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City of Los Angeles



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LOS ANGELES HOUSING DEPARTMENT

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March 7, 2022

Council File: 18-0517
Council Districts: 8
Contact Persons: Jeremy Johnson: (213) 808-8964
Andre Perry: (213) 808-8978

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk, City Hall
200 N. Spring Street
Los Angeles, CA 90012

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO RE-ISSUE A TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BOND IN THE AMOUNT UP TO \$12,263,943 FOR THE POINTE ON VERMONT, A SUPPORTIVE AND AFFORDABLE HOUSING PROJECT

SUMMARY

The General Manager of the Los Angeles Housing Department (“LAHD”) respectfully requests authority to re-issue a tax-exempt multifamily conduit revenue bond in the amount not to exceed \$12,263,943 for the development of The Pointe on Vermont (“Project”). The Project consists of a 50-unit development located at 7600 S. Vermont Ave., Los Angeles CA, 90044 in Council District 8, currently in development by EAH Housing, with a total per-unit development cost of \$496,586 and a per-unit HHH subsidy of \$158,000. The extended deadline for the re-issuance is April 1, 2022, which is the maturity date of the tax-exempt bond construction loan.

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. ADOPT the Resolution, provided as Attachment A to this report, authorizing the re-issuance of up to \$12,263,943 in tax-exempt multifamily conduit revenue bond for the development of the Pointe on Vermont Housing project; and,
 - B. AUTHORIZE the General Manager of LAHD, or designee, to negotiate and execute the relevant bond documents for the Project, subject to the approval of the City Attorney as to form.

BACKGROUND

Project Summary

The proposed development is located in South Los Angeles at 7600 South Vermont Avenue, Los Angeles, in Council District 8. The Project is a new construction of a four-story building with 50 units of residential affordable housing and a commercial space on the ground floor. The building construction will be Type V wood frame construction over a Type I concrete podium deck on the ground floor. The unit mix will include 22 studios, 27 one-bedroom units, and one two-bedroom manager's unit.

Project amenities include a ground floor commercial space with a recording studio for local artists, management offices, community-serving retail, and laundry. There will be ample community room space for community trainings and events, with a large landscaped courtyard on the second level and laundry facilities on each floor. The upper floors include a private reading and computer lounge, gym and roof deck garden. The two vacant buildings that are currently on the site, one commercial and one residential, were demolished to complete the new construction project which is now 96% complete.

Financing History

Previously, LAHD executed an inducement letter on May 3, 2018 for an amount not to exceed \$17,500,000. The letter evidenced the official intent of the City of Los Angeles to issue bond(s) for the development. The letter was executed pursuant to previous authority granted to LAHD by the City Council and Mayor (C.F. No. 04-2646). On October 18, 2018, on behalf of Pointe on Vermont, L.P. (“Borrower”), LAHD submitted a bond application to CDLAC requesting a \$15,196,222 bond allocation. A copy of the inducement letter was included as part of the bond application.

Per the Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) requirements, on June 11, 2018, a TEFRA Resolution was approved by the City Council and the Mayor (C.F. No. 18-0517). The TEFRA Resolution summarized that a public hearing was publicized, took place, and the hearing minutes were provided to the City Council and the Mayor. Evidence of the TEFRA process was supplied to CDLAC on October 12, 2018. On December 12, 2018, CDLAC awarded the \$15,196,222 bond allocation and required that the bond be issued by July 1, 2019. The bonds were issued on June 28, 2019.

A re-issuance of the bonds is needed because the borrower is seeking an extension of the conversion date and therefore of the interest-only construction period. The extension will cause a change in yield of approximately 50 basis points which exceeds the 25 basis point limit given in the Internal Revenue Service (“IRS”) reissuance regulations. There will be no new bond funds and only the bond loan agreement and indenture will be amended.

Sources and Uses

Tables 1, 2, and 3, below, provide a summary of the sources and uses for the Project, including cost per unit and cost category percentages.

