REPORT OF THE PRESIDENT & CEO **August 27, 2020**

RESOLUTION AMENDING THE CITY NATIONAL BANK REVOLVING LINE OF CREDIT FACILITY PREVIOUSLY AUTHORIZED UNDER RESOLUTION NO. 9589 AND DELIVERY OF A CREDIT AGREEMENT FOR AN INITIAL REVOLVING COMMITMENT AMOUNT NOT-TO-EXCEED $50,000,000, AS WELL AS A FEE LETTER, PROMISSORY NOTES, AND ALL OTHER RELATED DOCUMENTS AND AGREEMENTS REFLECTING SUCH REVISIONS, AND AUTHORIZING THE USE OF AVAILABLE AND UNRESTRICTED FUNDS, INCLUDING GRANT FUNDING, AS A SOURCE OF REPAYMENT OF OUTSTANDING LOANS UNDER THE REVOLVING LINE OF CREDIT FACILITY; AND THE UNDERTAKING OF VARIOUS OTHER ACTIONS IN CONNECTION THEREWITH

Douglas Guthrie

Douglas Guthrie
President & Chief Executive Officer

Jenny Scanlin

Jenny Scanlin
Chief Strategic Development Officer

Purpose: Adopting the resolution (Attachment 1) will authorize the President and CEO to take all actions necessary to establish a two-year, revolving line of credit facility (the "Revolving Commitment") between the Authority and City National Bank ("Bank") in an initial revolving commitment amount not to exceed $50,000,000 if approved by the Bank. Staff expects that the initial expenditure or borrowed amount will be up to $40,000,000, with a subsequent decrease to $30,000,000 after final funding is secured for the proposed transactions under the State of California's Department of Housing and Community Development's Project HomeKey Program ("HomeKey Program").

The resolution amends Resolution No. 9589 (April 23, 2020) in order to facilitate: (i) a $20 million increase in the initial stated commitment amount; (ii) a 100 basis points per annum ("basis points") increase to the tax-exempt applicable spread and a 100 basis points increase to the taxable applicable spread; and, (iii) the inclusion of grant funding (e.g., HomeKey Program funds) as an additional potential primary source of repayment of loans drawn under the Revolving Commitment, and this may include the Authority's receipt of other potential grant funding received from the City of Los Angeles.

Regarding: On July 30, 2020, the Housing Authority Board of Commissioners ("BOC"), by Resolution No. 9613, approved submission of multiple applications to the HomeKey Program for grant funding of property acquisitions to rapidly sustain and expand housing for persons impacted by COVID-19 and experiencing or at risk of homelessness.

On April 23, 2020, the BOC, by Resolution No. 9589, approved establishing a Revolving Commitment with the Bank.

On April 23, 2020, the BOC, by Resolution No. 9587, approved the Revised and Restated Acquisition and Disposition of Real Property Policy, to which the Revolving Commitment facility is directly associated as a potential funding source for the acquisition of real property.

On August 7, 2019, staff solicited proposals from ten commercial banks to probe the banking community's interest in possibly providing the Authority a Revolving Commitment.

On December 19, 2017, the BOC, by Resolution No. 9404, approved the Authority's Debt Management Policy.

Issues: Increase in the initial stated commitment amount. Resolution No. 9589 approved the establishment of a Revolving Commitment with a commitment amount of $30 million, considered to be sufficient in amount to facilitate the execution of initiatives known in April 2020. Recent events have altered that assumption. Property acquisition initiatives stemming from the HomeKey Program may result in the award of substantial grant allocations to the Authority, either on its own accord or as a co-applicant with the City of Los Angeles. Receipt of those acquisition grant funds is subject to the Authority providing, among other requirements, a certain amount of match funding that must be provided and spent or allocated, along with the acquisition grant funds, no later than December 30, 2020. If necessary, the Authority may turn to the Revolving Commitment as an interim resource that can cover its funding requirement. In consideration of the expanded scope of initiatives that the Revolving Commitment may have to fund, it is the recommendation of staff that the Board of Commissioners (BOC) authorize a Revolving Commitment with a stated commitment amount not to exceed $50 million. Staff anticipates that the actual commitment amount will be closer to $40 million. Staff anticipates reducing the commitment amount to approximately $30 million, once the Authority pays off the Revolving Commitment for properties partially purchased with HomeKey Funds or in the event the Authority receives no HomeKey grant allocation for applications submitted.

