

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 6, 2019

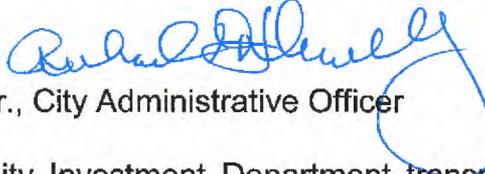
CAO File No. 0220-00540-1363

Council File No. 18-0517

Council District: 8

To: The Mayor
The Council

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



Reference: Housing and Community Investment Department transmittal dated May 3, 2019; Received by the City Administrative Officer on May 15, 2018; Additional Information Received through June 3, 2019

Subject: **REQUEST FOR AUTHORITY TO ISSUE TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS IN THE AMOUNT UP TO \$15,196,222, ISSUE A LETTER OF COMMITMENT FROM HOME FUNDS IN THE AMOUNT UP TO \$1,700,000, AND ISSUE A LETTER OF COMMITMENT FROM THE LOW AND MODERATE INCOME HOUSING FUND IN THE AMOUNT UP TO \$2,500,000 FOR THE POINTE ON VERMONT APARTMENTS**

RECOMMENDATIONS

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

1. Adopt the Resolution attached to the Housing and Community Investment Department (HCID) transmittal dated May 3, 2019 (Report), authorizing the issuance of up to \$15,196,222 in tax-exempt multifamily conduit revenue bonds for Pointe on Vermont Apartments;
2. Authorize the Controller to establish and appropriate a new appropriation account 43R803 entitled Pointe on Vermont in the amount of \$2,500,000 within the Low and Moderate Income Housing Fund (LMIHF) No. 55J/43 from the available cash balance of the LMIHF Fund; and,
3. Authorize the General Manager of HCID, or designee, to:
 - a. Negotiate and execute the relevant bond documents for the development, subject to the approval of the City Attorney as to form;
 - b. Issue a financial commitment letter not to exceed \$1,700,000 using funds from the HOME Investment Partnership Program Fund No. 561/43, Account 43R011 Affordable Housing Trust Fund;

- c. Issue a financial commitment letter not to exceed \$2,500,000 using funds from the LMIHF Fund No. 55J/43, Account 43R803 Pointe on Vermont;
- d. Negotiate and execute a loan agreement with Pointe on Vermont, L.P., including but not limited to, revisions in the interest rate, loan terms, affordability terms, and subordination to new permanent loans, subject to the approval of the City Attorney; and,
- e. Prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer.

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to issue tax-exempt multifamily housing conduit revenue bonds in an amount not to exceed \$15,196,222 to finance the construction of the affordable housing development known as the Pointe on Vermont Apartments (Project). The Project consists of the new construction of 49 units of affordable housing for low-income, chronically homeless, and formerly homeless individuals plus one unrestricted manager unit. The subject sites are located at 7600-7610 S. Vermont Avenue and 950 W. 76th Street, Los Angeles, CA 90044 in Council District 8. The California Debt Limit Allocation Committee (CDLAC) awarded the tax-exempt bond allocation for the Project to the City on December 12, 2018 for an amount not to exceed \$15,196,222 and designated a June 24, 2019 issuance deadline. The HCID additionally requests authority to issue a financial commitment letter not to exceed \$1,700,000 using funds from the HOME Investment Partnership Program (HOME) Fund, issue a financial commitment letter not to exceed \$2,500,000 using funds from the Low and Moderate Income Housing (LMIHF), and negotiate and execute loan agreements with Pointe on Vermont, L.P. for the funds. This Office concurs with the recommendations of the Department, as amended to clarify the source of funds for the loans.

The City's involvement in the issuance of tax-exempt, multifamily housing conduit revenue bonds is considered true conduit financing, in which the obligation for repayment of the bonds is the responsibility of Pointe on Vermont, 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. U.S. Bank, N.A. (USB) is currently in compliance with the reporting requirements of the RBO and HCID will ensure that USB continues to adhere to the RBO. Since the City acts only as a conduit issuer in these bond transactions and has no financial interest, the selection of these financial institutions does not constitute City business.

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 (bonds) for the Pointe on Vermont Apartments (Project). The City is a conduit issuer and does not incur liability for the repayment of the bonds, 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. The recommended actions in this report are in compliance with the City's Financial Policies in that the additional \$1,700,000 and \$2,500,000 loan commitments are fully funded by the HOME Investment Partnership Program Fund and the Low and Moderate Income Housing Fund.

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