TABLE 1 – CONSTRUCTION SOURCES			
Construction	Total Sources	Per Unit	% Total
U.S. Bank National Association	\$12,263,943	\$245,278.86	49.39%
LACDA - AHTF	\$1,450,000	\$29,000.00	5.84%
Accrued/Deferred Interest	\$50,000	\$1,000.00	0.20%
Los Angeles Housing Department – HHH funds	\$6,385,087	\$127,701.74	25.72%
Accrued/Deferred Interest	\$40,000	\$800.00	0.16%
Los Angeles Housing Department – HOME funds	\$1,530,000	\$30,600.00	6.16%
Accrued/Deferred Interest	\$20,000	\$400.00	0.08%
Costs deferred until perm	\$1,490,190	\$29,803.80	6.00%
General Partner Equity	\$100	\$2.00	0.00%
Limited Partner Contributions	\$1,600,000	\$32,000.00	6.44%
TOTAL	\$24,829,320	\$496,586.40	100.00%

* Los Angeles County Development Authority (“LACDA”) Affordable Housing Trust Fund (“AHTF”)

TABLE 2 – PERMANENT SOURCES			
Permanent	Total Sources	Per Unit	% Total
California Community Reinvestment Corporation	\$1,420,000	\$28,400.00	5.72%
LACDA - AHTF	\$1,500,000	\$30,000.00	6.04%
Accrued/Deferred Interest	\$50,000	\$1,000.00	0.20%
Los Angeles Housing Department – HHH funds	\$7,900,000	\$158,000.00	31.82%
Accrued/Deferred Interest	\$40,000	\$800.00	0.16%
Los Angeles Housing Department – HOME funds	\$1,700,000	\$34,000.00	6.85%
Accrued/Deferred Interest	\$20,000	\$400.00	0.08%
Los Angeles Housing Department – CRA funds	\$2,500,000	\$50,000.00	10.07%
General Partner Equity	\$339,190	\$6,783.80	1.37%
Limited Partner Contributions	\$9,360,130	\$187,202.60	37.70%
TOTAL	\$24,829,320	\$496,586.40	100.00%

TABLE 3 – USES OF FUNDS			
Uses of Funds	Total Uses	Cost/Unit	% TDC
Acquisition Costs	\$1,200,000	\$24,000	4.83%
Construction Hard Costs	\$14,748,289	\$294,965.78	59.40%
Architecture & Engineering	\$781,980	\$15,639.60	3.15%
Construction Interest Fees and Expenses	\$1,140,428	\$22,808.56	4.59%
Permanent Financing Costs	\$382,953	\$7,659.06	1.54%
Total Hard Contingency Costs	\$1,165,190	\$23,303.80	4.69%
Total Soft Contingency Costs	\$104,261	\$2,085.22	0.42%
Legal Costs	\$135,000	\$2,700.00	0.54%
Capitalized Reserves	\$351,000	\$7,020.00	1.41%
Permits and Local Fees	\$581,833	\$11,636.66	2.34%
Developer Fee	\$2,839,190	\$56,783.80	11.43%
Other Project Costs	\$1,223,753	\$24,475.06	4.93%
Relocation (only if applicable)	\$175,443	\$3,508.86	0.71%
TOTAL	\$24,829,320	\$496,586.40	100.00%

Labor Costs

Labor costs for the Project are subject to California prevailing wage requirements, and/or federal wage requirements under the Davis–Bacon Act of 1931 and Related Acts, as applicable.

Affordability Restrictions

Pursuant to City’s Affordable Housing Bond Policies & Procedures (“AHBPP”), for Private Activity Bonds for Multifamily Rental Properties, approved September 24, 2019, the Project must provide long-term affordable housing in the City of Los Angeles. Therefore, in connection with the issuance of the tax-exempt bonds, one or more Bond Regulatory Agreements were executed and recorded in the official records of the Los Angeles County Recorder’s Office. Each Bond Regulatory Agreement included affordability restrictions throughout a term ending no sooner than the later of: 1) 55 years after the date on which 50% of the dwelling 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. In addition to the above, the bond award includes a CDLAC Resolution, which requires that the Project’s affordable housing units remain affordable for 55 years.

The Project also has affordability restrictions applied under a separate agreement with the California Tax Credit Allocation Committee (CTCAC), for a term of 55 years, as a result of the allocation of the 4% Low Income Housing Tax Credits (LIHTCs). The Bond Regulatory Agreement does not require amending as part of the tax-exempt bond re-issuance, and will remain in force. As a result of this award, the project will have affordability restrictions for a term of 55 years. The CDLAC affordability restrictions mean that for at least 55 years at least 40% of the units have to be rented at or below 60% of the area median income.

