

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: November 3, 2022

CAO File No. 0220-00540-1631

Council File No. 17-1274-S1

Council District: 11

To: The Mayor
The Council

From: *for* Matthew W. Szabo, City Administrative Officer 

Reference: Los Angeles Housing Department transmittal dated October 17, 2022; Received by the City Administrative Officer on October 17, 2022; Additional Information Received through November 2, 2022

Subject: **REQUEST FOR AUTHORITY TO CONSIDER THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT MINUTES, RE-ISSUE TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS IN AN AMOUNT UP TO \$23,437,500, AND EXECUTE RELATED FINANCING DOCUMENTS FOR THE MISSOURI PLACE APARTMENTS, A SUPPORTIVE AND AFFORDABLE HOUSING PROJECT**

RECOMMENDATIONS

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

1. Note and file the Los Angeles Housing Department (LAHD) transmittal dated October 17, 2022 relative to the re-issuance of tax-exempt multifamily conduit revenue bonds for the Missouri Place Apartments project;
2. Consider the results of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing held on September 29, 2022 for the Missouri Place Apartments project attached to this report;
3. Adopt the Resolution attached to this report, authorizing the reissuance of up to \$23,437,500 in tax-exempt multifamily conduit revenue bonds for the Missouri Place Apartments project; and,
4. Authorize the General Manager of the LAHD, or designee, to negotiate and execute the relevant financing documents for the Missouri Place Apartments project, subject to the approval of the City Attorney as to form.

SUMMARY

The Los Angeles Housing Department (LAHD) requests authority to re-issue tax-exempt multifamily housing conduit revenue bonds in an amount not to exceed \$23,437,500 to finance the construction

of the affordable housing development known as Missouri Place Apartments (Project). The Project will consist of the new construction of 44 units of supportive housing for individuals and families experiencing homelessness or chronic homelessness, 29 units of affordable housing for low-income individuals and families, and one unrestricted manager unit. The subject site is located at 11950 Missouri Avenue, Los Angeles, CA, 90025 in Council District 11. The California Debt Limit Allocation Committee (CDLAC) awarded a tax-exempt bond allocation for the Project on September 19, 2018 in an amount not to exceed \$18,750,000 and designated a March 18, 2019 issuance deadline. The LAHD requested and CDLAC granted one, 90-day extension and designated June 18, 2019 as the revised issuance deadline. The CDLAC subsequently awarded a supplemental tax-exempt bond allocation for the Project on May 15, 2019 in an amount not to exceed \$4,687,500 and designated November 12, 2019 as the issuance deadline for both the initial and supplemental allocations. The City issued a total of \$23,437,500 in tax-exempt bonds on October 23, 2019 (C.F. 17-1274-S1). The LAHD reports that unexpected conditions have delayed the conversion to permanent financing, resulting in an increase to the Project's development costs from construction delays and cost increases. As such, the borrower, Missouri and Bundy Housing LP, requested changes to the Indenture of Trust to increase the amount of the permanent loan and extend the permanent conversion date. The two changes trigger the reissuance of the initial bond allocation since the changes will create a change in the deferral of payments that exceeds the allowable limit where a reissuance is not required. Additional information regarding the reissuance can be found in the LAHD transmittal, dated October 17, 2022 (Report).

The LAHD also requests that the Council perform the following actions related to the Project's September 29, 2022 Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) hearing related to the re-issuance of bonds as follows: 1) consider the minutes from the 2022 TEFRA hearing, and 2) adopt the related TEFRA Resolution. Subsequent to the release of its Report, the LAHD clarified that the Department is not requesting that Council adopt a TEFRA Resolution, as suggested in the recommendation of its Report. The adoption of a separate resolution is not required since the TEFRA hearing approval is incorporated in the Project's Bond Resolution, which is attached to this report for the Council's consideration and adoption. This Office concurs with the Department's recommendations, as amended, to remove reference to the TEFRA Resolution.

