

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 14, 2011**

**Consideration and Approval of an Issuance Date Extension and Carryforward Authorization for Various Qualified Residential Rental Program Projects**  
**(Agenda Item No. 4)**

**I. ACTION**

Approve an allocation carryforward authorization and bond issuance date extension for Slauson Station Apartments, Courtyard at La Brea Apartments, Mid Celis Apartments, San Clemente Senior Apartments, Evergreen Apartments - 1528 Freeman Avenue, Hallmark Apartments, Las Villas de Paseo Nuevo Apartments, 3<sup>rd</sup> Street Residential Apartments, and San Fernando Community Housing Apartments.

**II. BACKGROUND**

**Slauson Station Apartments Project (11-108)**

The Slauson Station Apartments Project ("Project") received an allocation award through the Housing Authority of the County of Los Angeles on September 28, 2011. The Project's current issuance deadline is December 27, 2011.

The following issues have contributed to the unexpected delay in closing bonds on December 27, 2011:

1. Construction Plans Approval- Since the first submittal to the Department of Regional Planning in July 2011, there have been several unexpected changes to the structural plans which have caused delays in the revision and resubmission process. It is anticipated that the final plan check approvals will be issued on or about December 20, 2011.
2. Delays in General Contractor Selection - Once the construction plans are approved, the general contractor will be able to submit a bid and provide a schedule of values to the construction lender, Nara Bank, who will be able to obtain loan approval from the credit committee. It is anticipated that the construction contract with APEC International, LLC, will be finalized and signed by December 30, 2011.
3. Due Diligent Review - The tax credit investor, R4 Capital Inc., and the bond purchaser, Nara Bank, are both completing their due diligence. Both parties will not proceed with requesting final committee approval until all due diligence items are completed. It is anticipated that both parties will obtain final committee approval by January 30, 2012.

The Bond issuer is requesting an approval to carryforward the allocation to 2012 and to extend the final bond issuance date to February 15, 2012. Allowing an extension to the issuance date to February 15, 2012 will ensure the completion of the approvals, selection and review processes and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of Los Angeles will lose the opportunity to create 29 new units of affordable housing.

**Courtyard at La Brea Apartments Project (11-112)**

The Courtyard at La Brea Apartments Project ("Project") received an allocation award through the Housing Authority of the County of Los Angeles on September 28, 2011. The Project's current issuance deadline is December 27, 2011.

The Courtyard at La Brea project is benefiting from the Section 8 project-based voucher rental subsidy program. An agreement to enter into a Housing Assistant Program (AHAP) contract is required at bond closing. The subsidy layering review is a necessary step in the execution of the AHAP contract. On November 16<sup>th</sup>, a subsidy layering review package was submitted to the Tax Credit Allocation Committee

(TCAC) for review and approval. Recently, however TCAC staff informed the HACOLA that it is experiencing a backlog in processing applications; and as a result, the review process could last between four and six weeks. In addition, the closing deadline for the First Round TCAC 9% LIHTC projects is at the end of the year. The developer is concerned that TCAC's delayed timeline for review coupled with the First Round closing date will result in an unavoidable delay that will prohibit the construction closing from occurring on or before the bond closing date. It is anticipated that the subsidy layering review and the AHAP contract will be approved on December 30, 2011.

The Bond issuer is requesting approval to carryforward the allocation to 2012 and to extend the final bond issuance date to January 30, 2012. Allowing an extension to the issuance date to January 30, 2012 will ensure the completion of the Subsidy Layering Review process and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of West Hollywood will lose the opportunity to create 31 new units of affordable housing.

#### **Mid Celis Apartments Project (11-113)**

The Mid Celis Apartments Project ("Project") received an allocation award through the Housing Authority of the County of Los Angeles on September 28, 2011. The Project's current issuance deadline is December 27, 2011.

The Mid Celis Apartments Project is benefitting from the Section 8 project-based voucher rental subsidy program. A subsidy layering review must be completed in connection with receipt of the vouchers and is also a necessary step in order to execute the Agreement to Enter into Housing Assistance Payments (AHAP) contract.

