

NH&RA Spring Developers Forum

Bond Financing Roundtable

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For additional information contact:

Ian Parker
Managing Director – Multifamily West Origination Group
ian.parker@rbccm.com
(415) 823-1314



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Case Study – Housing Authority of the City of Los Angeles

Property

- 22121 Clarendon Street, Woodland Hills, CA 91367
- Class A market-rate apartment building completed in 2020
- Regulatory agreement requires 24 units to be set aside for tenants at 30% Area Median Income (“AMI”) (RAD/Faircloth), 26 units at 50% AMI (RAD/Faircloth), 16 units at 50% AMI (non-RAD/Faircloth), 46 units at 80% AMI, 133 units at 120% AMI, and 88 units at 150% AMI
- Located near Topanga Village shopping center, several medical centers, and major roadways
- Financing is non-recourse with no direct impact on the Sponsor’s debt capacity
- Building is in a High Resource Area according to the TCAC / HCD Opportunity Map
- 335 units
 - 51 studios, 134 one bedrooms, 139 two bedrooms, 9 three bedrooms, and 2 manager units
- Amenities include an on-site clubhouse, fitness facility, whirlpool and sauna, basketball court, swimming pool, and EV charging stations

Notable Features

- Property was built in 2019 and owned by HPI, the property is exempt from taxation pursuant to California Health and Safety Code Section 34400(b)(2) because HPI is a nonprofit public benefit corporation that is controlled by HACLA
- HACLA utilized Section 103 of the Internal Revenue Code (IRC) to issue tax-exempt bonds to fund the acquisition
- RBC Capital Markets utilized an investor roadshow with substantial investor outreach in the weeks preceding pricing
- Senior Bonds are comprised of serial and term bonds which amortize over 35 years, while Subordinate Bonds utilize a ‘turbo’ amortization feature



Transaction Overview

Project Name	Clarendon Apartments
RBCCM Role	Sole Manager
Deal Size	\$138,495,000 issuance – 100% Tax Exempt
Series 2024A	\$88,695,000 Senior Bonds Rated A- by Fitch
Series 2024B	\$49,800,000 Subordinate Bonds nonrated
Sale Date	December 5, 2024
Closing Date	December 23, 2024

Sources & Uses

11% of the total sources funded by soft loan and sponsor equity, 89% funded with debt

Sources and Uses

Sources:	Equity and Soft Debt	Series 2024A Senior	Series 2024B Subordinate	Total
Principal Amount of Bonds	\$ -	\$ 88,695,000.00	\$ 49,800,000.00	\$ 138,495,000.00
Foundation Loan	5,000,000.00			5,000,000.00
HACLA Equity	12,505,436.11			12,505,436.11
Total Sources	\$ 17,505,436.11	\$ 88,695,000.00	\$ 49,800,000.00	156,000,436.11

Uses:	Equity and Soft Debt	Series 2024A Senior	Series 2024B Subordinate	Total
Acquisition Costs	\$ 14,517,436.11	\$ 80,570,563.89	\$ 46,812,000.00	\$ 141,900,000.00
Capital Improvements		550,000.00		550,000.00
Soft Costs		651,931.00		651,931.00
Transition Fund		1,415,273.00		1,415,273.00
Operating Reserve Fund	-	731,633.00		731,633.00
Replacement Reserve	-	93,750.00		93,750.00
Debt Service Fund for Senior Bonds	-	2,483,367.50		2,483,367.50
Debt Service Fund for Subordinate Bonds			2,988,000.00	2,988,000.00
Subordinate Bond Coverage Reserve Fund	2,988,000.00			2,988,000.00
Cost of Issuance		2,198,481.61		2,198,481.61
Total Uses	\$ 17,505,436.11	\$ 88,695,000.00	\$ 49,800,000.00	\$156,000,436.11