All of the 49 supportive housing units will be targeted to households at or below 60% of Area Median Income (AMI). Thirteen units will be reserved for individuals experiencing chronically homelessness and 12 units for individuals that formerly experienced homelessness. The other 24 units will be reserved for individuals for affordable housing. Table 4, below, provides a summary of the unit mix for the Project.

	TABLE 4 – CDLAC AFFORDABILITY RESTRICTIONS			
Unit Type	Units at or below 50% AMI	Units at or below 60% AMI	Un-restricted (Manager’s Unit)	Total Number of Units
Studio	11	11		22
One-Bedroom	14	13		27
Two-Bedroom			1	1
Total	25	24	1	50

Development Team

The Borrower/Sponsor is Pointe on Vermont, L.P., a California limited partnership, which includes Pointe on Vermont EAH, LLC, as its managing general partner, of which EAH, Inc. (EAH Housing) is the sole member, sponsor and developer. Pointe on Vermont A2Z Enterprises, LLC, an affiliate of Christian Landlord Association

Serving Society (CLASS), as its co-general partner; and U.S. Bancorp Community Development Corporation, as its investor limited partner. Principal contact at EAH Housing is Steven Spielberg, Director of Development. Officers for EAH Housing include Laura Hall, Chief Operating Officer and Mary Murtagh, President and CEO.

EAH Housing has a combined experience of over 39 years in the development of multifamily rental housing and has developed and acquired 95 properties. EAH currently has 110 properties in its portfolio, of which 70% of properties is owned and managed by EAH. The remaining 30% is fee-managed.

Developer: EAH Housing
233 Wilshire Blvd., Suite 400
Santa Monica, CA 90401
Contact: Steven Spielberg
Phone: (310) 526-3209

Additional Project development team members are:

Architect: FSY Architects
2902 Knox Ave., 2nd Floor
Los Angeles, CA 90039
Contact: Vijay Schgal
Phone: (323) 255-4343

Attorney: Bocarsly Emden Cowan Esmail & Arndt LLP
633 W Fifth Street, 70th Floor
Los Angeles, CA 90071
Contact: Nicole Deddens
Phone: (213) 239-8029

General Contractor: United Building Company
17418 Chatsworth Street, Suite 101
Granada Hills, CA 91344
Contact: Richard Spunt
Phone: (818) 522-5452

Property Manager: EAH Housing
22 Pelican Way
San Rafael, CA 94901
Contact: Robert Schraeger
Phone: (415) 295-8899

Tax Credit Investor: US Bank Community Development Corporation
1307 Washington Avenue, Suite 300
St. Louis, MO 63103
Contact: Sebastian Glowacki
Phone: (303) 349-4132

Financial Structure

The City, as Issuer, previously issued the bonds (“Bonds”), which were unenhanced and unrated but subject to the City’s AHBPP. The Bonds were purchased by U.S. Bank National Association (“Bondowner”) (“Lender”). The Issuer made a loan of the sale proceeds of the Bonds to the Borrower in the amount of \$12,263,943 (“Construction Loan”), pursuant to the terms of a Loan Agreement among the Issuer, the Bondowner, and the Borrower. The Construction Loan will convert to a permanent loan in an amount not to exceed \$1,420,000 (the “Permanent Loan”). The Borrower executed a promissory notes (“Note”) as evidence to repay the Loan. The Issuer assigned the Note to U.S Bank National Association (“Trustee”) acting under an Indenture of Trust (“Indenture”) among the City, Trustee, and Bondowner as security for the Bonds. Among its various functions, the Trustee received funds advanced by Bondowner in exchange for additional principal amount of the Bonds and release such funds to the Borrower for the Project construction. The Construction Loan had a term of 22 months. The tax-exempt Bond has an interest rate equal to the 30-Day London Inter-Bank Offered Rate (“LIBOR”) variable rate plus 1.65% basis points adjusted monthly. During the construction phase, the monthly payments are interest only and the loan shall mature in 22 months (with a possible six-month extension). The extension was granted and the new maturity date is April, 1, 2022. The indicative rate is currently 1.73%

At conversion to permanent financing, the Construction Loan will be paid down in part with sources available at the permanent financing phase. Concurrently, California Community Reinvestment Corporation (CCRC) will provide a new tax-exempt permanent loan in the amount up to \$1,420,000. The CCRC permanent loan will have a 15/15 year amortization schedule/term period and a fixed interest rate; the indicative interest rate, as of February 8, 2019, was 4.25%.