100 basis points increase to the tax-exempt applicable spread and 100 basis points increase to the taxable applicable spread. The COVID-19 pandemic has impacted the national and global economies and elevated credit default risk across virtually every industry sector. In response, the Bank has become more selective about extending credit to corporate entities and municipal entities alike. When the Bank does extend credit, it charges its clients greater applicable spreads, index floors and fees. This Revolving Commitment is no exception, as the Bank has elevated the applicable spread for tax-exempt and taxable borrowings by 100 basis points and 100 basis points, respectively. In addition, the Bank has set a floor base index of 50 basis points, for loans based on the 30-day LIBOR index. In other words, the base index is now the greater of (i) 50 basis points, or (ii) the 30-day LIBOR index published on the day a loan is advanced to the Authority. The pricing methodology is presented in Table 1.

Table 1.

Date	Purpose	Drawn or Undrawn	Base Index		Margin or Fee		Total Annual Rate
April 2020	Tax-Exempt	Drawn	Published 30-day LIBOR Rate effective on date of draw	+	0.00%	=	Total Annual Interest
April 2020	Tax-Exempt	Undrawn	None	+	0.10%	=	Total Annual Fees
							Total Annual Interest and Fees
August 2020	Tax-Exempt	Drawn	The greater of (i) 50 basis points, or (ii) published 30-day LIBOR Rate, if > 50 bppa	+	1.00%	=	Total Annual Interest
August 2020	Tax-Exempt	Undrawn	None	+	0.10%	=	Total Annual Fees
							Total Annual Interest and Fees

Assuming the Authority draws loans under the facility and those bank loans average $16 million (i.e., 40% of $40 million commitment amount) over the course of a year, the applicable interest rate is 150 basis points on drawn loans, and the commitment fee remains at 10 basis points, the Bank's revised pricing will increase the Authority's financing costs by $214,560 compared to the Bank's offer in April 2020. A comparison of the Bank's April 2020 quote versus the August 2020 quote is illustrated in Table 2.

Table 2.

Drawn or Undrawn	Date	Base Index		Margin or Fee		Total Annual Rate		Assumption: 40% drawn (annual)		Annual Interest or Fee Expense
Drawn	April 2020	0.16%	+	0.00%	=	0.16%	x	$16,000,000	=	$25,440
Undrawn	April 2020	None	+	0.10%	=	0.10%	x	$24,000,000	=	$24,000
								$40,000,000		$49,440
Drawn	August 2020	0.50%	+	1.00%	=	1.50%	x	$16,000,000	=	$240,000
Undrawn	August 2020	None	+	0.10%	=	0.10%	x	$24,000,000	=	$24,000
								$40,000,000		$264,000
								Difference	**=**	**$214,560**

Comparing the Bank's revised applicable margin and base index to similar transactions that other banks have recently closed helps put the revised terms into perspective. During the period August 10 to August 19, 2020, staff surveyed municipal finance bankers at five national and regional banks to collect information regarding margin pricing, commitment fees and base index floor pricing for revolving facilities recently extended to municipal entities bearing credit rating of "A" or higher. Each banker expressed that applicable margins have risen since February 2020, due to a heightening of credit risk brought on by COVID-19. Some banks imposed their revised pricing and terms as early as March 2020, while other banks made the transition in April or May 2020. Data collected from the survey supports a conclusion that <u>the Bank's revised pricing and terms are centered within the current range of pricing and terms offered by other banks when extending a Revolving Commitment to a municipal entity like the Authority</u>:

- Revolving credit facilities using 30-day LIBOR as the base index add an applicable margin of between 70 basis points and 135 basis points, for tax-exempt borrowings. Therefore, the Bank's borrowing rate of 30-day LIBOR plus an applicable margin of 100 basis points is priced near the center of the market pricing range.

- Too few data points were collected that pertain to applicable margins applied to draws for taxable initiatives. Staff is presently unable to conclude if the Bank's taxable margin of 30-day LIBOR plus an applicable margin of 175 basis points is within the current of market pricing. The Authority is expected to draw loans to finance tax-exempt initiatives, almost exclusively. Authority draws for taxable initiatives will be few (if any) and are likely to be small in principal amount.