On November 11, 2011, a subsidy layering review package was submitted to the Tax Credit Allocation Committee (TCAC) for review and approval. Recently, however, TCAC staff alerted the Housing Authority that it is experiencing a backlog in processing applications; and as a result, the review process could last between four to six weeks with an anticipated completion date of December 30, 2011. We anticipate that distribution, review and execution of the AHAP would then require an additional two weeks. In addition, the closing deadline for First Round TCAC 9% LIHTC projects is at the end of the year. The Sponsor is concerned that TCAC's delayed timeline for review coupled with the First Round closing deadline will result in an unavoidable delay that will prohibit the construction closing from occurring on or before the bond closing deadline.

Finally, the Sponsor is in the process of negotiating the final terms and cost of the construction contract, which should be complete by December 30th. Once the cost and contract terms are finalized, the Sponsor's construction lender and investor must undertake a construction cost analysis and review which normally could take between four and six weeks with an anticipated completion date of February 14, 2011, but could be longer due to the holidays.

The Bond issuer is requesting approval to carryforward the allocation to 2012 and to extend the final bond issuance date to February 25, 2012. Allowing an extension to the issuance date to February 25, 2012 will ensure the completion of the Subsidy Layering Review and Cost Review process and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of San Fernando will lose the opportunity to create 19 new family and special needs units of affordable housing.

#### **San Clemente Senior Apartments Project (11-117)**

The San Clemente Senior Apartments Project ("Project") received an allocation award through the County of Orange on September 28, 2011. The Project's current issuance deadline is December 27, 2011.

Due to an increase in costs incurred and projected for the project, the Project will not be able to close by the deadline of December 27, 2011. The Project has applied for a supplemental allocation at the January 18, 2012 CDLAC Allocation Meeting to cover these cost increases.

The Bond issuer is requesting approval to carryforward the allocation to 2012 and to extend the final bond issuance deadline to February 29, 2012. Allowing an extension to the issuance date to February 29, 2012 will ensure the Completion of the supplemental application process and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of San Clemente will lose the opportunity to create 75 new senior units of affordable housing.

**Evergreen Apartments – 1528 Freeman Avenue (11-089)**

The Evergreen Apartments – 1528 Freeman Avenue Project (“Project”) received an allocation award through the California Municipal Finance Authority on July 20, 2011. The Project’s current issuance deadline is December 14, 2011.

The project is a pooled project with Evergreen Apartments – 1801-1823 E. 68<sup>th</sup> Street project, which is being considered for a supplemental allocation at the December 14<sup>th</sup> CDLAC meeting. The supplemental allocation will help the project meet the 50% test; required due to increasing low income housing tax credit equity pricing. As such, the project will not be able to close by the current deadline of December 14, 2011.

Allowing an extension to the issuance date to March 13, 2012 will ensure the completion of the supplemental application process and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of Long Beach would be placed in jeopardy of losing 18 family units of affordable housing.

**Hallmark Apartments (11-119)**

The Hallmark Apartments (“Project”) received an allocation award through the Housing Authority of the County of Kern on September 28, 2011. The Project’s current issuance deadline is December 27, 2011.

The Project is an at-risk USDA-RD 515 project which is required to go back to the USDA National office in Washington, D.C. for final approval and the drafting of final loan documents. The process is lengthy and requires more time for drafting new deeds of trust, regulatory documents, etc. for the USDA-RD office. Rather than completing a dry closing without full funds simply to meet CDLAC’s deadline requirements, the Project Sponsor is requesting an extension so they may perform a full closing no later than the requested mid- March deadline.

Allowing an extension to the issuance date to March 26, 2012 will ensure the completion of the final approval process with the USDA-RD office and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of Lamont would be placed in jeopardy of losing 47 family units of affordable housing.

**Las Villas de Paseo Nuevo (11-114)**

The Las Villas de Paseo Nuevo Apartments (“Project”) received an allocation award through the Housing Authority of the City of Oxnard on September 28, 2011. The Project’s current issuance deadline is December 27, 2011.

The Project requires an extension because the tax-exempt bond lender and tax credit investor need more time to complete underwriting and finalize the relevant bond and partnership documents. An expected slowdown resulting from the timing of the holiday season is part of the reason for this delay.

Allowing an extension to the issuance date to March 26, 2012 will ensure the completion of the final document and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of Oxnard would be placed in jeopardy of losing 71 family units of affordable housing.

