

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2015
Consideration and Approval of Issuance Date Extensions
for Various Qualified Residential Rental Projects
(Agenda Item No. 4)

ACTION:

Approve Issuance Date Extensions for Various Qualified Residential Rental Projects as noted.

BACKGROUND:

Briarcrest & Rosecrest Apartments (15-413)

The Briarcrest & Rosecrest Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority on September 16, 2015. The project sponsor is JHC-Acquisitions LLC (“Sponsor”). The Project is requesting 90-day extension to March 15, 2015.

The Sponsor’s lender, Citibank, has a voluminous amount of year end transactions. This circumstance has placed strain on the organization as well as the vendors that perform third party cost and valuation verifications on their behalf. In order to accommodate all of their closings as expeditiously as possible, some year end transactions must be postponed until early 2016. This has caused the lender, in this instance, to delay the closing of Briarcrest & Rosecrest Apartments beyond the CDLAC deadline. The Developer is planning to close by January 31, 2016.

Allowing an extension of the issuance deadline to March 15, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the County of Orange will lose the opportunity to preserve 41 new affordable housing units.

Marcus Garvey & Hismen Hin Nu Apartments (15-364)

The Marcus Garvey & Hismen Hin-Nu Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority on July 15, 2015. The project sponsor is Hin Nu Garvey Associates, L.P. (“Sponsor”). The Project’s initial deadline was October 23, 2015 which the Executive Director extended to the Committee meeting date of December 16, 2015.

The Applicant is now requesting a 90-day extension of the allocation expiration date to March 15, 2016. Closing delays occurred after the City of Oakland (“City”) contributed an additional \$1million to the project and recorded the regulatory agreement associated with this financing behind all other existing financing. The loan was consolidated with the existing City loans and the project had an existing lien priority. The project sponsor and their real estate attorney understood that the regulatory agreement would remain in the same lien priority, behind conventional debt and the Department of Housing and Community Development (“HCD”) financing. Just recently, the City of Oakland informed the project sponsor that they would not subordinate their regulatory restrictions and default remedies and that they must be recorded in advance of the conventional lender. HCD policy prohibits subordination to the City but are fine subordinating to the conventional lenders.

The Sponsor believes that they have a workable method of putting certain provisions of the HCD regulatory agreement ahead of the conventional financing while still giving the City the right to enforce. Freddie Mac has informed the finance team that given this situation they cannot close by the current CDLAC deadline. The City staff have also informed the Sponsor that they are unable to route documents for all necessary approvals and signatures by the current CDLAC deadline.

Allowing an extension of the issuance deadline to March 15, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the County of Alameda will lose the opportunity to preserve 114 new affordable housing units.

Las Cortes Apartments (15-316)

The Las Cortes Apartments Project (“Project”) received an allocation award through the California Statewide Communities Development Authority (“Applicant”) on September 16, 2015. The Project Sponsor is UHC 00558 Oxnard, L.P. The Project’s initial deadline was December 16, 2015.

The Applicant is now requesting a 90-day extension of the allocation expiration date to March 15, 2016. The reason for the request is due to delays with the HUD Firm commitment and the requirement that the project be rebid and undergo a third party review prior to re-submittal to HUD. The final HUD recommitment will occur after the initial December 16, 2015 expiration date.

Allowing an extension of the issuance deadline to March 15, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of Oxnard will lose the opportunity to build 142 new affordable housing units.

O’Farrell Towers Apartments (15-023)

The O’Farrell Towers Apartments Project (“Project”) received an allocation award through the California Housing Finance Agency (“Applicant”) on September 16, 2015. The Project Sponsor is O’Farrell Towers Associates, LP. The Project’s initial deadline was December 16, 2015.

The Applicant is now requesting an extension of the allocation expiration date to January 20, 2016. The reason for the request is due to the Lender and Investor has required additional air sampling testing and possible mitigation measures. In order to provide the time to complete testing and for the necessary parties to review the report, the Sponsor has requested that CalHFA seek an extension of the bond issuance deadline.

Allowing an extension of the issuance deadline to January 20, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of San Francisco will lose the opportunity to rehabilitate 100 affordable senior housing units.

March Veterans Village Apartments (15-363)

The March Veterans Village Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority (“Applicant”) on July 15, 2015. The Project Sponsor is Coachella Valley Housing Coalition (“Sponsor”). The Project’s initial deadline was November 2, 2015, which the Executive Director extended to the Committee meeting date of December 16, 2015.

