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Title: CONSIDER AN OWNER PARTICIPATION AGREEMENT (OPA) BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND LOS ANGELES HOUSING PARTNERSHIP, INC. AND THE RICHMAN GROUP OF CALIFORNIA DEVELOPMENT COMPANY, LLC FOR THE REHABILITATION AND RE-SYNDICATION OF THE CARSON TERRACE AFFORDABLE HOUSING PROJECT AND A NEW LOAN FOR THE PROPERTY 632 EAST 219TH STREET (HOUSING AUTHORITY)

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Attachments: 1. Exh 1 - 06-01-99 OPA (Carson Terrace), 2. Exh 2 - Resolution No. 18-165, 3. Exh 3 - Public Hearing Notice and Minutes (HACoLA), 4. Exh 4 - Draft from City 4.30.19 #2, 5. Exh 5 - Appraisal-Carson Terrace Senior Apartments- 8-2019, 6. Exh 6 - 190328 Carson Terrace Precedents

Date	Ver.	Action By	Action	Result
5/7/2019	1	City Council		

Report to Housing Authority

Tuesday, May 07, 2019

Consent

SUBJECT:

CONSIDER AN OWNER PARTICIPATION AGREEMENT (OPA) BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND LOS ANGELES HOUSING PARTNERSHIP, INC. AND THE RICHMAN GROUP OF CALIFORNIA DEVELOPMENT COMPANY, LLC FOR THE REHABILITATION AND RE-SYNDICATION OF THE CARSON TERRACE AFFORDABLE HOUSING PROJECT AND A NEW LOAN FOR THE PROPERTY 632 EAST 219TH STREET (HOUSING AUTHORITY)

I. SUMMARY

On June 1, 1999, the former Carson Redevelopment Agency ("Agency"), entered into an Owner Participation Agreement ("OPA") with Carson Terrace, L.P., ("Original Owner") of the 63 senior citizen apartment project (one of which is a manager's unit), a tax credit affordable housing project (Exhibit No. 1). Carson Terrace, L.P. includes Los Angeles Housing Partnership, Inc. a California non-profit public benefit corporation ("LAHP") as general partner, and LAHP Holdings III, LLC as the limited partner.

In 2012, upon dissolution of redevelopment agencies by State action, the Carson Housing

Authority (Authority") was created and became the successor in interest to the Agency's role in the OPA.

A Joint Development Agreement was executed between LAHP and The Richman Group of California Development Company, a California limited liability company ("TRG") in February 2018. LAHP and TRG are now collectively the "New Developer," and this action is to allow the Authority to enter into a new OPA with the New Developer, which will also terminate the Original OPA upon closing.

The New Developer is the lead for the Carson Terrace Rehabilitation and Re-syndication Project, which will consist of a sale, refinance and rehabilitation of the building to make the necessary repairs and upgrades to the exterior and interior of the property due to deferred maintenance and other issues. A new loan is being obtained to consolidate the debt to ensure project will meet its financial obligations. Once the new loan is in place the Original OPA shall be deemed terminated.

On December 18, 2017, the City Council Housing Subcommittee reviewed the proposal to refinance and rehabilitate the Project. In 2018 Staff recommended the Project for Community Development Block Grant funds, but Council directed Staff and the Developer to return with funding assistance from a different source, such as the Housing Authority, and to preserve the use of CDBG funds for other non-housing projects.

The Developer continued to seek other non-City sources of funds as well. On December 4, 2018 the City Council approved Resolution 18-165, authorizing the Housing Authority of the County of Los Angeles ("HACoLA") to issue tax exempt bonds in the amount of $8,000,000 towards the rehabilitation project (Exhibit No 2). This action by the City is required under Federal tax law, since the issuance of tax-exempt financing would occur within the City's jurisdiction. On January 18, 2019 a Public Hearing was held by HACoLA on the issuance of the Project's tax exempt bonds (Exhibit No.3).

Staff is now requesting the City Council acting as the Housing Authority Board to consider a new OPA between the Carson Housing Authority and Los Angeles Housing Partnership, Inc. and The Richman Group of California Development Company, LLC to facilitate the sale, rehabilitation and re-syndication of the Project (Exhibit No.4).

