

**TRANSMITTAL**

To:  
**THE COUNCIL**

Date: **NOV 13 2015**

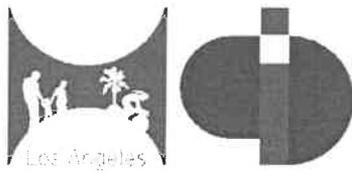
From:  
**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



**ERIC GARCETTI**  
Mayor

Ana Guerrero



Los Angeles  
HOUSING+COMMUNITY  
Investment Department

Housing Development Bureau  
1200 West 7th Street, Los Angeles, CA 90017  
tel 213.808.8638 | fax 213.808.8610  
ncib@cityofla.org



Eric Garcetti, Mayor  
Rushmore D. Cervantes, General Manager

November 10, 2015

Council File: New  
Council District: 14  
Contact Persons: Bruce Ortiz (213) 808-8958  
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 TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS IN THE AMOUNT UP TO \$10,000,000 FOR THE T. BAILEY MANOR 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 \$10,000,000 to help finance the development of the T. Bailey Manor Apartments. The California Debt Limit Allocation Committee (CDLAC) has designated December 15, 2015 as the bond issuance deadline. However, the project also received State tax credits, and must submit evidence of readiness to the California Tax Credit Allocation Committee no later than December 7, 2015.

**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 \$10,000,000 in tax-exempt multifamily conduit revenue bonds for the development of the T. Bailey Manor Apartments; and,
- B. Authorize the HCIDLA General Manager, or designee, to negotiate and execute relevant bond documents for the T. Bailey Manor Apartments, subject to the approval of the City Attorney as to form; and,
- C. 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 not limited to interest rate, loan and affordability terms, subordination to new permanent loans subject to the approval of the City Attorney as to form and legality.
- D. That the Mayor concur with the action of the City Council.

## **BACKGROUND**

### Project Summary

The proposed project entails the new construction of 46 residential units. The building will contain four stories over subterranean parking. Project amenities will include a multi-purpose room, meeting rooms, computer room, laundry room and offices totaling 3,515 square feet. The project will be made available to a mixed population comprised of homeless veterans, developmentally disabled individuals, homeless and low income seniors, individuals or small families with incomes at 30% and 40% Area Median Income (AMI).

### Financing History

On April 20, 2005, the Mayor and 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 February 27, 2015, HCIDLA induced the T. Bailey Manor Apartments, which enabled the Borrower/Sponsor to apply for a tax-exempt bond allocation. On March 4, 2015, HCIDLA submitted the CDLAC application for an allocation of \$10,000,000 of tax-exempt bonds on behalf of the sponsor which was awarded on May 20, 2015. The CDLAC bond issuance deadline is December 15, 2015

On March 24, 2015, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On April 17, 2015, the TEFRA Resolution and Minutes were approved by the Mayor and Council (CF 15-0436).

Affordability Restrictions

Pursuant to HCIDLA Bond Policies, the T. Bailey Manor 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 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 restrict the units for 55 years. The T. Bailey Manor 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. Ten units will be assisted through the Los Angeles County Department of Health Services. Nineteen will be assisted through HUD's Veterans Affairs Supportive Housing.

The T. Bailey Manor Apartments is comprised of 46 units, consisting of 19 units targeted to households at or below 30% of AMI, 26 units targeted to at or below 40% of AMI, and one unrestricted manager's unit. The table below provides a summary of the unit mix for the project.

UNIT TYPE	30% AMI	40% AMI	Manager	TOTAL
0 Bedroom	3			3
1 Bedroom	16	26	1	43
<b>TOTAL</b>	<b>19</b>	<b>26</b>	<b>1</b>	<b>46</b>

Development Team

The Borrower/Sponsor is T. Bailey Manor, L.P., a California limited partnership. T. Bailey MGP, LLC (TBMGP), a California limited liability company, is the Managing General Partner. Women Organizing Resources, Knowledge and Services (W.O.R.K.S.), a California 501 (c)(3) non-profit corporation, is the managing member of TBMGP and developer. The officers of W.O.R.K.S. include Brenda Shockley, Chair; Channa Grace, President; Mary-Jane Wagle, Vice-President; and; Jacqueline Thomas, CFO & Secretary. W.O.R.K.S. has been involved in the development of at least nineteen projects consisting of a total of 1,330 affordable multifamily rental housing units.

Developer: Women Organizing Resources, Knowledge and Services  
795 N. Avenue 50  
Los Angeles, CA 90042  
Phone: (323) 341-7028 x 28  
Contact: Channa Grace

The Borrower/Sponsor and Developer are in compliance with HCIDLA's Business Policies.

