

CITY OF LOS ANGELES  
CALIFORNIA

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City Clerk

KAREN E. KALFAYAN  
Executive Officer

When making inquiries  
relative to this matter  
refer to File No.



ANTONIO R. VILLARAIGOSA  
MAYOR

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Chief, Council and Public Services Division  
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06-1579

CD 9

December 4, 2006

CORRECTED LETTER: RESOLUTION ATTACHED

Councilmember Perry  
Chief Legislative Analyst  
City Administrative Officer  
Community Redevelopment Agency  
Los Angeles Housing Department

Controller, Room 300  
Accounting Division, F&A  
Disbursement Division  
Bureau of Contract Administration

RE: ISSUING SUPPLEMENTAL MULTI-FAMILY HOUSING REVENUE BONDS IN AN AMOUNT  
NOT TO EXCEED \$5 MILLION FOR THE SECURITY BUILDING PROJECT

At the meeting of the Council held November 17, 2006, the following action  
was taken:

Attached report adopted.....	_____
Attached motion (-) adopted.....	_____
Attached resolution adopted.....	_____ X _____
FORTHWITH.....	_____
Mayor concurred .....	_____ 11-27-06 _____
To the Mayor FORTHWITH .....	_____
Motion adopted to approve communication recommendation(s).....	_____
Motion adopted to approve committee report recommendation(s)...	_____ X _____
Ordinance adopted.....	_____
Ordinance number.....	_____
Generally exempt.....	_____

City Clerk  
fm



#2

**TO THE COUNCIL OF THE  
CITY OF LOS ANGELES**

**Your HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE**

**reports as follows:**

	<u>Yes</u>	<u>No</u>
Public Comments	<u>XX</u>	<u>—</u>

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE REPORT and RESOLUTION relative to issuing supplemental multi-family housing revenue bonds in an amount not to exceed \$5 million for the Security Building Project.

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

ADOPT the accompanying RESOLUTION authorizing the issuance of up to \$5 million in supplemental tax-exempt multi-family housing revenue bonds for the Security Building Project, located at the southeast corner of Spring and Fifth Streets in the Historic Core of the City Center Redevelopment Project Area.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that there is no impact on the City General Fund. The Community Redevelopment Agency (CRA) is only bound by the City Debt Management Policies; the City Financial Policies are not applicable to the CRA. The Security Building Loft Partners, LP will pay all the costs of the issuance of tax-exempt multi-family housing revenue bonds. Approval of the recommendation will enable the developer, Simpson Housing Partners LLC, to secure funding from the bonds to provide affordable rental units in the City Center Redevelopment Project Area.

Summary:

In its transmittal dated November 9, 2006, the CAO reports that the CRA is requesting authority to issue supplemental tax-exempt multifamily housing revenue bonds in the amount of \$5 million for the Security Building Project in the City Center Redevelopment Project Area. These Bonds are in addition to \$18 million in tax-exempt (\$13.5 million) and taxable (\$4.5 million) bonds issued in 2001 to finance the housing conversion of the abandoned Security Building (Council file No. 01-0359). Funds for the supplemental bonds are provided from an allocation approved by the California Debt Limit Allocation Committee in July 2006.

The CAO further reports that thirty-one units of the 153-unit rental residential project will be restricted to very low-income tenants (50 percent of Area Median Income as defined by the State of California Housing and Community Development Department). Affordability covenants will be recorded for 55 years. The entire debt issuance will be paid by Security Building Loft Partners, LP.

The Security Building Project is a formerly vacant office building located in the Historic Core and part of a growing collection of abandoned commercial structures converting to multi-family housing through the City's Adaptive Reuse Ordinance. The Security Building Project features over 10,000 square feet of commercial space, which will house a post office, restaurant, and art gallery. The Developer is Simpson Housing Partners LLC and the Borrower is Security Building Loft Partners, LP. The estimated per unit cost is \$258,234. Currently, the Security Building Project has completed its construction phase and 50 percent of the units are leased.