- Increasingly, banks are assigning floor rates on base indexes such as 30-day LIBOR. LIBOR floors of approximately 100 basis points are currently being imposed by two of the five largest American banks, although a floor of 25 basis points to 50 basis points is sometimes offered to a bank's preferred clients, especially to the clients that purchase multiple non-credit (fee based) products from the same bank offering the credit facility. Survey result suggest most banks are now setting LIBOR floors in their revolving facilities to municipal clients. The Bank's LIBOR floor of 50 basis points is within the range of current industry pricing and, given that the Authority is not a long-standing client of the Bank, nor does it purchase additional non-credit products, the 50 basis point floor may reflect the optimum price the Authority should reasonably expect to receive in the current market.

The Bank did not change other key terms and conditions important to the Authority, some of which are summarized below:

- <u>No prepayment penalty.</u> The Authority may exit the facility without penalty on or after the one-year anniversary of the facility commencement date, provided all advances (loans) have been repaid. Recent telephone conversations between staff and several municipal finance bankers indicate that banks typically impose a prepayment penalty throughout the final maturity date of a Revolving Commitment.

- <u>Low commitment fee.</u> For a transaction of this type, a typical commitment fee is approximately 35 basis points, based on the survey discussed above. The Bank's commitment fee remains unchanged at 10 basis points.

- Lengthy term-out loan option. Loans outstanding at the facility expiration date will convert to term-out loan, provided no event of default has occurred. The term-out loan period is four (4) years, which is exceptionally lengthy for a Revolving Commitment with a tenor of only two years. Of the five other banks that bid to provide the Revolving Commitment (2019), the longest term-out loan option offered was two years, with two banks declining to offer any term-out option.

- Allowance for site acquisitions. In addition to the acquisition of multifamily housing developments, the Authority may borrow up to 30% of the Revolving Commitment for site acquisitions (land), provided such site acquisitions consist of unimproved real property adjacent to or within ¼ mile of improved real property owned by the Authority.

- Parking lot project. The Authority may borrow to fund capital projects such as the construction of a new employee parking garage, provided the Authority first (i) summarizes the scope and feasibility of the take-out financing intended for such projects; (ii) presents the take-out summary to the Bank; and (iii) obtains the written approval of the Bank, whose approval shall not be unreasonably withheld.

- Renewals. The legal documentation will feature renewal options, whereby the Authority may request one-year extensions to the then applicable facility expiration date. Renewals are permissible where mutually agreed to by the Bank and HACLA, recognizing that terms and pricing may be adjusted, accordingly, at time of renewal.

Table 3, below, illustrates a base case (Scenario A), a light stress case (Scenario B) and a moderate stress case (Scenario C). The base case reflects the 50 basis point LIBOR floor index, while the light stress and moderate stress cases assume a 100 basis point and a 200 basis point increase to the current 30-day LIBOR index, respectively. The bank facility has a two-year term and the Authority can exit the facility, without penalty, at any time after the one-year anniversary of closing. In consideration of the relatively short tenor of the Revolving Commitment, the analysis in Table 3 is limited to a maximum 200 basis point increase in the 30-day LIBOR index.

Table 3.

Estimated Interest and Fees, Adjusted for Increases in LIBOR Index			
Tax-Exempt Scenario	**Scenario A**	**Scenario B**	**Scenario C**
	18-Aug-20		
Stated Commitment Amount	**$40,000,000**	**$40,000,000**	**$40,000,000**
Unused Fee	0.10%	0.10%	0.10%
Greater of (i) 1 month LIBOR or (ii) 50 bppa	0.50%	0.16%	0.16%
Market Increase in 1-month LIBOR Rate	0.00%	1.00%	2.00%
Adjusted 1-month LIBOR	0.50%	1.16%	2.16%
% of Adjusted 1-month LIBOR	100.00%	100.00%	100.00%
Additional Margin (Tax-Exempt)	1.00%	1.00%	1.00%
Used Fee (Interest Rate on Advances)	1.50%	2.16%	3.16%
Origination Factor	0.10%	0.10%	0.10%
Origination Fee	$40,000	$40,000	$40,000
HACLA Legal, Closing Costs	$50,000	$50,000	$50,000
Bank Counsel Fee	$50,000	$50,000	$50,000
Total Origination and Issuance Fees	**$140,000**	**$140,000**	**$140,000**
Assuming 0% Utilization:			
Total Fees Year 1	$180,000	$180,000	$180,000
Total Fees Year 2	$40,000	$40,000	$40,000
Total Fees Years 1 and 2	$220,000	$220,000	$220,000
Assuming 20% Utilization:			
Total Fees Year 1	$292,000	$344,640	$424,640
Total Fees Year 2	$152,000	$204,640	$284,640
Total Fees Years 1 and 2	$444,000	$549,280	$709,280
Assuming 40% Utilization:			
Total Fees Year 1	$404,000	$509,280	$669,280
Total Fees Year 2	$264,000	$369,280	$529,280
Total Fees Years 1 and 2	$668,000	$878,560	$1,198,560