The City's involvement in the issuance of multifamily housing conduit revenue bonds is considered true conduit financing, in which the obligation for repayment of the bonds is the responsibility of Missouri and Bundy Housing LP. 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. Bank of America, National Association (BofA) is currently in compliance with the reporting requirements of the RBO and LAHD will ensure that BofA will continue to comply with the City's 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 re-issuance of these multifamily conduit revenue bonds (bonds) for the Missouri Place 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 is not, under any circumstances, obligated to make payments on the bonds.

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 are a conduit issuance debt and not a debt of the City.

MWS:MOF:02230042c

Attachments

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 BOND 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 (Missouri Place Apartments), Series 2019E in the aggregate principal amount of \$23,437,500 (the “Bond”) pursuant to a Trust Indenture dated as of October 1, 2019 (the “Indenture”) between the City and U.S. Bank National Association (now succeeded in interest by U.S. Bank Trust Company, National Association), as trustee (the “Trustee”) 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, Missouri and Bundy Housing LP, has requested that the City approve modifications to the Indenture and certain other loan documents to increase the permanent loan amount of the Bond pursuant to a First Supplement to Indenture of Trust (the “Supplemental Indenture”); and

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

WHEREAS, the amendments effected by the Supplemental Indenture 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 notices to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on July 6, 2018, and September 22, 2022, to the effect that public hearings would be held on July 20, 2018, and September 29, 2022, respectively, regarding the issuance of the Bond; and

WHEREAS, the Los Angeles Housing and Community Investment Department (now 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; 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 Supplemental Indenture 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 Supplemental Indenture substantially in the form presented to the City Council, for the purpose of (i) increasing the permanent loan amount of the Bond, (ii) extending the conversion date (iii) making various ancillary or conforming changes to the Supplemental Indenture and (iv) consenting to any other related amendments requiring the City's consent, is hereby approved, and each Authorized Representative (as such term is defined in the Indenture) is hereby authorized and directed, for and on behalf of the City, to execute the Supplemental Indenture with such changes as such Authorized Representative of the City may approve upon consultation with the City Attorney and/or Bond Counsel and approval by the City

Attorney, such approval by the Authorized Representative of the city to be conclusively evidenced by the execution of such Supplemental Indenture.

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 Representative of the City 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 Representative of the City, 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 Representative of the City 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
Missouri Place Apartments	73 units (plus one manager unit)	11950 Missouri Avenue, Los Angeles, CA 90025	Missouri and Bundy Housing LP

[Remainder of page intentionally left blank]

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 _____

**FIRST SUPPLEMENT TO
INDENTURE OF TRUST**

THIS FIRST SUPPLEMENT TO INDENTURE OF TRUST (this “First Supplement”), dated as of November [], 2022 (the “Effective Date”), is by and among the **CITY OF LOS ANGELES**, a charter city and municipal corporation of the State of California, duly organized and existing under its charter and the laws of the State of California (the “City” or the “Issuer”), **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, as trustee (successor to U.S. Bank National Association, the “Trustee”), **BANK OF AMERICA**, a national banking association organized and existing under the laws of the United States of America (the “Majority Owner”), and **MISSOURI AND BUNDY HOUSING LP**, a California limited partnership (the “Borrower”) and amends and supplements that certain Trust Indenture dated as of October 1, 2019 (the “Original Indenture”) between the Issuer and the Trustee relating to \$23,437,500 in principal amount of the City’s Multifamily Housing Revenue Bond (Missouri Place Apartments), Series 2019E (the “Bond”).

