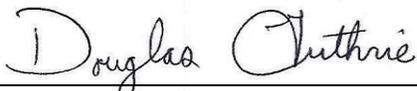
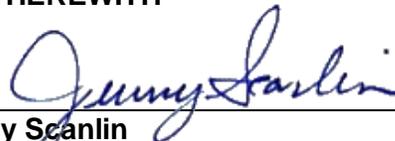


RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO TAKE ALL ACTIONS NECESSARY TO ASSEMBLE A FINANCING TEAM TO FINANCE THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES MORTGAGE REVENUE BONDS (UNION PORTFOLIO PROJECT) 2020 SERIES C, THROUGH THE SALE OF TAX-EXEMPT FIXED-RATE MORTGAGE REVENUE BONDS IN AN AMOUNT NOT TO EXCEED \$22,000,000 AND PROVIDING AND AUTHORIZING THE EXECUTION AND DELIVERY OF ALL RELATED DOCUMENTS, CERTIFICATES AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH



Douglas Guthrie
President & CEO



Jenny Scanlin
Chief Strategic Development Officer

Purpose: To initiate activities leading to low-cost permanent financing for that portion of expenses attributable to the acquisition and renovation of the Parthenia and Martel properties (described below) not funded by a grant award received from the State of California’s Housing and Community Development Department’s Homekey Program, as well as permanent financing for the acquisition and renovation of one or more residential properties to be identified at a future date. The permanent financing would consist of long-term debt (“2020 Series C Bonds”) to be issued through a supplemental indenture to the Authority’s 2020 Mortgage Revenue Refunding Bonds (Union Portfolio Project), Series A, and Mortgage Revenue Bonds Series B (collectively, the Series A and Series B are the “2020 Bonds”). The 2020 Bonds were issued in May 2020 and are outstanding in the amount of \$31,170,000 (principal). The 2020 Series C Bonds are anticipated to fully amortize over a period of 30 years from the date of issuance. Once bond documents are in substantially final form, staff will return to the Board of Commissioners (“BOC”) to request specific authorization to proceed with the issuance of the 2020 Series C Bonds. At this time, staff is requesting authorization to assemble the financing team to prepare for the issuance of the 2020 Series C Bonds.

To evaluate the merits of issuing additional 2020 Bonds to fund new capital expenditures, such as costs incurred to acquire, construct, renovate, repair or improve land, buildings and equipment, pay certain capitalized interest and other costs relating to Parthenia, a 41-unit multifamily residential property located at 15230 Parthenia Street, North Hills, CA 91343 (“Parthenia”); Martel, an 11-unit multifamily residential property located at 1643 N. Martel Avenue, Los Angeles, CA 90046 (“Martel”); and one or more additional properties to be identified at a future date (collectively, the “Properties”).

To eventually place the Properties under the ownership of the Housing Opportunity Corporation (“HOC”), an instrumentality of the Authority, in an effort to mitigate the risks and liabilities to the Authority associated with operation and management of the Properties. Proceeds from the 2020 Bonds were used to refinance the prior acquisition of the Bella Vista Apartments, and the financing of Clemson Corbett, Laveta Terrace and Union Tower (the “Four Properties”), and to acquire the Tobias Apartments, and all five of these properties were put under the ownership of HOC.

Regarding On August 27, 2020, the BOC, by Resolution No. 9625, approved amending the City National Bank revolving line of credit facility previously authorized, under Resolution No. 9589 on April 23, 2020, to ready the revolving line of credit as an interim source to assist in covering HACLA’s match for the purchase of properties under the State’s Homekey Program with the intention of quickly placing the properties upon initiation of lease up in a new bond series or to use conventional financing as permanent debt.

On September 24, 2020, the BOC, approved the purchase of Parthenia and Martel and directed staff to take all related actions to close on the acquisitions and meet Project Homekey regulations.

Issues:

Background:

The Housing Authority of the City of Los Angeles (the “Authority”) is authorized pursuant to the Housing Authorities Law (Sections 34200 *et seq.* of the California Health and Safety Code) (the “Act”) to issue bonds.