Compliance with Debt Management Policy

The Facility structure, terms and conditions comply with the Authority's Debt Management Policy (MPP 107.7, adopted December 19, 2017), specifically, section IV.4. *Fixed Interest Rate vs. Variable Interest Rate* and section IV.8. *Bank Loans.*

Legal Counsel

Kutak Rock, the Authority's bond counsel, and in-house counsel serve as the Authority's legal counsel for this transaction.

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

This action allows the Authority to expand the affordable housing options in the City of Los Angeles by supporting the acquisition of multi-family property and utilizing funds to make improvements to the Authority's properties that add value and functionality.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds:
Unencumbered and legally available assets of the Authority, including grant funding, are available to cover the fees and expenses associated with using this interim financing mechanism. Under most circumstances, take-out financing in the form of long-term debt obligations will be the intended permanent source of financing for these activities.

Budget and Program Impact:
As presented in Table 3,

- Assuming a (i) 100 basis points increase to the August 18, 2020, 30-day LIBOR index of 16 basis points (i.e., 0.16%); (ii) the $40,000,000 commitment amount remains unchanged during the tenor of the facility; and, (iii) the Authority draws on the facility and the average principal amount of all loans drawn and not yet repaid aggregates to $16,000,000, the total fees and expenses are estimated to be $509,280 in year one and $369,280 in year two.

- If the Authority establishes the Revolving Commitment and never draws a loan, total fees and expenses are estimated at $180,000 in year one and $40,000 in year two.

Current market conditions provide a relatively low interest rate environment for a revolving commitment of this type, making the Revolving Commitment an economically viable interim financing mechanism for the Authority. If market rates trend significantly higher than anticipated, the Authority has no obligation to take any loans under this revolving credit facility and may exit the transaction in short order.

Environmental Review: Not Applicable

Section 3: Not Applicable

Attachments:

1. Resolution
2. Revised Fee Agreement

Attachment 1

Resolution

RESOLUTION NO. [__________]

RESOLUTION AMENDING THE CITY NATIONAL BANK REVOLVING LINE OF CREDIT FACILITY PREVIOUSLY AUTHORIZED UNDER RESOLUTION NO. 9589 TO REFLECT MATERIAL CHANGES IN TERMS, AUTHORIZING THE EXECUTION AND DELIVERY OF A CREDIT AGREEMENT FOR AN INITIAL REVOLVING COMMITMENT AMOUNT NOT-TO-EXCEED $50,000,000, AS WELL AS A FEE LETTER, PROMISSORY NOTES, AND ALL OTHER RELATED DOCUMENTS AND AGREEMENTS REFLECTING SUCH REVISIONS, AND AUTHORIZING THE USE OF AVAILABLE AND UNRESTRICTED FUNDS, INCLUDING GRANT FUNDING, AS A SOURCE OF REPAYMENT OF OUTSTANDING LOANS UNDER THE REVOLVING LINE OF CREDIT FACILITY; AND THE UNDERTAKING OF VARIOUS OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Housing Authority of the City of Los Angeles (the "Authority") is a public body, corporate and politic, duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Housing Authorities Law, Sections 34200 *et seq*. of the California Health and Safety Code (the "Act"), including the power to provide financing for the acquisition, construction, rehabilitation and equipping of multifamily rental housing for persons and families of low to moderate income; and

WHEREAS, the Authority is further authorized under the Act to issue bonds, notes, interim certificates, debentures, or other obligations for any of its corporate purposes and to make and execute contracts and other instruments necessary or convenient for the exercise of its powers; and