**3<sup>rd</sup> Street Residential Development Apartments (11-124)**

The 3<sup>rd</sup> Street Residential Development Apartments (“Project”) received an allocation award through the City of San Jose on September 28, 2011. The project’s current issuance deadline is December 27, 2011.

The project received additional funding from the California Pollution Control Financing Authority through a CalReuse Grant. A condition of the grant requires a final approval from the Department of Toxic Substances Control (DTSC). Due to the approval process of DTSC, the project will not be able to close by December 27, 2011. The DTSC approval process involves the review of additional documentation relating to the Developer’s work plan for soil remediation.

The Issuer is requesting the approval to carryforward the allocation to 2012 and to extend the final bond issuance deadline to March 26, 2012. Allowing an extension to the issuance date to March 26, 2012 will ensure the completion of the final approval process and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its allocation and the City of San Jose would be placed in jeopardy of losing 37 family units of affordable housing.

**San Fernando Community Housing Apartments (11-109)**

The San Fernando Community Housing Apartments (“Project”) received an allocation award through the Housing Authority of the County of Los Angeles on September 28, 2011. The project’s original deadline is December 27, 2011.

The Applicant is requesting an extension due to the following issues that have contributed to the unexpected delay in closing the bonds on or before December 27, 2011:

1. Subsidy Layering Review — The Project is benefiting from the Section 8 project-based voucher rental subsidy program. An agreement to enter into a Housing Assistant Program (AHAP) contract is required at bond closing. The subsidy layer review is a necessary step in the execution of the AHAP contract.

On November 16<sup>th</sup>, a subsidy layering review package was submitted to the Tax Credit Allocation Committee (TCAC) for review and approval. Recently, however TCAC staff informed the HACOLA that it is experiencing a backlog in processing applications; and as a result, the review process could last between four and six weeks. In addition, the closing deadline for the First Round TCAC 9% LIHTC projects is at the end of the year. The developer is concerned that TCAC’s delayed timeline for review coupled with the First Round closing date will result in an unavoidable delay that will prohibit the construction closing from occurring on or before the bond closing date. It is anticipated that the subsidy layering review and the AHAP Contract will be approved on December 30, 2011.

2. Due Diligence Review — The tax credit investor, Alliant LLC, and the bond purchaser, Citi Capital, are both completing their due diligence review. The project will be taken for the final committee approval upon conclusion of the due diligence review. It is anticipated that both parties will obtain final committee approval by January 30, 2012.

The Bond issuer is requesting approval to carryforward the allocation to 2012 and to extend the final bond issuance deadline to February 15, 2012. Allowing an extension to the issuance date to February 15, 2012 will ensure the completion of the Subsidy Layering Review and Due Diligence Review process and the issuance of the bonds for the Project. If the issuance date is not extended, the Project will lose its

allocation and the City of San Fernando will lose the opportunity to create 61 new family and special needs units of affordable housing.

**III. DISCUSSION:**

The CDLAC Regulations state that if an Allocation was awarded during an Open Allocation Round, the Committee may extend a Project or Program's expiration date up to the next regularly scheduled meeting at which time the Committee may elect to grant an additional extension up to ninety (90) days. The Projects mentioned above are otherwise in full compliance and eligible for an extension under the CDLAC Regulations.

**IV. RECOMMENDATION:**

Staff recommends the approval of the following allocation carryforward and issuance date extensions:

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| 11-108 Slauson Station Apartments                    | February 15, 2012 |
| 11-112 Courtyard at La Brea Apartments               | January 30, 2012  |
| 11-113 Mid Celis Apartments                          | February 25, 2012 |
| 11-117 San Clemente Senior Apartments                | February 29, 2012 |
| 11-089 Evergreen Apartments – 1528 Freeman Avenue    | March 13, 2012    |
| 11-119 Hallmark Apartments                           | March 26, 2012    |
| 11-114 Las Villas de Paseo Nuevo                     | March 26, 2012    |
| 11-124 3 <sup>rd</sup> Street Residential Apartments | March 26, 2012    |
| 11-109 San Fernando Community Housing Apartments     | February 15, 2012 |

*Prepared by Richard Fischer/Sarah Lester/Annie Ong/Crystal Alvarez*