In May 2020, the Authority issued the 2020 Bonds to refinance its 2009 Mortgage Revenue Refunding Bonds (“2009 Bonds”) which, after a ten-year non-callable period, became eligible for optional call and redemption by the Authority in June 2019. The refinancing permitted the Authority to take advantage of the current low interest rate environment. The lower interest rates made it possible for the Authority to acquire a new property, the Tobias Apartments, while maintaining aggregate annual debt service for the 2020 Bonds at or below the annual debt obligation the Authority had been paying on the 2009 Bonds. The Trust Indenture for the 2020 Bonds, approved by the BOC through Resolution No. 9551 (December 19, 2020) allowed for the issuance of additional bonds under a supplemental indenture and the Authority intends to take advantage of the current low interest rate environment to finance the Properties and minimize costs of issuance that would be incurred under a separate bond issuance not tied to the 2020 Bonds.

The interest rate coupons on the 2020 Bonds range from 2.0% (2025) to 5.0% (2044). The interest rate coupons on the 2020 Series C Bonds are estimated to range between 2.000% and 5.000%, but these rates could shift up or down due to changes market conditions, characteristics of the debt structure, and other adjustments. The chart below provides a side-by-side comparison of the key terms of the 2020 Bonds versus the proposed 2020 Series C Bonds:

Comparison of 2020 Bonds and the 2020 Series C Bonds:

	<i>2020 Bonds</i>	<i>2020 Series C Bonds</i>	
Original Par Amount	\$31,170,000	\$22,000,000	(est.)
Term & Amortization	24 year / 24 year	30 year / 30 year	
Optional Redemption Term	8-Year	10-Year	(est.)
Interest Rate-Average Coupon	3.98%	4.48%	(est.)
FY2021 Annual Debt Service	\$2,028,199	\$1,375,000	(est.)

Instrumentality:

Although the Authority is the bond issuer, the Housing Opportunity Corporation, a wholly-owned instrumentality of the Authority will be the legal owner of the Properties which will mitigate the risks and liabilities to the Authority associated with operation and management of the Properties, and the additional security helps to reduce bond interest expense.

The Financing Team

To facilitate a successful closing of the 2020 Series C Bonds, and to minimize costs due to knowledge and familiarity with the original transaction and ability to use the same document templates, the Authority seeks to assemble the identical "Financing Team" that assisted with the issuance of the 2020 Bonds. The Financing Team will be comprised of an underwriter, a municipal advisor, bond counsel, a trustee bank and potentially, a credit enhancer and a credit rating agency.

Municipal Advisor:

The Authority requires municipal advisor services to assist in facilitating the successful issuance of the proposed 2020 Series C Bonds. Pursuant to contract number HA-2019-137-NF between the Authority and CSG Advisors Incorporated ("CSG"), the Authority wishes to engage CSG as its municipal advisor for this new money debt transaction. CSG has extensive experience with bond transactions, is an established and respected municipal advisor to various governmental entities on bond issuance financing and has aided the Authority on prior financial undertakings. CSG's service fees for this transaction are estimated to be \$39,000, and payment is contingent upon the successful issuance of the 2020 Series C Bonds and such fees are payable from bond proceeds. The Authority has concluded CSG's fees are reasonable, based upon analysis of municipal advisor fees charged to similar transactions during the past 2.5 years (Source: CDIAC).

Bond Counsel:

Bond Counsel services are essential when issuing tax-exempt debt, and the Authority intends to engage the nationally recognized law firm, Kutak Rock LLP ("Kutak") as its Bond Counsel. Kutak is currently under contract with the Authority to provide transaction legal services, including Bond Services (Contract No. HA-2020-29-B, approved by the Board of Commissioners on July 30, 2020 by Resolution No. 9218). Kutak's Bond Counsel fees are estimated to be \$75,000. Both CSG's and Kutak's fees will be paid from a portion of refunding bond proceeds, contingent upon the successful closing of the 2020 Series C Bonds. The Authority determined that Kutak's Bond Counsel fees are reasonable, based on analysis of Bond Counsel fees charged to similar transactions during the past 2.5 years (Source: CDIAC).

Underwriter:

The Authority has a preference to engage Raymond James and Associates as the underwriter for this transaction. Raymond James and Associates was the underwriter for the 2020 Bonds, is familiar with the bond documents and other agreements, has an experienced team of bankers who specialize in affordable housing, and has been responsive to staff inquiries and cooperative in finding conservative and cost-effective debt financing solutions. The viability of the 2020 Bonds debt structure, and the terms and conditions, were reasonable, as were the costs of issuance. The structure of the proposed 2020 Series C Bonds, like the 2020 Bonds issued earlier this year, will adhere to guidelines specified in the Authority's Debt Management Policy.