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE an Owner Participation Agreement by and between the Carson Housing Authority and Los Angeles Housing Partnership, Inc., and The Richman Group of California Development Company, LLC, following approval as to form by the Authority Counsel.

2. AUTHORIZE the Authority Chairman to execute the OPA and all related documents.

3. AUTHORIZE the Executive Director of the Authority to authorize or approve any minor modifications needed to the OPA with a financial impact less than $25,000, following approval as to form by the Authority Counsel.

1.

III. ALTERNATIVES

TAKE another action the council deems appropriate.

IV. BACKGROUND

On June 1, 1999, the Agency approved an OPA with Carson Terrace, L.P., to provide a $2,298,996 loan to assist the Project, which was also financed with tax-exempt bonds, 4% low income housing tax credits, and an annual Agency (now Authority) Rental Subsidy. Carson Terrace L.P., the Original Developer, now proposes to sell the Project to a new partnership of LAHP and TRG (New Developer), whereas LAHP Holdings III, will remain the non-profit partner. The New Developer has secured a loan from the Affordable Housing Program of the Federal Home Loan Bank Board (AHP) in the amount of $550,000 for capital funding. An application to secure the 4% tax credits and tax exempt bonds will be submitted on May 17, 2019 by TRG.

The New OPA will result in the following benefits:

- Provide for new (55) year affordability covenants to the Housing Authority.
- Create a new financial impact with positive cash flow and repayment of its residual receipts commitments to the Authority.
- Update the Project to current Title 24 Standards.
- Improve energy efficiency by at least ten percent (10%)
- Improve Landscaping to meet the state's Model Water Efficient Landscape ordinance.
- Improve building exterior aesthetics.
- Install upgraded appliances in the units and communal areas to ENERGY STAR rated appliances.
- Comply with California Building Code Chapter 11(B) by providing at least ten (10%) of the units with mobility features and four percent (4%) communication features.
- Obtain Cal-green code certification.
- Expend approximately $45,000 per unit in total construction related costs (including the foregoing elements).

The Project will improve the exterior aesthetics, undertake a significant upgrade to the unit interiors that have not yet been renovated, and improve energy efficiency in the overall building.

Rental Subsidy

The Original OPA contains a rental assistance payment of $73,320 annually from the Authority for 11 units (expiring in 11 years), or about $611 per month per unit. The New OPA continues the same financial obligation of the Authority, but in the New OPA the $73,320 will subsidize 10 units, not the current 11, increasing the per-unit per month subsidy slightly.

In addition, in the New OPA the Authority would agree to a “float up” concept in which lower rent limits associated with the existing Authority regulatory agreement (the very low income units at 50% of AMI) are allowed to “float up” to low income units (at 60% of AMI) over time, but only for new residents if current residents move out or otherwise do not renew their leases.

Authority Loan and Sources of Funds

The Project will transfer ownership and title to the Property to the New Developer for the appraised value (estimated to be $6,000,000) to close concurrently with a new construction loan (Exhibit No. 5). Upon approval of the New OPA from the Authority the New Developer will apply for 4% tax credits from California Tax Credit Allocation Committee (“TCAC”) by May 17, 2019. The Original OPA will terminate once escrow closes on the transfer of the land to the New Developer. After the New OPA there will effectively be two OPAs in place until the closing of the land transfer. If the land transfer never happens then the New OPA will terminate and the Original OPA will remain in place.

The Sources and Uses of funds are shown below:

Acquisition Price	$6,000,000
Less: Payoff Original Tax Credit Investor	($250,000)
Less: Repayment of permanent debt balance	($1,716,267)
Net Proceeds from Sale	$4,033,733
(New Residual Receipt Loan to Authority)	
Original Residual Receipts Loan	$2,296,988
Total accrued interest as of (12-31-18)	$2,041,990
Total outstanding	$4,337,978

Sources of Funds	**Construction**	**Permanent**
Tax Credits	627,100	4,180,669
Construction Loan	7,133,026	0
Permanent Loan - Tranche A	0	1,867,000
Permanent Loan - Tranche B (City Rental Subsidy)	0	573,211
Permanent Loan - Tranche C (County Rental Subsidy)	0	2,031,017