WHEREAS, pursuant to the Original Indenture and Section 248 of the City Charter of the City of Los Angeles and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the “Law”), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California (the “Act”), the Issuer has issued the Bond; and

WHEREAS, the Borrower, Barings CCRC Mortgage Fund III, LLC, a California limited liability company (“Barings”), and the Majority Owner have agreed that the principal amount of the Bond to be purchased by Barings upon conversion shall be increased to an amount up to \$[15,600,000]; and

WHEREAS, Section 8.02 of the Original Indenture permits the Issuer and the Trustee, from time to time and at any time with the consent of the Owner, to enter into an indenture or indentures supplemental to the Original Indenture; and

WHEREAS, the Majority Owner is currently the sole registered Owner of the Bond; and

WHEREAS, the Issuer, the Majority Owner, Barings and the Trustee have received an Opinion of Counsel that this First Supplement will not cause the interest on the Bond to be includable in gross income of the Owner (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) for purposes of federal income taxation and that this First Supplement is authorized or permitted by the Original Indenture; and

WHEREAS, pursuant to the Original Indenture, the Issuer, the Trustee, the Majority Owner (as “Majority Owner” and Servicer), and the Borrower have evidenced their consent to the terms of this First Supplement and waived all required notices thereof under the Original Indenture, including, but not limited to, in Section 8.02 of the Original Indenture, each as evidenced by the signature of an authorized representative hereto; and

WHEREAS, the Borrower, Thomas Safran & Associates Development, Inc. (the “Guarantor”) and the Majority Owner entered into that certain Third Amendment to Construction Disbursement Agreement dated as of April 23, 2022 (the “Third Construction Disbursement Agreement Amendment”) which amended that certain Construction Disbursement Agreement dated as of October 1, 2019 (the “Original Construction Disbursement Agreement”) between the Borrower and the Majority Owner which was previously amended by that certain First Amendment to Construction Disbursement Agreement dated June 15, 2021, and that certain Section Amendment to Construction Disbursement Agreement dated November 22, 2021 (collectively, the “Construction Disbursement Agreement Amendments”); and

WHEREAS, the Construction Disbursement Agreement Amendments, together with the First Amendment to Bond Purchase Agreement dated as of May 1, 2022, among the Majority Owner, Barings and the Borrower (the “First BPA Amendment”) and the [Second Amendment to Bond Purchase Agreement] dated as of [_____], 2022, among the Majority Owner, Barings and the Borrower (the “Second BPA Amendment” and together with the First BPA Amendment, the “BPA Amendment”), collectively, extended the “Termination Date” (as defined in the Bond Purchase Agreement) to [March 1, 2023], and replaced the amount of “\$13,600,000” in the recitals as well as the definitions of “Bond Purchase Agreement” and “Permanent Loan Amount” with the amount of “\$[15,600,000]”; and

WHEREAS, on the Effective Date, following the closing of this First Supplement, Barings will purchase the Bond from the Majority Owner and as evidenced its acknowledgment to the terms of this First Supplement by the signature of an authorized representative hereto; and

NOW, THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto amend the Original Indenture as follows as of the date set forth above:

Section 1. Recitals; Definitions. The foregoing recitals are hereby agreed to and acknowledged. All capitalized terms used in this First Supplement and not otherwise defined have the meanings assigned in the Original Indenture.

Section 2. Amendment to Definition. The following definitions contained in Section 1.01 of the Original Indenture are amended to read or are added to Section 1.01 of the Original Indenture as follows:

The term “**Bond Purchase Agreement**” means the Bond Purchase Agreement dated as of October 1, 2019, among the Borrower, Bank of America, N.A. and CCRC, as amended by that certain First Amendment to Bond Purchase Agreement dated as of May 1, 2022, and that certain [Second Amendment to Bond Purchase Agreement] dated as of [_____] 1, 2022, pursuant to which and subject to the terms and conditions of which, Barings CCRC Mortgage Fund III, LLC, a California limited liability company, has agreed to purchase up to \$[15,600,000] in principal amount of the Bond on the Conversion Date.

