

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 20, 2015

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:

Friendship Manor & Triangle Court Apartments (15-002)

The Friendship Manor & Triangle Court Apartments Project (“Project”) received an allocation award and supplementals through the City of Richmond Housing Authority (“Applicant”) on January 15, 2014; May 21, 2014 and January 21, 2015 respectively. The Project’s initial deadline for its most recent January 15, 2014 award was April 21, 2015; which the Executive Director extended to the Committee meeting date of May 20, 2015.

The Applicant is now requesting a 90-day extension of the allocation expiration date to August 18, 2015. The Investor (the Richman Group) required significant revisions to the Project's rehabilitation scope. As a result, the Project Sponsor and the Investor engaged in extensive due diligence - including updating the Project Needs Assessment (PNA) - in order to resolve a final rehabilitation scope and budget. The updated PNA has been completed and reviewed and the Investor and Project Sponsor are now in agreement with regard to the increased scope of work. The revised rehabilitation scope resulted in a cost increase in addition to the general cost increases resulting from escalating construction costs in the market. The Project Sponsor has been working diligently to secure the needed funds from the City of Richmond.

Resolution of these items stalled work on other aspects of the transaction, including production of loan documents, partnership agreements, etc. The documentation and closing process will now recommence with the expected resolution of the outstanding items (including Council approval of additional funds from the City of Richmond). The extension will allow sufficient time to complete all aspects of the documentation and closing process.

Allowing an extension of the issuance deadline to August 18, 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 Richmond will lose the opportunity to rehabilitate 154 affordable family housing units.

Eastgate at Creekside Apartments (14-311)

The Eastgate at Creekside Apartments Project (“Project”) received an allocation award through the California Municipal Finance Authority (“Applicant”) on December 10, 2014. The Project’s original issuance deadline was March 20, 2015; which the Executive Director extended to the Committee meeting date of May 20, 2015.

The Applicant is now requesting a 90 day extension of the allocation expiration date to August 18, 2015. The Project experienced a delay in closing due to a failed 50% test resulting from increased project costs. The Project must receive an addition \$1,000,000 in allocation to meet the test. The Applicant will apply for supplemental allocation on May 15, 2015 for the July 15, 2015 CDLAC allocation meeting. The Project is scheduled to issue bonds in late July 2015.

Allowing an extension of the issuance deadline to August 18, 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 Marcos will lose the opportunity to construct 41 affordable housing units.

Normandie Senior Housing Apartments (14-137)

The Normandie Senior Apartments Project (“Project”) received an allocation award on March 19, 2014 and a supplemental allocation award on December 10, 2014. The Project’s initial issuance deadline for its most recent December 10, 2014 award of allocation was March 20, 2015; which the Executive Director extended to the Committee meeting date of May 20, 2015.

The Applicant is now requesting a 90-day extension of the allocation expiration date to August 18, 2015. The Project requires an extension of the issuance deadline in order to allow for the continued resolution of a technical issue relating to the 50% test and allocation of available bond proceeds. Resolution of the issue will require approval by the City of Los Angeles’ City Council and Mayor.

Allowing an extension of the issuance deadline to August 18, 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 74 affordable senior 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.

15-002	Friendship Manor & Triangle Court Apartments	August 18, 2015
14-311	Eastgate at Creekside Apartments	August 18, 2015
14-137	Normandie Senior Housing Apartments	August 18, 2015

RECOMMENDATION:

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

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