The financing structure includes financing or loans from LAHD through the Proposition HHH Supportive Housing Loan Program (HHH) (C.F. No. 17-0622) in the amount of up to \$7,900,000 combined with funds in the amount of \$2,500,000 through the Community Redevelopment Agency (CRA), totaling \$10,400,000 (City Contract No. C-133378) and \$1,700,000 (City Contract No. C-133377) in HOME Investment Partnership Program (HOME) funds through the Affordable Housing Managed Pipeline (AHMP) (C.F. No. 18-0517); \$9,360,130 from 4% federal tax credit equity and state tax credit equity through U.S Bank; and \$1,500,000 from the Community Development Authority of the County of the Los Angeles (LACDA). In addition, the Project will be receiving rental subsidy from the Los Angeles Department of Health Services (DHS).

LAHD requires that the Lender meet the City’s Responsible Banking Ordinance #182138 reporting requirements. At closing, bond counsel provided the required legal opinions as to the tax-exempt status of the interest on the Bond, under federal and state law. The legal and financing documents included language that established the bond structure as a limited obligation and strictly payable from Project revenues. The Project financing complies with both the City’s AHBPP and Financial Policies. Additionally, the legal and financing documents require the Borrower to provide annual statements and information as requested by LAHD.

LAHD’s Bond Team for the financing of the Project is as follows:

Bond Issuer Municipal

CSG Advisors, Inc.

Advisor: 315 W. 5th Street, Suite 302
Los Angeles, CA 90013

Bond Issuer Counsel: Los Angeles City Attorney
200 N. Spring Street, 21st Floor
Los Angeles, CA 90012

Bond Counsel: Kutak Rock LLP
777 S. Figueroa Street, Suite 4550
Los Angeles, CA 90017

FISCAL IMPACT

There is no fiscal impact to the General Fund as a result of the re-issuance of the bond(s). The City is a conduit issuer and will not incur liability for repayment of the bond(s). The bond(s) is a limited obligation, payable strictly from revenue derived from the Project. The City will not be obligated to make payments on the bond(s).

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENT:

Bond Resolution

RESOLUTION
CITY OF LOS ANGELES

A RESOLUTION APPROVING FOR PURPOSES OF SECTION 147(f) OF THE INTERNAL REVENUE CODE OF 1986 THE TECHNICAL REISSUANCE OF BONDS BY THE CITY OF LOS ANGELES TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT LOCATED WITHIN THE CITY OF LOS ANGELES AND APPROVING, FURTHER, CERTAIN AMENDMENTS TO THE EXISTING LOAN DOCUMENTS.

WHEREAS, the City of Los Angeles (the “City”) is authorized, pursuant to Section 248, as amended, of the City Charter (the “Charter”) of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (the “Law”), to issue its revenue bonds for the purposes of providing permanent financing for the acquisition, construction and development of multifamily rental housing for persons and families of low or moderate income (the “Program”) which will satisfy the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Act”); and

WHEREAS, the City previously issued its Multifamily Housing Revenue Bond (The Pointe on Vermont Apartments), Series 2019K in the aggregate principal amount of \$12,263,943 (the “Bond”) pursuant to an Indenture of Trust dated as of June 1, 2019 (the “Indenture”) among the City, U.S. Bank National Association, as trustee (in such capacity, the “Trustee”) and U.S. Bank National Association, as Initial Bondowner Representative (in such capacity, the “Bondowner Representative”) to fund a loan to finance the acquisition, construction and equipping of that certain multifamily rental housing project described in paragraph 9 below (the “Project”); and

WHEREAS, the Project is located wholly within the City; and

WHEREAS, the owner of the Project, Pointe on Vermont, L.P., has requested that the City approve modifications to the loan documents to extend the “Termination Date” (as defined therein) which extends the Conversion Date (as defined in the Indenture) of the Bond pursuant to a Second Amendment to Loan Documents (the “Amendment”); and

