REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 5, 2020

CAO File No. 0220-00540-1483
Council File No. 20-0097
Council District: 13

To: The Mayor
The Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Housing and Community Investment Department transmittal dated August 5, 2020; Received by the City Administrative Officer on August 19, 2020, Additional Information Received through September 25, 2020

Subject: **REQUEST FOR AUTHORITY TO ISSUE TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS OR NOTES IN AN AMOUNT UP TO $44,000,000, RENEW THE HOME FUNDING AWARD LETTER AND NEGOTIATE AND EXECUTE A HOME LOAN IN AN AMOUNT OF UP TO $5,850,460, AND UPDATE THE JOINT DISPOSITION AND DEVELOPMENT AGREEMENT FOR HOLLYWOOD ARTS COLLECTIVE, AN AFFORDABLE HOUSING PROJECT**

RECOMMENDATIONS

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

1. Adopt Recommendations II. A through F and H of the Housing and Community Investment Department (HCID) transmittal dated August 5, 2020 (Report) relative to: 1) the issuance of tax-exempt multifamily conduit revenue bonds or notes; 2) the renewal of a HOME Investment Partnerships Program (HOME) award letter; 3) the execution of HOME loan agreements; and, 4) the revision of the Joint Disposition and Development Agreement (JDDA) for the Hollywood Arts Collective; and,

2. Authorize the General Managers of the HCID, or designee, and the Los Angeles Department of Transportation, or designee, to modify the terms of the JDDA via an Implementation Agreement and execute all necessary documents to reflect the modifications, subject to the approval of the City Attorney as to form.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue tax-exempt multifamily housing conduit revenue bonds or notes in an amount not to exceed $44,000,000 to finance the construction of the affordable housing development known as the Hollywood Arts Collective (Project). The Project will consist of the replacement of a City-owned parking lot and new construction of 151 units of affordable housing, and one unrestricted manager unit. The subject site is located at 1637 Wilcox Avenue, Los Angeles, CA 90028 in Council District 13. The Project address is expected to change to 1630 N. Schrader Boulevard by the time of construction financing closing and the issuance of bonds or notes for the Project. The California Debt Limit Allocation Committee (CDLAC) awarded a tax-exempt bond allocation for the Project to the City on April 14, 2020 in an amount not to exceed $44,000,000 and designated an October 27, 2020 issuance deadline. Subsequent to the release of its transmittal dated August 5, 2020 (Report), the HCID indicated that CDLAC granted an automatic extension for projects awarded allocations on April 14, 2020 and designated December 1, 2020 as the new issuance deadline.

The HCID also requests authority to: 1) renew a financial award letter not to exceed $5,850,460 using funds from the HOME Investment Partnerships Program (HOME) Fund; 2) negotiate and execute loan agreements with Hollywood Arts Collective LP for the funds; and, 3) execute an Implementation Agreement in order to modify the terms of the Joint Disposition and Development Agreement (JDDA) for the Project. The HCID indicates that the HOME award letter needs to be renewed since the original expired on February 28, 2020. The modifications to the JDDA will include: 1) the updated number of units and unit mix for the Project; 2) edits to the "Residual Receipts" section; and, 3) the updated funding sources and uses of the Project. Additional information regarding the HOME funds and the modifications to the JDDA can be found in HCID's Report. The HCID also provided a revised Table 1 to replace the table located on page four of its Report in order to include the manager unit in the "Units at 80% AMI" column. The revised table is listed below:

TABLE 1 – CDLAC AFFORDABILITY RESTRICTIONS

Unit Type	Units at or below 50% AMI	Units at or below 60% AMI	Units at 80% AMI & 1 Market Manager's Unit	Total Number of Units CDLAC Restrictions	Total Number of Units
Studio Unit	8	7	5	15	20
One-Bedroom	29	25	16	54	70
Two-Bedroom	15	14	11	29	40
Three-Bedroom	9	7	6	16	22
Total	**61**	**53**	**38**	**114**	**152**

When the Mayor and Council authorized the HCID to execute the JDDA for this Project, there was an instruction for HCID and the Los Angeles Department of Transportation (DOT) to report back to Council and request authority for funding if DOT is required to reimburse the selected developer for the construction of additional parking spaces in addition to the lot's 149 parking spaces (C.F. 12-0049-S9). The HCID confirmed that there will be no additional parking in addition to the required replacement parking and that the developer is funding all of the replacement parking for the Project. Subsequent to the release of its Report, the HCID indicated that the number of replacement parking spaces for the Project is still being negotiated between Council District 13, DOT, HCID, and the developer. At the time of this report's preparation, the Project may have up to 129 or 141 replacement parking spaces, which is not full replacement parking. The decrease in replacement parking spaces will result in revenue loss to the Special Parking Revenue Fund, which collects parking revenue from DOT-owned parking facilities and lots. DOT will continue to operate and collect revenue from the parking lot after construction completion. Therefore, the DOT will also be a cosignatory on the Implementation Agreement. This Office concurs with the recommendations of the Department, as amended, to also authorize the DOT to modify the terms of the JDDA via an Implementation Agreement.

The City's involvement in the issuance of tax-exempt, multifamily housing conduit revenue bonds or notes is considered true conduit financing, in which the obligation for repayment of the bonds or notes is the responsibility of Hollywood Arts Collective LP and the City bears no financial responsibility for repayment as the issuer. There will be no impact to the General Fund as a result of the issuance of tax-exempt multifamily conduit revenue bonds or notes for the Project. The financing is consistent with City policies regarding conduit financing.

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. Bank of America (BofA) is currently in compliance with the reporting requirements of the RBO and HCID will ensure that BofA will continue to adhere to the RBO. The City acts only as a conduit issuer, not the borrower, in this bond or note transaction and has no financial interest in this transaction.

FISCAL IMPACT STATEMENT

There will be no impact to the General Fund as a result of the issuance of these tax-exempt multifamily conduit revenue bonds or notes (bonds/notes) for the Hollywood Arts Collective (Project). The City is a conduit issuer and does not incur liability for the repayment of the bonds/notes, 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/notes. The $5,850,460 loan commitment is fully funded by the HOME Investment Partnerships Program Fund.

There is a potential impact to the General Fund as a result of the proposed replacement parking for the Project. The Special Parking Revenue Fund (SPRF), which collects parking revenue from DOT-owned parking facilities and lots, transfers its annual surplus to the General Fund. If the Project has 141 replacement parking spaces, the SPRF may experience an annual potential revenue loss of up to $59,040. If the Project has 129 replacement parking spaces, the SPRF may experience an annual potential revenue loss of up to $147,600. It should be noted that the potential revenue loss was calculated by DOT at pre-COVID conditions.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies.

DEBT IMPACT STATEMENT

There is no debt impact as these bonds or notes are a conduit issuance debt and not a debt of the City.

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