The CAO notes that on July 10, 2006, the CRA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). The TEFRA Resolution, in accordance with Section 147(f) of the Internal Revenue Code of 1986, was subsequently adopted by Council on July 18, 2006. This report addresses the remaining authority pursuant to Section 8.99.04 of the Administrative Code to issue the supplemental multi-family housing revenue bonds.

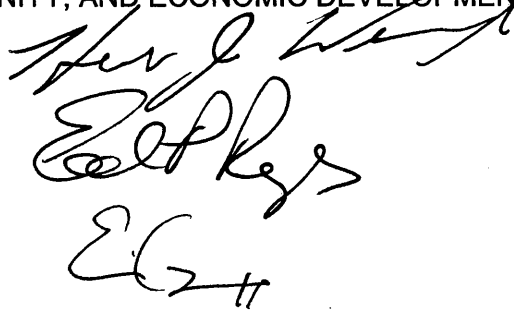
The CAO further notes that project costs have exceeded initial estimates due to the rapid increases in the cost of steel and related building materials. Under section 42(h)(4)(B) of the Internal Revenue Code, 50 percent or more of the Security Building Project's basis cost must be financed with tax-exempt bonds in order for the Project to qualify for four percent low-income Tax Credits which are critical to the Project's financial viability. The basis cost is calculated on the land plus building cost. Currently, tax-exempt bond financing consists of less than 50 percent of the total basis cost of \$33,582,805. Unless tax-exempt bonds in the amount of approximately \$5 million are issued, the Project will fail to qualify for four percent low-income Tax Credits issued by the California Tax Credit Allocation Committee. Therefore, the CRA is requesting authority to issue supplemental Bonds in an amount not to exceed \$5 million (net proceeds of \$4 million).

The proposed \$5 million bond issuance will pay for escalated developer costs and to refinance the taxable bonds (\$4.5 million) provided by the original bond issuance. The other source of public funds is the Downtown Rebound Loan approved by the State of California Housing and Community Development Department in the amount of \$4 million.

At its regular meeting held November 14, 2006, the Housing, Community, and Economic Development Committee considered this matter and recommended that Council approve the recommendation of the CAO, as submitted in its report dated November 9, 2006. This matter is now submitted to Council for its consideration.

Respectfully submitted,

HOUSING, COMMUNITY, AND ECONOMIC DEVELOPMENT COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
WESSON	YES
REYES	YES
CARDENAS	ABSENT
GARCETTI	YES
PERRY	YES

AMA  
11/15/06  
CD 9  
#061592b.wpd

**ADOPTED**  
MOTION ADOPTED TO APPROVE COMMITTEE REPORT RECOMMENDATION  
NOV 17 2006

**LOS ANGELES CITY COUNCIL**

*Resol. Adopted*

**CITY OF LOS ANGELES**

**RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA APPROVING THE ISSUANCE OF UP TO \$5,000,000 PRINCIPAL AMOUNT OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, TO FINANCE CERTAIN DEVELOPMENT COSTS OF THE LOFTS AT SECURITY BUILDING APARTMENTS PROJECT**

**WHEREAS**, The Community Redevelopment Agency of the City of Los Angeles, California (the "Agency") is a redevelopment agency and public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) (the "Law") and the powers of said Agency include the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, the Agency has heretofore issued its tax-exempt Variable Rate Demand Multifamily Housing Revenue Bonds (Security Building Project), Series 2001A in the aggregate principal amount of \$13,500,000, and its taxable Variable Rate Demand Multifamily Housing Revenue Bonds (Security Building Project), Series 2001A-T in the aggregate principal amount of \$4,544,838, for the purpose of making a loan to Security Building Loft Partners, L.P. (the "Borrower") to finance the construction of a 153-unit multifamily rental housing development to be known as The Lofts at Security Building (the "Project") located in the City of Los Angeles; and