The Applicant is now requesting a 90-day extension of the allocation expiration date to March 15, 2016. This project is utilizing funding from two new programs that HCD has initiated this year including the Veteran’s Housing and Homeless Prevention Program (VHHP) and the Affordable Housing and Sustainable Communities Program (AHSC). The project’s delay has been caused by complications associated with the newness of the programs and complexities associated with the various layers of financing that exist.

Allowing an extension of the issuance deadline to March 15, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the County of Riverside will lose the opportunity to build 136 new affordable special needs housing units.

Copper Square Apartments (15-407)

The Copper Square Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority (“Applicant”) on September 16, 2015. The Project Sponsor is Copper Square Apartments, LP (“Sponsor”). The Project’s initial deadline was December 15, 2015, which the Executive Director extended to the Committee meeting date of December 16, 2015.

The Applicant is now requesting an extension of the allocation expiration date to March 16, 2016. Since the project’s approval, it has experienced significant cost increases as a result of the local building permit review process. In order to mitigate these costs, the sponsor will be reapplying for 4% tax credits in January of 2016 to take advantage of some of the newly effective regulatory changes that will provide additional tax credit

equity and assist in financing the increased costs. The tax credit award is expected in January of 2016 and closing will follow the receipt of a reservation.

Allowing an extension of the issuance deadline to March 15, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of Lancaster will lose the opportunity to construct 201 affordable family housing units.

Sylmar Court Apartments (15-387)

The Sylmar Court Apartments Project (“Project”) received an allocation award through the City of Los Angeles on September 16, 2015. The Project Sponsor is 12415 San Fernando Apartments L.P. (“Sponsor”). The Project’s initial deadline is December 16, 2015. The project is now requesting a 90-day extension to March 15, 2015.

This project is utilizing funding from a new program that HCD initiated this year called the Affordable Housing and Sustainable Communities Program (AHSC) as well as from CalHFA’s Mental Health Services Act (MHSA) program. The project’s delay have been caused by complications associated with the newness of the HCD program and complexities associated with the various layers of financing that exist in the project.

Allowing an extension of the issuance deadline to March 15, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of Los Angeles will lose the opportunity to rehabilitate 100 affordable housing units.

HCHC Recap I Apartments (15-415)

The HCHC Recap I Apartments Project (“Project”) received an allocation award through the City of Los Angeles on September 16, 2015. The project sponsor is HCHC Recap I, L.P. (“Sponsor”). The Project’s initial deadline was December 16, 2015. The Project is now requesting 90 day extension to March 15, 2016.

The Los Angeles Housing and Community Investment Department (HCIDLA) requires additional time to secure discretionary approvals necessary to process the Project’s assumed City and Community Redevelopment Agency of the City of Los Angeles (CRA/LA) loans. The Sponsor has made several requests that require approval by City Council, including a request to extend the loan terms from 40 years to 55 years based on the Project’s residual analysis. In addition, HCIDLA is still working with its accounting department on the mechanics of recasting a loan from the CRA/LA. This is a new process for HCIDLA.

In addition, the Sponsor has been unable to finalize the Project’s schedule of values and the amount of the taxable tail as they were awaiting Affordable housing Program (AHP) award announcements from the Federal Home Loan Bank of Cincinnati. The Sponsor has just learned that HCHC Recap I was not awarded AHP funds in this round and therefore, the schedule of values and amount of the taxable tail can be finalized.

Allowing an extension of the issuance deadline to March 15, 2016 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended, the Project will lose its allocation and the City of Los Angeles will lose the opportunity to rehabilitate 65 affordable housing units.

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 below are otherwise in full compliance and eligible for an issuance deadline extension under the CDLAC Regulations.

- 15-413 Briarcrest and Rosecrest Apartments**
- 15-364 Marcus Garvey Hismen Hin-Nu Apartments**
- 15-316 Las Cortes Apartments**

- March 15, 2016**
- March 15, 2016**
- March 15, 2016**

15-023 O'Farrell Towers Apartments
15-363 March Veterans Village Apartments
15-407 Copper Square Apartments
15-387 Sylmar Court Apartments
15-415 HCHC Recap I Apartments

January 20, 2016
March 15, 2016
March 15, 2016
March 15, 2016
March 15, 2016

RECOMMENDATION:

Staff recommends the approval of extensions of the issuance deadlines, up to ninety days, for all Projects noted above.

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