WHEREAS, it is in the public interest that the Authority has access to a revolving line of credit or other revolving commitment facility (the "Revolving Commitment") so the Authority may facilitate the timely acquisition, construction, rehabilitation, renovation, equipping and refinancing of multifamily rental housing, among other things; and

WHEREAS, on April 23, 2020, the Authority Board of Commissioners ("Board") adopted Resolution No. 9589 authorizing and approving the establishment of a Revolving Commitment with City National Bank specifying an initial revolving commitment amount not-to-exceed $30,000,000, and also authorizing the President and CEO to obtain subsequent increases to the Revolving Commitment for a total amount not to exceed $50,000,000; and

WHEREAS, Resolution No. 9589 authorized establishing a Revolving Commitment whose promissory notes would have interest rates of 1-month LIBOR (the London Interbank Offered Rate benchmark interest rate) plus 0.0% for tax-exempt borrowings and 1-month LIBOR plus 0.75% for taxable borrowings; and

WHEREAS, Resolution No. 9589, and the accompanying Report of the President & CEO ("Board Report") reflected an understanding that take-out financing in the form of long-term debt obligations would be the typical form of repayment of borrowings under the Revolving Commitment; and

WHEREAS, changes in the credit lending environment, likely driven by uncertainty coincident with the COVID-19 pandemic, have significantly impacted interest rates, such that City National Bank's interest rates for promissory notes under a Revolving Commitment substantially equivalent to that previously approved by the Authority are now priced as follows: tax-exempt borrowings are indexed to the higher of the 1-month LIBOR or 0.50%, plus 1%, and taxable borrowings are indexed to the higher of the 1-month LIBOR or 0.50%, plus 1.75%; and

WHEREAS, these increased interest rates are consistent with shifts in the overall lending market, City National Bank's revised terms remain advantageous to the Authority, and the other key terms remain consistent with those of the credit facility previously approved under Resolution No. 9589; and

WHEREAS, on July 30, 2020, the Board adopted Resolution No. 9613, approving submission of multiple applications to the State of California's HomeKey Program for grant funding of property acquisitions to rapidly sustain and expand housing for persons experiencing or at risk of homelessness and impacted by COVID-19; and

WHEREAS, the Authority's participation in the HomeKey Program will be dependent on the Authority providing matching funding, some or all of which will likely be financed through the Revolving Commitment; and

WHEREAS, the Authority's required matching funding obligation under the HomeKey Program may be as much as $22,000,000; and

WHERAS, the addition of closing costs and rehabilitation costs to the matching funding obligation may bring the Authority's total funding requirement for the HomeKey Program up to $29,500,000; and

WHEREAS, the Authority did not anticipate this potential $29,500,000 funding requirement when it set the initial maximum amount of the Revolving Commitment at $30,000,000; and

WHEREAS, because of the expanded scope of initiatives that the Revolving Commitment may have to fund, the Authority requests that the Board approve setting the initial Revolving Commitment amount at the $50,000,000 not-to-exceed eventual ceiling previously authorized under Resolution No. 9589; and

WHEREAS, the structure of the HomeKey Program, and partnerships the Authority has entered, or will be entering, in relation to that program, create a reasonable likelihood that the Authority will have access to grant funds and other unencumbered assets to repay certain borrowings under the Revolving Commitment.

NOW, THEREFORE, BE IT RESOLVED, the Board of Commissioners of the Housing Authority of the City of Los Angeles does hereby amend Resolution No. 9589 to authorize the establishment of a Revolving Commitment facility with City National Bank with an initial maximum Revolving Commitment amount of $50,000,000, under terms that include an interest rate on borrowings reasonably equivalent to the higher of 1-month LIBOR or 0.50%, plus 1% for tax-exempt borrowings, and the higher of 1-month LIBOR or 0.50%, plus 1.75% for taxable borrowings, and to authorize repayment of borrowings under the Revolving Commitment with grant funds and other unencumbered and legally available assets of the Authority, including, but not limited to, repayment via take-out financing in the form of long-term debt obligations; and authorizes the President and CEO or his/her designee to execute the Credit Agreement, Fee Letter, Promissory Notes, and all other related documents contemplated by these revisions, along with any and all related documents and agreements to effectuate the intent of this Resolution, all with the approval of legal counsel.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

APPROVED AS TO FORM:

JAMES JOHNSON

OK/Blau 8/20/20

By: ______________________
General Counsel

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By: ______________________
Chairperson

DATE ADOPTED: ______________

Attachment 2
Revised Fee Agreement

FEE AND INTEREST RATE AGREEMENT

Reference is hereby made to the Revolving Credit Agreement dated as of September [__], 2020 (as amended, supplemented, restated or otherwise modified from time to time, the *"Agreement"*), between the Housing Authority of the City of Los Angeles (the *"Authority"*) and City National Bank (the *"Bank"*), pursuant to which the Bank has agreed to make Loans to the Authority. Capitalized terms used herein and not otherwise defined herein have the meanings set forth in the Agreement.