The additional development team members are:

Architect: TWG Architects Inc.  
8563 Venice Blvd.  
Los Angeles, CA 90034  
Phone: (310) 837-0115  
Contact: Ed Woll

Attorney: Law Offices of Francisca Gonzalez Baxa  
20185 Pingree Way  
Yorba Linda, CA 92887  
Phone: (714) 309-9082  
Contact: Francisca Baxa

General Contractor: United Community Builders, Inc.  
17418 Chatsworth Street, Suite 101.  
Granada Hills, CA 91344  
Phone: (818) 522-2452  
Contact: Richard Spunt

Property Manager: Solari Management  
1507 W. Yale Street  
Orange, CA 92867  
Phone: (714) 282-2520  
Contact: Gianna Solari

Tax Credit Investor: National Equity Fund, Inc.  
500 S. Grand Avenue, Suite 2300  
Los Angeles, CA 90071  
Phone: (213) 240-3144  
Contact: Todd Fabian

### Financial Structure

The bonds will be issued as a privately placed single bond and will be purchased by California Bank & Trust (CBT). The bonds will be unenhanced and unrated and subject to the HCIDLA Bond Policies. CBT will provide a construction loan to the Borrower. The construction loan will be in the amount up to \$10,000,000, with a maturity of 24 months with a conditional 6-month option to extend. The construction loan shall bear interest at a rate per annum equal to 30-day LIBOR plus 2.25 basis points, currently at 3.50% interest rate per annum.

At conversion to permanent financing, the CBT construction loan will be paid off by funds from tax credit equity and other available funds. On June 10, 2015, the sponsor received a reservation of 4% Low Income Housing Tax Credits, which is expected to generate \$7,688,705 in Limited Partner Equity.

HCIDLA will require CBT to meet the reporting requirements of the City’s Responsible Banking Ordinance. The project financing complies with both the HCIDLA Bond Policies and City Financial Policies. At closing, 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 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 by HCIDLA.

The financing structure also includes subordinate funds from HCIDLA, Housing and Community Development Multifamily Housing Program (HCD-MHP), City of Industry-Community Development Commission of the County of Los Angeles (LACDC), and East Los Angeles Regional Center (ELARC).

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.

<b>Construction</b>	Total Sources	Per Unit	% Total
California Bank & Trust	\$10,000,000	\$217,391	53%
HCIDLA/ HOME	\$3,740,000	\$81.304	20%
HCIDLA/ HOPWA	\$1,000,000	\$21,739	5%
LACDC	\$1,600,000	\$34,783	9%
ELARC	\$1,127,770	\$24,517	6%
Deferred Developer Fee	\$1,101,849	\$23,953	6%
Tax Credit Limited Partner Equity	\$185,704	\$4.037	1%
<b>TOTAL</b>	<b>\$18,755,323</b>	<b>\$407,724</b>	<b>100%</b>

<b>Permanent</b>	Total Sources	Per Unit	% Total
HCD MHP	\$2,496,999	\$54,282	13%
HCIDLA/HOME	\$3,740,000	\$81,304	20%
HCIDLA/HOPWA	\$1,000,000	\$21,739	5%
LACDC	\$1,600,000	\$34,783	9%
ELARC	\$1,127,770	\$24,517	6%
Deferred Developer Fee	\$298,000	\$6,478	2%
General Partner Equity	\$803,849	\$17,475	4%
Limited Partner Equity	\$7,688,705	\$167,146	41%
<b>TOTAL</b>	<b>\$18,755,323</b>	<b>\$407,724</b>	<b>100%</b>

Uses of Funds	Total Uses	Cost/Unit
Land & Improvements	\$930,000	\$20,217
Construction Costs	\$11,668,941	\$253,673
Architect & Engineering	\$576,720	\$12,537
Construction Interests & Fees	\$969,011	\$21,066
Permanent Financing Costs	\$107,406	\$2,335
Legal Fees	\$175,000	\$3,804
Reserves	\$410,000	\$8,913
Developer Fee	\$2,003,849	\$43,562
Other Project Costs	\$1,914,396	\$41,617
<b>TOTALS</b>	<b>\$18,755,323</b>	<b>\$407,724</b>

The HCIDLA Bond Team for the financing of the T. Bailey Manor Apartments is as follows:

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

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, 9<sup>th</sup> Floor  
Los Angeles, CA 90012

#### Labor Costs

Labor costs for the T. Bailey Manor 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.

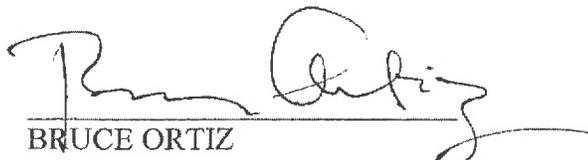
#### Timeline

Although CDLAC designated December 15, 2015 as the bond issuance deadline, TCAC designated December 7, 2015 as the deadline to submit all required documentation to receive the Federal and State tax credits.

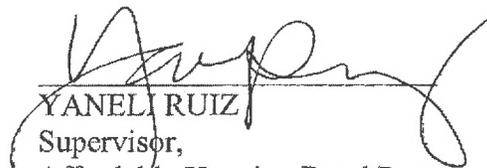
#### **FISCAL IMPACT STATEMENT**

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.

Prepared By:

  
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Rehabilitation Project Coordinator I

Reviewed By:

  
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Multifamily Finance and Development Unit

Reviewed By:

  
MANUEL BERNAL  
Director,  
Finance and Development

Reviewed By:

  
HELMI HISSERICH  
Assistant General Manager

Reviewed By:

  
LAURA K. GUGLIELMO  
Executive Officer

Approved By:

  
RUSHMORE D. CERVANTES  
General Manager

- Attachment A – Resolution for Bond Issuance
- Attachment B – Loan Agreement
- Attachment C – Indenture of Trust
- Attachment D – Regulatory Agreement