WHEREAS, it is in the public interest and for the public benefit that the City authorize, execute and deliver as necessary the Amendment and it is within the powers of the City to provide for such amendments; and

WHEREAS, the amendments effected by the Amendment will cause the Bond to be “reissued” under the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the interest on the “reissued” Bond may qualify for a federal tax exemption under Section 142(a)(7) of the Code, only if such reissued Bond is approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Bond is required to be approved, following a public hearing, by an elected representative of the issuer of the Bond (or of the governmental unit on behalf of which the Bond is issued) and an elected representative of the governmental unit having jurisdiction over the area in which the relevant Project is located; and

WHEREAS, this City Council is the elected legislative body of the City and is the applicable elected representative required to approve the issuance of the Bond within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on May 5, 2018, to the effect that a public hearing would be held on May 21, 2018, regarding the issuance of the Bond pursuant to a plan of financing; and

WHEREAS, the Los Angeles Housing and Community Investment Department (now known as the Los Angeles Housing Department) held said public hearing on such date, at which time an opportunity was provided to present arguments both for and against the issuance of the Bond pursuant to a plan of financing; and

WHEREAS, the minutes of such public hearing, together with any written comments received in connection therewith, have been presented to the City Council; and

WHEREAS, the form of the Amendment has been presented to the City Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

1. The recitals hereinabove set forth are true and correct, and this City Council so finds. This Resolution is being adopted pursuant to the Law and in accordance with the Act.
2. Pursuant to and solely for the purposes of Section 147(f) of the Code, the City Council hereby approves the reissuance of the Bond by the City in one or more series to finance the Project. It is intended that this Resolution constitute approval of the reissued Bond: (a) by the applicable elected representative of the issuer of the Bond and (b) by the applicable elected representative of the governmental unit having jurisdiction of the area in which the Project is located in accordance with said Section 147(f).
3. The execution and delivery on behalf of the City of the Amendment substantially in the form presented to the City Council, for the purpose of (i) extending the conversion date (ii) making various ancillary or conforming changes to the loan documents and (iii) consenting to the Amendment (together with any other related amendments requiring the City’s consent) is hereby approved, and each Authorized City Representative (as such term is defined in the Indenture) is hereby authorized and directed, for and on

behalf of the City, to execute the Amendment with such changes as such Authorized City Representative may approve upon consultation with the City Attorney and/or Bond Counsel and approval by the City Attorney, such approval by the Authorized City Representative to be conclusively evidenced by the execution of such Amendment.

4. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bond are hereby approved, confirmed and ratified, and each Authorized Representative of the City, the City Clerk and other properly authorized officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including, but not limited to, those described in the Indenture.

5. The City Clerk of the City or any deputy thereof is hereby authorized to countersign or to attest the signature of any Authorized City Representative and to affix and attest the seal of the City as may be appropriate in connection with the execution and delivery of any of the documents authorized by this resolution, provided that the due execution and delivery of said documents or any of them shall not depend on such signature of the City Clerk or any deputy thereof or affixing of such seal. Any of such documents may be executed in multiple counterparts.

6. In addition to the Authorized City Representative, any official of the City, including any official of the Los Angeles Housing Department, as shall be authorized in writing by the Mayor of the City, is hereby authorized for and on behalf of the City to execute and deliver any of the agreements, certificates and other documents, except the Bond, authorized by this Resolution.

7. Each Authorized City Representative and other properly authorized officials of the City as specifically authorized under this resolution are hereby authorized, directed and empowered on behalf of the City and the City Council to execute any other additional applications, certificates, agreements, documents or other instruments or any amendments or supplements thereto, subject to approval by the City Attorney as to form, or to do and to cause to be done any and all other acts and things as they may deem necessary or appropriate to carry out the purpose of the foregoing authorizations and to address any issues arising with respect to the Bond or the agreements relating thereto subsequent to their issuance.

8. This Resolution shall take effect immediately upon its passage and adoption.

9. The "Project" referred to herein is as follows:

Project Name	Number of Units	Address	Owner
The Pointe on Vermont	50 units (including one manager unit)	7600-7610 South Vermont Avenue and 950 West 76th Street, Los Angeles, CA 90044	Pointe on Vermont, L.P.

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 20__.

By _____
Name _____
Title _____