

# THE BOND BUYER

## Why Los Angeles may market a \$300 million GO deal as 'social bonds'

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LOS ANGELES — The Los Angeles City Council may vote Wednesday to sell \$300 million in “social bonds” to fund housing for homeless people.

If the City Council agrees, the city will apply the "social bonds" designation to \$300 million of taxable general obligation bonds it will sell in June. The city also plans to refund \$53 million in 2009 GOs, with the refunding split evenly between taxable and tax exempt debt.

The projects being funded by the bonds meet the criteria for social bonds outlined in June 2, 2017 by the International Capital Market Association, according to City Administrative Officer Richard Llewelyn.

Under the ICMA criteria, the city must provide annual reports tracking spending of the bond proceeds. The city plans to meet that objective by posting annual reports on the Municipal Securities Rulemaking Board’s EMMA website.

The vote comes days after the Los Angeles Homeless Services Authority released its annual homeless count May 31 showing a 5% decline in the city’s homeless population to 31,516.

“The numbers from this year’s homeless count show real progress, even as we face the challenges of tomorrow,” Los Angeles Mayor Eric Garcetti said in a statement.

The bond sale would be the second since voters approved the \$1.2 billion Proposition HHH bond measure in November 2016 to target the homeless crisis.

Los Angeles sold \$86.7 million in July 2017 to provide gap financing on eight projects totaling 615, units leaving roughly \$1.1 billion in bond authority available ahead of the proposed sale, according to Llewellyn’s report.

Garcetti says Los Angeles has a new approach to homelessness, resulting in a unified team replacing the city's old dysfunctional methods.

He pointed to the county's March 2017 success in passing Measure H, a sales tax that is expected to pay for services to lift 45,000 people out of homelessness, as well as the city's Proposition HHH, which is estimated to fund 10,000 units in 10 years.

The city also passed an affordable housing linkage fee, a fee on development that is expected to bring in \$100 million annually when it takes effect in 2019. Garcetti is also one of 10 mayors lobbying Gov. Jerry Brown to dedicate \$1.5 billion of the state's \$6 billion budget surplus to help cities tackle homelessness.

The "social bonds" would finance 24 housing and 22 facilities projects in fiscal 2018-19 with total project costs of \$276.2 million, Llewellyn said.

The City Council approved the 24 housing projects on May 29 with total costs of \$238.5 million that would create 1,517 units. Under the provisions of Proposition HHH, 50% of the units have to be reserved for homeless individuals and families and half of the units have to go to chronically homeless people.

Another \$37.7 million was approved that day by the council to build or improve city and non-city owned facilities that provide services to the homeless.

The sale would result in annual estimated debt service payments of \$19.3 million over 20 years, according to Llewellyn's report.

The refunding is expected to realize \$4.3 million in net present value savings over the life of the bonds, Llewellyn said.

After the sale, the city's debt ratio would be 6.01% and the issuances would not result in the city's debt service payments exceeding 15% of general revenues, the report said.