Trustee:

Trustee services are required under the 2020 Bond Indenture, which will govern the issuance of the 2020 Series C Bonds. The Authority prefers to engage MUFG Union Bank, N.A. (“MUFG Union Bank”) as trustee, the institution that serves as trustee for the outstanding 2020 Bonds. MUFG Union Bank is a major commercial bank in California that also provides corporate banking services throughout the United States and in many foreign countries. MUFG Union Bank is trustee to the 2020 Bonds, a factor that can help facilitate a seamless bond financing and all ongoing monitoring and services for the combined 2020 Bonds and the 2020 Series C Bonds which are effectively governed under the same Indenture. MUFG Union Bank’s closing fee is estimated at \$9,000 and its annual service fee is estimated at \$4,000. The Authority has determined that MUFG Union Bank’s fees are reasonable, based upon analysis of trustee fees charged to similar transactions during the past 2.5 years (Source: CDIAC).

Rating Agencies and Credit Enhancers:

Issuance of the 2020 Series C Bonds will require the Authority to seek a credit rating assignment for the 2020 Series C Bonds, and a confirmation rating on the 2020 Bonds. Standard and Poor’s Global Ratings (“S&P”) assigned an “A” credit rating on the 2020 Bonds and would be the best suited rating agency to serve the Authority at this time due to its familiarity with the 2020 Bonds and the Authority in general. S&P’s credit rating fee can vary depending on transaction structure and whether the bonds are enhanced by a credit enhancement facility, although the need for credit enhancement is highly unlikely for this transaction.

Vision Plan: PLACE Strategy #2: Increase functionality and effectiveness of the Asset Management portfolio.

This broad strategy includes stabilizing the Authority’s existing non-public housing property portfolio. Any annual cash savings realized from this transaction would increase cash flow, which would in turn, further stabilize this portfolio. Increased revenue to the Authority is a metric for PLACE Strategy #2.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds:

No funds are required for the bond issuance. Costs of issuance are estimated to be 2%-3% of the bond principal amount issued, and such costs will be paid from a portion of the 2020 Series C Bonds proceeds.

Budget and Program Impact:

The budget impact is expected to be negligible. The ongoing debt service payments will be budgeted annually and paid from the operating income of the all of the properties in the portfolio (i.e., all of the properties financed or refinanced with proceeds of the 2020 Bonds and properties to be financed with proceeds from the sale 2020 Series C Bonds).

No federal funds will be used to pay the costs of issuance for the proposed bond refunding. HUD regulations provide that when a housing authority is seeking financing from lenders, underwriters or credit enhancement, such financing is considered a *financial transaction* rather than a *financial service*. A financial transaction qualifies the Authority as a “borrower” and relieves the housing authority of HUD procurement requirements. Nonetheless, the Authority and CSG intend to verify that the costs of issuance are reasonable and within industry norms

for a transaction of this type. Additional professional service providers may be added to the Financing Team, depending on the transaction structure.

Estimated Timeline:

Later this calendar year staff intends to present, and request approval of, the structure, terms and substantially final bond documents for the 2020 Series C Bonds. The Authority is targeting a bond issuance closing date in January 2021. Bond issuance is contingent upon capital market conditions at that time, in addition to the preparation and execution of bond documents deemed acceptable to the Authority and its Bond Counsel.

Environmental Review: Not Applicable

Section 3: Not Applicable

Attachments:

1. Resolution

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO TAKE ALL ACTIONS NECESSARY TO ASSEMBLE A FINANCING TEAM TO FINANCE THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES MORTGAGE REVENUE BONDS (UNION PORTFOLIO PROJECT) 2020 SERIES C, THROUGH THE SALE OF TAX-EXEMPT FIXED-RATE MORTGAGE REVENUE BONDS IN AN AMOUNT NOT TO EXCEED \$22,000,000 AND PROVIDING AND AUTHORIZING THE EXECUTION AND DELIVERY OF ALL RELATED DOCUMENTS, CERTIFICATES AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Authority of the City of Los Angeles (the “Authority”) is authorized pursuant to the Authorities Law (Sections 34200 *et seq.* of the California Health and Safety Code) (the “Act”) to issue or refinance its bonds, including by specifically Article 5, Section 34350, to issue bonds for any of its corporate purposes; and

