

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 12, 2014

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

ACTION:

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

BACKGROUND:

Avila Avenue Apartments II (#14-086)

The Avila Avenue Apartments II Project (“Project”) received an allocation award through the California Municipal Finance Authority (“Applicant”) on July 16, 2014. The Project’s original issuance deadline was October 24, 2014; which the Executive Director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting a 90-day extension of the allocation expiration date to February 10, 2015 due to multiple delays. The Project Sponsor inadvertently noted an incorrect address on the Finding of No Significant Impact (FONSI) application, which caused the Department of Housing and Community Development to require a republishing of the notice with an additional 15-day comment period. In addition, the City of Parlier (“City”) had an error in their first attempt to handle the sub-administrative Request for Release of Funds (RROF) and this also caused a delay in the timing. Finally, requirements for changes to the Disposition and Development Agreement and the City’s approval of said changes took much longer than anticipated.

Allowing an extension of the issuance deadline to February 10, 2015 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 Parlier will lose the opportunity to construct 23 rural affordable housing units.

LDK Senior Apartments (#14-083)

The LDK Senior Apartments Project (“Project”) received an allocation award through the City of Los Angeles (“Applicant”) on July 16, 2014. The Project’s original issuance deadline was October 24, 2014; which the Executive Director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting a 90-day extension of the allocation expiration date to February 10, 2015. The Project’s tax credit investor determined that there were “true debt” problems that required resolution by reducing the interest rate on the Project’s soft debt. The Los Angeles Housing and Community Investment Department (“HCIDLA”) is working on a transmittal report through which the City Council and the Mayor will provide HCIDLA the authority to reduce the interest rate on a (former) redevelopment agency loan that will be utilized as a source of Project funding. The transmittal process will take approximately eight weeks.

Allowing an extension of the issuance deadline to February 10, 2015 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 construct 65 affordable senior housing units.

The Paseo at Californian Apartments (#14-082)

The Paseo at Californian Apartments Project (“Project”) received an allocation award through the City of Los Angeles (“Applicant”) on July 16, 2014. The Project’s original issuance deadline was October 14, 2014; which the Executive Director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting a 49-day extension of the allocation expiration date to December 31, 2014. The Project is changing private placement lenders from Wells Fargo, NA to Bank of America in order to take advantage of beneficial equity pricing arising from Bank of America's participation in a proprietary equity fund that is the source of tax equity for the Project. The extension is necessary to enable Bank of America to complete its due diligence and underwriting.

Allowing an extension of the issuance deadline to December 31, 2014 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 construct 52 affordable housing units.

Bill Sorros Community Apartments (#14-081)

The Bill Sorros Community Apartments Project ("Project") received an allocation award through the City of San Francisco on July 16, 2014. The project's original issuance deadline was November 3, 2014; which the executive director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting a 90-day extension of the allocation expiration date to February 10, 2015. The project was heading towards closing but there was concern that the remaining due diligence items, and conditions of approval could not be completed by original issuance deadline of November 3rd. These items included finalizing the Project's permanent financing documents due to delay in receiving comments from HUD. This in turn had delayed the receipt of some ministerial approvals as they relate to pedestrian access and traffic conditions during project mobilization. These issues are all in the process of being resolved and addressed accordingly and should be dealt with shortly. An expected date of closing around November 17th is now a more likely closing date.

Allowing an issuance extension deadline to February 10, 2015 will ensure the issuance of the bonds for the Project. If the issuance deadline is not extended the Project will lose its allocation and would jeopardize the City's ability to construct 66 new affordable housing units.

South Hayward BART Family & Senior Affordable Apartments (#14-078)

The South Hayward BART Family & Senior Affordable Apartments Project ("Project") received an allocation award through the Housing Authority of the City of Hayward ("Applicant") on July 16, 2014. The Project's original issuance deadline was October 14, 2014; which the Executive Director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting an extension of the allocation expiration date of December 12, 2014. Since the allocation was made, the City has been actively engaged with the project sponsor, Eden Housing Inc. ("Eden") to close the financing in tandem with the commencement of a market rate development by AMCAL on an adjacent site (which includes the former BART property) (the "Market Rate Component Project"). The financing of both projects includes funding through the Infill Infrastructure Grant ("IIG") and Transit Oriented Development Housing ("TOD") Programs administered by the State of California Department of Housing and Community Development ("HCD"). At present, the City and Eden are faced with certain issues out of their control which, in order to complete the financing, require additional time.

