

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 13, 2013

Consideration and Approval of Issuance Date Extensions for Various Qualified Residential Rental Projects
(Agenda Item No. 5)

ACTION:

Approve various Issuance Date Extensions for the following projects:

BACKGROUND:

12-0104 Freeman Villas Apartments

The Freeman Villas Apartments Project (“Project”) received an allocation award through the City of Los Angeles Housing Department on September 26, 2012. The Project’s original issuance deadline was February 4, 2013; which the Executive Director extended to the Committee meeting date of March 13, 2013.

The City’s bond approval process requires approximately 10-12 weeks. To work within this timeframe, the developer sought equity proposals in October and learned that many investors were offering poor pricing or were not able to commit their funds due to the volatility of the market caused by uncertainty around the November election outcomes. For the same reason, the lenders with whom the developer had been negotiating were unable to commit to interest rate locks. The issues have been resolved; however, the timing for the City’s Bond approval process prevented the project from meeting the February 4, 2013 deadline.

Allowing an initial extension of the current issuance date to June 11, 2013 will ensure 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 rehabilitate 40 units of affordable housing.

12-085 Sequoia Manor Apartments; 12-086 Fuller Lodge Apartments; 12-090 EC Magnolia Apartments; 12-091 Redwood Lodge Apartments; 12-092 Eden Issei Terrace Apartments; 12-093 Olive Tree Apartments;

The Sequoia Manor Apartments; 12-086 Fuller Lodge Apartments; 12-090 EC Magnolia Apartments; 12-091 Redwood Lodge Apartments; 12-092 Eden Issei Terrace Apartments and 12-093 Olive Tree Apartments Projects (“Projects”) received an allocation award through the California Municipal Finance Authority on September 26, 2012. The Project’s original issuance deadline was February 4, 2013; which the Executive Director extended to the Committee meeting date of March 13, 2013.

The Projects were all originally financed with HUD 202 mortgages, and are all currently owned by Eden Housing, Inc. (the Project Sponsor). HUD approval to prepay the mortgages is required. At this time, only one of the six projects has been obtained HUD approval and the other five are still awaiting approval. This HUD portfolio is the first portfolio to seek prepayment approval under the new HUD prepayment policy. Although other individual projects have sought and obtained approval under the new policy, the portfolio involves cross-subsidization through the purchase price in order to enable the smaller projects to continue to serve very low-income disabled persons. HUD has indicated that the Project Sponsor’s structure is acceptable, but it has required interpretation of the new policy on a number of fronts within HUD. Although several months were allotted for this process, the lengthier amount of time processing these approvals and the additional requested submittals was unforeseen.

Allowing an initial extension of the current issuance dates to June 11, 2013 will ensure the issuance of the bonds for the Projects. If the issuance date is not extended, the Projects will lose its allocation and the Cities of Fremont, Hayward and San Leandro will lose the opportunity to rehabilitate a combined 254 units of affordable senior housing and 25 units of affordable family housing.

(12-120) Delta Prado Apartments and Delta Manor Apartments

The Delta Prado Apartments and Delta Manor Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority on November 14, 2012. The Project’s original issuance deadline was February 12, 2013; which the Executive Director extended to the Committee meeting date of March 13, 2013.

The Applicant is requesting an additional ninety-day extension on behalf of the Project Sponsor, DP-DM Housing Partners, L.P. The Project needs additional time to close due to delays in HUD’s delivery of the Section 8 “Comfort Letter”, which is a requirement of the private placement providers Union Bank, N.A and California Community Reinvestment Corporation. HUD has confirmed the letter will be provided within the requested timeframe.

Allowing an initial extension of the current issuance date to June 11, 2013 will ensure 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 Diego will lose the opportunity to rehabilitate 82 units of affordable housing.

(12-112) Palo Verde Apartments

The Palo Verde Apartments Project (“Project”) received an allocation award through the California Statewide Communities Development Authority on September 26, 2012. The Project’s original issuance deadline was February 22, 2013; which the Executive Director extended to the Committee meeting date of March 13, 2013.

The Applicant is requesting an additional sixty-day extension on behalf of the Project Sponsor, PVI Apartments, LP. As confirmed with HUD, the Project has been delayed due to the 20-year Section 8 HAP contract underwriting process.

Allowing an initial extension of the current issuance date to May 10, 2013 will ensure 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 Indio will lose the opportunity to rehabilitate 80 units of affordable housing.

(12-127) Los Robles Apartments

The Los Robles Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority on November 14, 2012. The Project’s original issuance deadline was February 22, 2013; which the Executive Director extended to the Committee meeting date of March 13, 2013.

The Applicant is requesting an additional ninety-day extension on behalf of the Project Sponsor. As confirmed with HUD, the Project has been delayed due to the HUD approval process to recapitalize the existing HUD 236 property. Said approval is needed before the Project Sponsor can finalize the transaction and issue bonds. HUD is currently in the process of approving and finalizing a rent increase and an amended and restated Use Agreement, and both should be received within the request timeframe.

Allowing an initial extension of the current issuance date to June 11, 2013 will ensure 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 Vista will lose the opportunity to rehabilitate 75 units of affordable housing.

(12-129) Congregational Tower Apartments

The Congregational Tower Apartments Project (“Project”) received an allocation award through the Housing Authority of the City of Chula Vista on November 14, 2012. The Project’s original issuance deadline was February 22, 2013; which the Executive Director extended to the Committee meeting date of March 13, 2013.

The Applicant is requesting an additional twelve-day extension on behalf of the Project Sponsor, Congregational Tower Apartments, LP. As confirmed with HUD, the project has been delayed due to the HUD waivers required to move forward with the existing mortgage prepayment and financing of the new 20-year Section 8 HAP contract.

Allowing an initial extension of the current issuance date to March 25, 2013 will ensure 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 Chula Vista will lose the opportunity to rehabilitate 186 senior units of affordable housing.

(12-139) MacArthur Apartments

The MacArthur Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority on December 12, 2012. The Project’s original issuance deadline was March 12, 2013; which the Executive Director extended to the Committee meeting date of March 13, 2013.

The Applicant is requesting an additional ninety-day extension on behalf of the Project Sponsor. The delay was due to the negotiations of the introduction of an FHA backed loan. Both the construction lender, Citibank N.A., and the equity partner had concerns over the ability of the project to eventually apply for a FHA backed loan. Citibank is currently the committed construction and permanent lender but the partnership plans to pursue an FHA backed loan at the end of construction should the rate and terms be favorable.

Allowing an initial extension of the current issuance date to June 11, 2013 will ensure 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 Oakland will lose the opportunity to construction 32 new units of affordable housing.

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

12-085 Sequoia Manor Apartments	June 11, 2013
12-086 Fuller Lodge Apartments	June 11, 2013
12-090 EC Magnolia Apartments	June 11, 2013
12-091 Redwood Lodge Apartments	June 11, 2013
12-092 Eden Issei Terrace Apartments	June 11, 2013
12-093 Olive Tree Apartments	June 11, 2013
12-104 Freeman Villas	June 11, 2013
12-120 Delta Prado and Delta Manor Apartments	June 11, 2013
12-112 Palo Verde Apartments	May 10, 2013
12-127 Los Robles Apartments	June 11, 2013
12-129 Congregational Tower Apartments	March 25, 2013
12-139 MacArthur Apartments	June 11, 2013

RECOMMENDATION:

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

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