Deal Structure

Structure				
Maturity	Type	Par (\$000)	Yield	Spread (bps)
06/01/2027	Serial	600	3.20%	+70
12/01/2027	Serial	605	3.20%	+70
06/01/2028	Serial	620	3.25%	+73
12/01/2028	Serial	620	3.25%	+73
06/01/2029	Serial	640	3.30%	+77
12/01/2029	Serial	645	3.35%	+80
06/01/2030	Serial	660	3.40%	+84
12/01/2030	Serial	665	3.45%	+88
06/01/2031	Serial	685	3.55%	+98
12/01/2031	Serial	690	3.60%	+101
06/01/2032	Serial	710	3.65%	+105
12/01/2032	Serial	715	3.70%	+106
06/01/2033	Serial	735	3.75%	+108
12/01/2033	Serial	740	3.80%	+113
06/01/2034	Serial	770	3.85%	+115
12/01/2034	Serial	765	3.90%	+117
12/01/2039	Term	8,630	3.95%	+101
12/01/2044	Term	10,545	4.15%	+86
12/01/2049	Term	13,000	4.35%	+85
12/01/2054	Term	16,145	4.40%	+83
12/01/2059	Term	20,120	4.50%	+93
12/01/2061	Term	9,390	4.55%	+98
12/01/2064	Term*	49,800	6.00%	+243
Total		\$ 138,495		

*Subordinate piece

Series 2024A - Senior

- Par amount of \$88,695,000
- 2 years of interest only payments
- 33 years of level amortizing debt service

Series 2024B - Subordinate

- Par amount of \$49,800,000
- Subordinate Bond Coverage Reserve Fund released upon achieving two consecutive years of 1.15x debt service coverage or greater
- A portion of the excess revenues from the project will be used to pay down Subordinate bond principal. Balance released to HPI / Sponsor using 'turbo' amortization
 - Turbo amortization is the repayment of the subordinate loan using excess cash flow from the property

Rent Breakdown

Income Restriction Level	# of Units
30% AMI (RAD/Faircloth)	24
50% AMI (RAD/Faircloth)	26
50% AMI (non-RAD/Faircloth)	16
80% AMI	46
120% AMI	133
150% AMI	88
Manager Units	2
Total	335

- The project will transition from predominantly market-rate units to a mix of 50 subsidized Section 8 units under HUD's Restore-Rebuild program and 285 Area Median Income (AMI)-restricted units
- AMI-restricted units will have rents capped between 30% and 150% of AMI based on unit size, aiding affordability across a range of income levels. Annual rent increases are limited to 4%, providing stability for tenants.
- The mix of subsidized and AMI-restricted units offers rents below market rates while maintaining strong demand
- The property benefits from HACLA's waitlist and high occupancy rates

Unit Summary by Bedroom Type and Maximum Rent

Bedrooms	Number	Avg. In Place	Market	Faircloth PBV	Maximum by Income Restriction Level					
					30% AMI	50% AMI	80% AMI	120% AMI	150% AMI	LAHD
Studio	51	\$ 2,254	\$ 2,495	\$ 2,796	\$ 728	\$ 1,214	\$ 1,942	\$ 2,495	\$ 2,495	\$ 910
1BR	134	2,499	2,734	3,072	780	1,300	2,080	2,734	2,734	1,038
2BR	139	3,223	3,595	3,769	936	1,560	2,496	3,595	3,595	1,230
3BR	9	3,197	4,230	4,647	1,082	1,803	2,885	4,230	4,230	1,803
Manager	2									
Total	335	\$ 2,782	\$ 3,097	\$ 3,363	\$ 845	\$ 1,409	\$ 2,254	\$ 3,097	\$ 3,097	\$ 1,119

Rating Strategy



- ✓ **Strong Demand for Affordable Housing**
- ✓ **Revenue Stability from Subsidized Units**
- ✓ **Robust Debt Service Coverage**
- ✓ **HACLA's Expertise and Oversight**
- ✓ **Favorable Market Conditions**
- ✓ **Comprehensive Reserve Funds**
- ✓ **Stress Testing and Financial Resilience**

- Fitch considered the high demand for affordable housing in Los Angeles, supported by HACLA's waitlists and the property's desirable location, supporting strong occupancy rates
- The inclusion of 50 subsidized Section 8 project-based HAP contract units provides predictable rental revenue, while AMI-restricted units further enhance revenue stability
- Stress tests demonstrated a minimum DSCR of 1.5x, with averages of 1.58x over the first 10 years and 1.86x over the life of the bonds, meeting Fitch's benchmarks for an A- rating
- Fitch factored in HACLA's significant track record in managing affordable housing, its ability to control costs, and its statutory exemption from property taxes
- The project benefits from a strong rental market with annual rent growth averaging 3%-4%, supported by AMI caps and limited affordable housing supply in the area
- The bonds are backed by multiple reserves, including a debt service reserve fund, operating reserves, and a transition fund to mitigate risks during the conversion period
- Fitch applied rigorous stress scenarios for revenue growth, expense growth, and vacancy rates*, confirming the project's ability to maintain financial stability and meet debt obligations

**re-tenanting assumptions*