

Bond Issuer Counsel
Los Angeles City Attorney
200 N. Main Street, 9th Floor
Los Angeles, CA 90012

Bond Counsel
Kutak Rock LLP
777 S. Figueroa Street, Suite 4550
Los Angeles, CA 90017

Labor Costs

Labor costs for the Beverly Terrace Apartments are subject to California prevailing wage requirements and/or federal wage requirements under the Davis–Bacon Act of 1931 and Related Acts, if applicable.

Timeline

On September 16, 2015, CDLAC extended the expiration deadline from September 16, 2015 to December 15, 2015.

FISCAL IMPACT STATEMENT


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

Attachment A – Resolution for Beverly Terrace Apartments
Attachment B – Loan Agreement
Attachment C – Indenture of Trust
Attachment D – Regulatory Agreement


Prepared By:


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Finance Development Officer I


Reviewed By:


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Supervisor,
Affordable Housing Bond Program

Reviewed By:


GEORGE GUILLEN
Manager,
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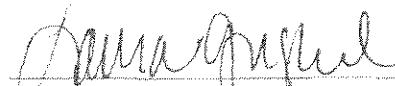
Reviewed By:


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LAURA K. GUGLIELMO
Executive Officer

Approved By:


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