The purpose of this Fee and Interest Rate Agreement (this "*Fee Agreement*") is to confirm the agreement between the Bank and the Authority with respect to the Commitment Fee and certain other fees payable by the Authority to the Bank and to define the term "Taxable Applicable Spread" as used in the Agreement. This Fee Agreement is the Fee Agreement referenced in the Agreement, and the terms hereof are incorporated by reference into the Agreement. This Fee Agreement and the Agreement are to be construed as one agreement between the Authority and the Bank, and all obligations hereunder are to be construed as obligations thereunder. All references to amounts due and payable under the Agreement will be deemed to include all amounts, fees and expenses payable under this Fee Agreement

ARTICLE I. FEES.

Section 1.1. Commitment Fee. The Authority agrees to pay to the Bank on October 1, 2020, for the period commencing on the Closing Date and ending September 30, 2020, and in arrears on the first Business Day of each January, April, July and October occurring thereafter to and including the Commitment Termination Date, and on the Commitment Termination Date, a non-refundable commitment fee (the "*Commitment Fee*") with respect to the Available Commitment for each day in the related fee period, in an amount equal to 0.10% per annum (the "*Commitment Fee Rate*"). To the extent any Commitment Fee is not paid when due, such Commitment Fee shall, to the extent permitted by law, accrue interest from the date payment is due until payment in full at the Default Rate, such interest to be payable on demand. Upon the occurrence and during the continuance of an Event of Default under the Agreement, the Commitment Fee Rate shall increase by an additional 1.00% from the Commitment Fee Rate otherwise in effect on the date of such event automatically and without notice to the Authority. Commitment Fees shall be payable in immediately available funds and computed on the basis of a year of 360 days and the actual number of days elapsed.

Section 1.2. Closing Fee. The Authority agrees to pay to the Bank on the Closing Date a closing fee of **[$40,000**][1].

Section 1.3. Amendment, Consent or Waiver Fee. The Authority agrees to pay to the Bank on the date of each amendment, supplement, or modification to the Agreement or this Fee Agreement (or any Related Document, the amendment, supplement or modification of which requires the consent of, or waiver from, the Bank), a non-refundable fee equal in an amount agreed to by the Authority and the Bank, or such other fee as may be agreed to between the Bank and the Authority plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

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[1] 0.10% of Available Commitment at closing.

Section 1.4. Definitions. For purposes of the Agreement, the following defined terms have the meaning set forth below:

"Adjusted LIBOR" means, for any Borrowing of LIBOR Rate Revolving Loans, a rate per annum determined in accordance with the following formula:

$$\text{Adjusted LIBOR} = \frac{\text{LIBOR}}{1 - \text{Eurodollar Reserve Percentage}}$$

"Base Rate" means, for any day, the rate per annum equal to the greatest of: (a) the rate of interest announced or otherwise established publicly by the Bank from time to time as its prime commercial rate as in effect on such day, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate (it being acknowledged and agreed that such rate may not be the Bank's best or lowest rate), (b) the sum of (i) the Federal Funds Rate, *plus* (ii) 0.50% and (c) the LIBOR Quoted Rate for such day. As used herein, the term *"LIBOR Quoted Rate"* means, for any day, the rate per annum equal to the quotient of (i) the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a one-month interest period which appears on the LIBOR01 Page as of 11:00 a.m. (London, England time) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) divided by (ii) one (1) minus the Eurodollar Reserve Percentage; *provided* that in no event shall the "LIBOR Quoted Rate" be less than 0.00%.