An easement and maintenance agreement for the Project cannot be recorded until AMCAL has recorded its final map and associated access easement to both the Project and the Market Rate Component Project. AMCAL has confirmed that the map is being circulated for signature by the City of Hayward and its Housing Authority and is expected to be recorded by October 31st. The IIG and TOD standard agreements, as well as ancillary disbursement agreements, need to be amended to accommodate edits requested by Eden and Wells Fargo, the Project's lender and equity investor. HCD has estimated that their review of such edits can take up to two weeks, or roughly through the end of October.

Allowing an issuance extension deadline to December 12, 2014 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 Hayward will lose the opportunity to construct 150 new affordable family and senior housing units.

Westminster Manor Apartments (#14-079)

The Westminster Manor Apartments Project (“Project”) received an allocation award through the Housing Authority of the City of San Diego (“Applicant”) on July 16, 2014. The Project’s original issuance deadline was October 14, 2014; which the Executive Director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting a 90-day extension of the allocation expiration date to February 10, 2015. The Project is currently subject to two separate Project-based Section 8 Housing Assistance Payment (HAP) Contracts for 51 and 70 units, respectively. The Project’s financing structure requires that a new 20-year HAP Contract be executed prior to closing. The sponsor has been diligently working to obtain two HAP Renewal Contracts from the U.S. Department of Housing and Urban Development (HUD) over the past several months. HUD provided the first HAP Renewal Contract on October 16, 2014. Although the Project Sponsor expects the second contract to be released in the immediate future, there is a possibility that HUD might not provide the second contract by the current allocation expiration date; thereby preventing the Project Sponsor from being able to close financing. Given the potential delay in schedule, the Housing Authority would like to formally request an additional extension to February 10, 2015.

Allowing an issuance extension deadline to February 10, 2015 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 Diego will lose the opportunity to rehabilitate 150 affordable senior housing units.

Camphora Apartments (#14-069)

The Camphora Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority (“Applicant”) on July 16, 2014. The Project’s original issuance deadline was October 14, 2014; which the Executive Director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting a 90-day extension of the allocation expiration date to February 10, 2015. The Project has been delayed as the result of two main issues: 1) the loss of the general contractor; and 2) the negotiations of a final settlement of South County Housing (the “Developer”) debts with its creditors’ and the subsequent transition of assets and liabilities to Eden Housing.

Allowing an extension of the issuance deadline to February 9, 2015 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 Soledad will lose the opportunity to construct 44 new affordable housing units.

Villa Primavera Apartments (#14-042)

The Villa Primavera Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority on July 16, 2014. The Project’s original issuance deadline was October 14, 2014; which the Executive Director extended to the Committee meeting date of November 12, 2014.

The Applicant is now requesting a 90-day extension of the allocation expiration date to February 10, 2015. The Project has been delayed because the Project Sponsor applied for a new Community Development Block Grant following the award of allocation and recently received approval for the additional funds on September 23, 2014. The developer was unaware of the availability of funds until after receiving an allocation from CDLAC. This unforeseen source of funds has enabled the project to be more financially sound. With this new funding source, the closing process has slowed due to the need to incorporate new related documents into the deal.

Allowing an extension of the issuance deadline to February 10, 2015 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 Calexico will lose the opportunity to construct 47 new 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.

14-086	Avila Avenue Apartments II	February 10, 2015
14-082	The Paseo at Californian Apartments	December 31, 2014
14-083	LDK Senior Apartments	February 10, 2015
14-078	South Hayward BART Family & Senior Affordable Apartments	December 12, 2014
14-079	Westminster Manor Apartments	February 10, 2015
14-081	Bill Sorro Community Apartments	February 10, 2015
14-069	Camphora Apartments	February 10, 2015
14-042	Villa Primavera Apartments	February 10, 2015

RECOMMENDATION:

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

Prepared by Richard Fischer/ Brian Clark/ Devon King/ Sarah Lester