**WHEREAS**, the Borrower has requested the Agency's assistance in addressing unforeseen cost overruns affecting the Project; and

**WHEREAS**, the Agency has authorized the issuance of its tax-exempt Variable Rate Demand Multifamily Housing Revenue Bonds (Security Building Project), 2006 Series A (the "Bonds") in the aggregate principal amount of \$5,000,000, for the purpose of making a loan to the Borrower to complete the financing of the Project; and

**WHEREAS**, as required by the Law and the Internal Revenue Code of 1986, as amended (the "Code"), at least 20% of the housing units in the Project will be rented to persons and families of very low income; and

**WHEREAS**, actions of the Agency related to the issuance of the Bonds are subject to the approval of this City Council and the Agency is desirous of obtaining such approval;

**WHEREAS**, this City Council has previously determined, as required pursuant to section 147(f) of the Code, and Treasury Regulations section 5f.103-2, that the Agency properly noticed and held a public hearing to consider the issuance of the Bonds, and this City Council and the Agency's designated representative have previously approved the issuance of the Bonds as required by section 147(f) of the Code, thereby enabling interest on the Bonds to be excluded from gross income for federal income tax purposes;

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES:**

Section 1. The Council hereby approves the Agency's issuance of the Bonds pursuant to the Law, for the purpose of making a loan to the Borrower to complete the financing of the construction of the Project, said Bonds to be issued in accordance with law in such manner and under such terms and conditions as shall be acceptable to the Agency, in the aggregate principal amount of \$5,000,000.

Section 2. The Bonds may be issued so that the interest thereon shall be excluded from federal income taxation under the Code, and may be issued bearing a fixed interest rate or a variable interest rate or part fixed and part variable; provided, however, that the Bonds shall be sold and awarded under procedures approved by the Agency, at public or private sale, and, provided further, that no Bonds shall bear interest at a rate in excess of the maximum rate permitted by law or have a maturity date in excess of thirty-five years from the date of issuance. Any Bonds sold by the Agency consistent with this Resolution shall be, and shall be deemed to be, the duly authorized action of the Agency with respect thereto hereby approved under Section 8.99.04 of the Administrative Code of the City of Los Angeles (the "Administrative Code") and not subject to the provisions of Section 8.99.05 of the Administrative Code.

Section 3. The Agency is hereby authorized and directed to prepare, approve and distribute its resolutions, trust indentures and/or trust agreements authorizing the issuance of the Bonds, one or more loan agreements, one or more deeds of trust, one or more official statements for the sale of the Bonds, one or more purchase contracts setting forth the details of the sale, and the Agency is hereby further authorized and directed to prepare, publish and distribute such other notices, documents, certificates, opinions and instruments as the Agency shall deem necessary or desirable to effectuate the sale of Bonds and any and all prior and future such actions taken consistent with this resolution shall be, and shall be deemed to be, the duly authorized actions of the Agency with respect thereto hereby approved, ratified and confirmed under Section 8.99.04 of the Administrative Code and not subject to the provisions of Section 8.99.05 of the Administrative Code.

Section 4. This Resolution supersedes all prior resolutions concerning the subject matter hereof to the extent inconsistent herewith.

Section 5. This Resolution shall take effect upon adoption.

PASSED AND ADOPTED THIS 17 DAY OF November, 2006.

*I hereby certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles, California, at its meeting held November 17, 2006, 2006.*

*IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Los Angeles this 17 day of November, 2006.*

Frank Martinez, City Clerk

By: Candelari Rofa  
Deputy

I CERTIFY THAT THE FOREGOING  
RESOLUTION WAS ADOPTED BY THE  
COUNCIL OF THE CITY OF LOS ANGELES  
AT ITS MEETING OF NOV 17 2006  
BY A MAJORITY OF ALL ITS MEMBERS.



FRANK T. MARTINEZ  
CITY CLERK

BY Candelari Rofa  
DEPUTY