WHEREAS, the Authority issued its 2020 Mortgage Revenue Refunding Bonds (Union Portfolio Project), Series A, and Mortgage Revenue Bonds Series B (collectively, the “2020 Bonds”) in May 2020; and

WHEREAS, the Trust Indenture for the 2020 Bonds provided for the issuance of Additional Bonds through a supplemental indenture; and

WHEREAS, the Authority now wishes to issue its Mortgage Revenue Bonds (Union Portfolio Project) 2020 Series C (“2020 Series C Bonds”) in an estimated aggregate principal amount of not-to-exceed \$22,000,000; and

WHEREAS, it is expected that the proceeds from the sale of the 2020 Series C Bonds will be used to (i) provide permanent financing for Martel, a multifamily residential property located at 1643 N. Martel Avenue, Los Angeles, CA 90046 (“Martel”), Parthenia, a multifamily residential property located at 15230 Parthenia Street, North Hills, CA 91343 (“Parthenia”); (ii) repay that portion of interim financing borrowed under the Revolving Commitment to facilitate the acquisition and rehabilitation of Martel and Parthenia; (iii) provide permanent financing for one or more additional multifamily residential property acquisitions to be names at a later date (collectively, including Martel and Parthenia, the “Properties”); and (iv) take advantage of low market interest rate environment presently available for investment grade municipal bonds; and

WHEREAS, the Authority wishes to assemble a financial team in order to begin the process of issuing the 2020 Series C Bonds; and

WHEREAS, pursuant to Contract Number HA-2019-119-NF between the Authority and CSG Advisors Incorporated (“CSG”) dated August 9, 2019, the Authority intends to engage CSG as its municipal advisor for this bond issuance transaction; and

WHEREAS, CSG fees for financial advice on the transaction are estimated to be \$39,000, which will be paid out of a portion of bond proceeds and have been determined by the Authority to be reasonable and customary; and

WHEREAS, in addition, the Authority wishes to engage Kutak Rock LLP (“Kutak”) as its Bond Counsel on this transaction because (i) Kutak is under contract with the Authority to provide such services pursuant to Contract Number HA-2020-29-C; (ii) Kutak participated as Bond Counsel on the 2020 Bonds and (iii) Kutak’s knowledge of the prior transaction and possession

of prior legal and other bond documents, which will serve as draft documents for the bond issuance, will save both time and costs; and

WHEREAS, Bond Counsel fees for this transaction are estimated to be \$75,000 and have been determined by the Authority to be reasonable and customary; and

WHEREAS, the Authority wishes to engage Raymond James and Associates as underwriter for the 2020 Series C Bonds because it is familiar with the prior 2020 Bond documents and other agreements, has an experienced team of bankers who specialize in affordable housing, and was responsive to staff inquiries and cooperative in finding conservative and cost-effective debt financing solutions for the prior 2020 Bonds; and

WHEREAS, costs of issuance are estimated to be approximately 2%-3% of the principal amount of the 2020 Series C Bonds, and the Authority has determined that such costs are reasonable for a bond issuance of this size and type; and

WHEREAS, the Authority will transfer the Properties to its wholly-owned instrumentality, Housing Opportunity Corporation (“HOC”) simultaneously with the closing of the 2020 Series C Bonds in order to mitigate the risks and liabilities to the Authority associated with operation and management of the Properties; and

WHEREAS, the Authority will return to the Board of Commissioners, for approval of all material substantially final financing and bond documents and the transaction financing structure prior to issuance of the 2020 Series C Bonds.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Housing Authority of the City of Los Angeles authorizes the President & CEO or designee, to take all actions necessary to assemble a financing team, including selecting Raymond James and Associates as underwriter for the 2020 Series C Bonds and execute any and all documents necessary, and with such revisions as approved by Legal Counsel, and begin the process to issue the Authority’s Mortgage Revenue Bonds 2020 Series C, as tax-exempt fixed-rate bonds in an amount not to exceed \$22,000,000 and to transfer the Properties to HOC when necessary to effectuate the sale of the 2020 Series C Bonds.

BE IT FURTHER RESOLVED that this Resolution shall be effective upon its adoption.

APPROVED AS TO FORM:
JAMES JOHNSON

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

BY: _____
GENERAL COUNSEL

BY: _____
BEN BESLEY, CHAIRPERSON

DATE ADOPTED: _____