Acquisition/Donation	4,033,733	4,033,733
AHP	0	550,000
Deferred Development Fee	1,274,022	0
NOI During Construction	90,000	90,000
Existing Reserves & Other Deferred Costs	681,749	514,000
Total	**13,839,630**	**13,839,630**

Based on the acquisition price of $6,000,000, paid by the New Developer to the Original Developer, and the need for the original project debt to be paid off from those proceeds, the Authority would receive approximately $304,245 less in loan repayment than the amount of the original principal balance plus the accrued interest (the Authority would receive $4,033,733 vs. $4,337,978 due). Since the entire loan repayment proceeds would be pledged back to the Project as part of the capital stack, however, the Authority would forgive the deficiency.

To the extent any interest or principal on the loan is forgiven, that is a taxable event for the New Developer limited partnership. Limited Partnerships are pass-through entities for tax purposes so the taxable event will hit the partners of the limited partnership. Since the partnership that currently owns the project is owned by non-profit partners with income tax liability the intent is to have the taxable event of the forgiveness of interest hit the current partnership.

Therefore, the Original Developer has requested that the Authority forgive the sum of $335,000 ("Forgiven Amount") of the accrued interest under the Original Note prior to the closing of the sale of the Property and Project to the New Developer. However, Original Developer recognizes that in the event that the sale of the Property to the New Developer under the Purchase and Sale Agreement and the Loan Closing under the New OPA are not consummated, the Forgiven Amount would be reversed and Original Developer will cooperate with Authority to amend the Original Note accordingly.

Rehabilitation Project and Uses of Funds

The total Project budget is estimated to be $13,839,630. This budget is based on new Developer receiving 4% Tax Credit award from TCAC within 12 months of the Authority's approval of the New OPA.

Uses of Funds	
Land	6,000,000
Land Related (transfer, closing, title, etc.)	100,000
Architecture & Engineering	650,000
Permits & Fees	75,000
Construction Costs	4,000,254
Financing	586,000
Legal	150,000
Temporary Relocation	140,000

Other Soft Costs (FF&E, Accounting, Reserves, Insur	538,376
Developer Fee	1,600,000
Total	**13,839,630**

Upon completion of the sale and rehabilitation the Project will be managed by Richman Property Services ("RPS"), who will work with the New Developer, the tenants and the Authority to insure the highest level of service and collaboration. The Management fees shall not exceed 5% of the Effective Gross Income. The Developer has provided images of the proposed renderings to be prepared by the architect. (Exhibit No. 6).

The affordability of the units under the Original OPA and under the New OPA is shown in the table below:

Summary of Units - Existing & Proposed

Affordability Restrictions	Original OPA	New OPA
VLI CRL (State) / 50% AMI TCAC	10 (city rental subsidy)	10 (county rental subsidy)
VLI CRL (State) / 50% AMI TCAC	3 (city rental subsidy)	3 (county rental subsidy)
VLI CRL (State) / 60% AMI TCAC	2 (city rental subsidy)	2 (county rental subsidy)
LI CRL (State) / 60% AMI TCAC	5 (city rental subsidy)	5 (county rental subsidy)
LI CRL (State) / 60% AMI TCAC	10 (city rental subsidy)	10 (city rental subsidy)
MI CRL (State) / 60% AMI TCAC	31	32
Additional Unit	1	0
Manager Unit	1	1
Total	**63**	**63**

V. FISCAL IMPACT

There is no additional financial impact to the Housing Authority, as the original loan proceeds will be paid back to the Authority and lent back to the New Developer as part of the financing for the project.

VI. EXHIBITS

1. June 1, 1999 OPA (Pgs. 7-57)
2. Resolution 18-165 dated December 4, 2108 (Pgs. 58-59)
3. Public Hearing Notice and Minutes (HACoLA) (Pgs. 60-61)
4. New OPA (Pgs. 62-183)
5. Appraisal (Pgs. 184-356)
6. Images of proposed project (Pgs. 357-359)

Prepared by: Debra Scott, Housing Rehabilitation Finance Counselor