Section 3. Amendment to Mandatory Redemption. Section 4.01(d) of the Original Indenture is hereby deleted and replaced by the following:

(d) in part on the Conversion Date, in an amount sufficient to reduce the aggregate principal amount of the Outstanding Bond to \$[15,600,000] or such lower amount as is necessary in order to satisfy the conditions to Conversion contained in the Bond Purchase Agreement as stated in writing by the Servicer;

Section 4. Ratification. Except as amended and supplemented hereby, all provisions of the Original Indenture remain in full force and effect, and the Original Indenture, as amended and supplemented by this First Supplement, is hereby ratified. By its execution hereto, the Majority Owner hereby authorizes and directs the Trustee to execute this First Supplement.

Section 5. Effective Date. This First Supplement shall become effective as of the date hereof.

Section 6. Execution in Several Counterparts. This First Supplement may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 7. Governing Law. This First Supplement shall be governed by and construed in accordance with the internal laws of the State of California.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned authorized representatives of the Issuer, the Trustee, the Borrower, the Majority Owner have evidenced their respective consent to the terms of this First Supplement to Trust Indenture as of the day and year first above written by their below signatures.

CITY OF LOS ANGELES, as Issuer

By: Los Angeles Housing Department

By: _____
Authorized Officer

Approved as to form by:

MICHAEL N. FEUER,
City Attorney

Deputy/Assistant City Attorney

[Issuer signature page to *Missouri Place* First Supplement to Trust Indenture]

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee**

By: _____

Name: Julia Hommel

Title: Vice President

[Trustee signature page to *Missouri Place* First Supplement to Trust Indenture]

BANK OF AMERICA, as Majority Owner,
Servicer, and sole Owner of the Bond

By: _____

Name:

Title:

[Majority Owner signature page to *Missouri Place*
First Supplement to Trust Indenture]

NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

BORROWER:

MISSOURI AND BUNDY HOUSING LP,
a California limited partnership, as Borrower

By: Missouri and Bundy Housing LLC, a
California limited liability company, its
Administrative General Partner

By: _____
Jordan Pynes, President

By: Housing Corporation of America, a Utah
nonprofit corporation, its Managing
General Partner

By: _____
Carol Cromar, President

[Borrower signature page for *Missouri Place* First Supplement to Trust Indenture]

Agreed and acknowledged:

**BARINGS CCRC MORTGAGE FUND III,
LLC, a California limited liability company**

By: _____
Name:
Title:

[Barings acknowledgment page for *Missouri Place* First Supplement to Trust Indenture]

TEFRA PUBLIC HEARING MEETING MINUTES
THURSDAY – SEPTEMBER 29, 2022
9:00 AM
LOS ANGELES HOUSING DEPARTMENT
BY TELECONFERENCE
FRANCISCO LOPEZ, CHAIR

This meeting was conducted to meet the required Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) Public Hearing for Western Landing, Confianza, First Street North A Apartments (FSN A), The Journey, Ambrosia Apartments, Hope on Hyde Park, Hope on Broadway, Missouri Place, and Summit View Apartments.

This meeting was called to order on Thursday, September 29, 2022 at 9:00 a.m. via teleconference by the Los Angeles Housing Department.

A notice of this hearing was published in the Los Angeles Times on September 22, 2022 (the “Notice”). The purpose of this meeting was to hear public comments regarding the City of Los Angeles’ proposed issuance of multifamily housing revenue bonds or notes for the above referenced projects.

The Los Angeles Housing Department representatives present were Francisco Lopez, Carmen Velazquez, Cecilia Rosales, Dianne Mattingly, Donald Byers, Robert Vergara, and Adam R. Miller. All representatives were present via teleconference as described in the Notice.

By 9:30 a.m. there were no other representatives from the public who made themselves available and no public comments were provided, so the meeting was adjourned.

I declare under penalty of perjury that this is a true and exact copy of the TEFRA public hearing meeting minutes regarding the above referenced projects held on September 29, 2022 at Los Angeles, California.

CITY OF LOS ANGELES
Los Angeles Housing Department
ANN SEWILL, General Manager

Francisco
Lopez

 Digitally signed by Francisco Lopez
Date: 2022.09.29 14:27:35 -07'00'

Francisco Lopez, Finance Development Officer II