

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: January 22, 2021

CAO File No. 0220-00540-1515  
Council File No. 20-1096  
Council District: 6

To: The Mayor  
The Council

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

Reference: Housing and Community Investment Department transmittal dated December 14, 2020; Received by the City Administrative Officer on January 15, 2021, Additional Information Received through January 21, 2021

Subject: **REQUEST FOR AUTHORITY TO ISSUE TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS OR NOTES IN AN AMOUNT UP TO \$11,037,885 FOR OATSIE'S PLACE, A SUPPORTIVE HOUSING PROJECT**

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### RECOMMENDATIONS

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

1. Note and file the Housing and Community Investment Department (HCID) transmittal dated December 14, 2020 (Report) relative to the issuance of tax-exempt multifamily conduit revenue bonds or notes for the Oatsie's Place project;
2. Adopt the Resolution attached to the HCID Report, authorizing the issuance of up to \$11,037,885 in tax-exempt multifamily conduit revenue bonds or notes for the Oatsie's Place; and,
3. Authorize the General Manager of the HCID, or designee, to negotiate and execute the relevant bond or note documents for the Oatsie's Place, 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 \$11,037,885 to finance the construction of the affordable housing development known as the Oatsie's Place (Project). The Project was formerly known as Sherman Way. The Project will consist of the demolition of one vacant office building and new construction of 45 units of supportive housing for women experiencing chronic homelessness and victims of domestic violence, and one unrestricted manager unit. The subject site is located at 16015 Sherman Way, Los Angeles, CA

91406 in Council District Six. The California Debt Limit Allocation Committee (CDLAC) awarded the tax-exempt bond allocation for the Project to the City on September 16, 2020 in an amount not to exceed \$11,037,885 and designated a March 15, 2021 issuance deadline.

It should be noted that the Financing Structure section of the HCID transmittal dated December 14, 2020 (Report) indicates that Citibank, N.A. (Citi), will provide a loan in an aggregate principal amount not to exceed \$10,398,000. Subsequent to the release of its Report, the HCID clarified that Citi will provide a loan in an aggregate principal amount up to \$11,037,885, which is consistent with the Bond Resolution issuance amount. Additionally, the HCID indicated that the Project may have different funding sources and amounts than those listed on Tables 2, 3, and 4 of its Report, including a higher equity amount due to the 2021 COVID relief package. The Department reports that securing the additional sources of funds could reduce the Proposition HHH Permanent Supporting Housing (Prop HHH) loan amounts listed in the Tables. The HCID was not able to provide revised tables since the developer is still finalizing the financing for the Project. This Office also notes that while the Project's financing includes a \$7.7 million Prop HHH funding commitment comprised of a Tranche A loan (\$6.3 million) and a Tranche B loan (\$1.4 million) as listed in Table 2 of HCID's Report, only the Tranche A amount was included in the 2019-20 Prop HHH Project Expenditure Plan approved by the Mayor and Council (C.F. 17-0090-S8). The HCID would need the Mayor and Council to approve an amendment to the 2019-20 Prop HHH Project Expenditure Plan if the developer needs to expend the Tranche B funds for the Project.

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 is the responsibility of 16015 Sherman, L.P. and the City bears no financial responsibility for repayment as the issuer. There will be no impact to the General Fund. 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. Citi is currently in compliance with the reporting requirements of the RBO and HCID will ensure that Citi will continue to adhere to the RBO. The City acts only as a conduit issuer, not the borrower, in this bond 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 (bond/notes) for the Oatsie's Place project (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.

## **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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