"Eurodollar Reserve Percentage" means the maximum reserve percentage, expressed as a decimal, at which reserves (including, without limitation, any emergency, marginal, special, and supplemental reserves) are imposed by the Board of Governors of the Federal Reserve System (or any successor) on *"eurocurrency liabilities"*, as defined in such Board's Regulation D (or any successor thereto), subject to any amendments of such reserve requirement by such Board or its successor, taking into account any transitional adjustments thereto. For purposes of this definition, the relevant Loans shall be deemed to be *"eurocurrency liabilities"* as defined in Regulation D without benefit or credit for any prorations, exemptions or offsets under Regulation D. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

"LIBOR" means, for any Interest Period for a Borrowing of LIBOR Rate Revolving Loans, (a) the LIBOR Index Rate for such Interest Period, if such rate is available, or (b) if the LIBOR Index Rate cannot be determined, the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits in U.S. Dollars in immediately available funds are offered to the Bank at 11:00 a.m. (London, England time) two (2) Business Days before the beginning of such Interest Period by three (3) or more major banks in the interbank eurodollar market selected by the Bank for delivery on the first day of and for a period equal to such Interest Period and in an amount equal or comparable to the principal amount of the LIBOR Rate Revolving Loan scheduled to be made as part of such Borrowing, *provided* that in no event shall "LIBOR" be less than 0.50%.

"LIBOR Index Rate" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a period equal to such Interest Period, which appears on the LIBOR01 Page as of 11:00 a.m. (London, England time) on the day two (2) Business Days before the commencement of such Interest Period.

"LIBOR01 Page" means the display designated as *"LIBOR01 Page"* on the Reuters Service (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Bank from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market.

"*Taxable Applicable Spread*" means 1.75%.

"Taxable Base Rate" means a fluctuating rate of interest per annum equal to the Base Rate; *provided, however,* that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, "Taxable Base Rate" shall mean the Default Rate.

"Taxable LIBOR Rate" has the meaning set forth in the Fee Letter means an annualized fixed rate, for the applicable Interest Period (rounded upward to the nearest 1/16th) that is equal to (a) Adjusted LIBOR for the applicable Interest Period plus (b) the Taxable Applicable Spread; *provided, however,* that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, "Taxable LIBOR Rate" shall mean the Default Rate.

"*Tax-Exempt Applicable Spread*" means 1.00%.

"Tax-Exempt Base Rate" means a fluctuating rate of interest per annum equal to the Base Rate; *provided, however,* that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, "Tax-Exempt Base Rate" shall mean the Default Rate.

"Tax-Exempt LIBOR Rate" has the meaning set forth in the Fee Letter means an annualized fixed rate, for the applicable Interest Period (rounded upward to the nearest 1/16th) that is equal to (a) Adjusted LIBOR for the applicable Interest Period plus (b) the Tax-Exempt Applicable Spread; *provided, however,* that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, "Tax-Exempt LIBOR Rate" shall mean the Default Rate.

ARTICLE II. MISCELLANEOUS.

Section 2.1. Amendments. No amendment to this Fee Agreement shall become effective without the prior written consent of the Authority and the Bank.

Section 2.2. Governing Law; Jurisdiction Etc. (a) THIS FEE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA.

(b) TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE AUTHORITY AND THE BANK AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY AND ALL CLAIM OR CAUSES OF ACTION BASED UPON OR ARISING OUT OF THIS FEE AGREEMENT. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, EACH OF THE PARTIES HERETO HEREBY CONSENTS TO THE ADJUDICATION OF ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ALL ISSUES IN SUCH REFERENCE, WHETHER FACT OR LAW. EACH OF THE PARTIES HERETO REPRESENTS

THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS FEE AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT OR TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

(c) EACH PARTY HERETO CONSENTS TO AND SUBMITS TO IN PERSONAM JURISDICTION AND VENUE IN THE STATE OF CALIFORNIA AND IN THE FEDERAL DISTRICT COURTS WHICH ARE LOCATED IN THE STATE OF CALIFORNIA. EACH PARTY ASSERTS THAT IT HAS PURPOSEFULLY AVAILED ITSELF OF THE BENEFITS OF THE LAWS OF THE STATE OF CALIFORNIA AND WAIVES ANY OBJECTION TO IN PERSONAM JURISDICTION ON THE GROUNDS OF MINIMUM CONTACTS, WAIVES ANY OBJECTION TO VENUE, AND WAIVES ANY PLEA OF FORUM NON CONVENIENS. THIS CONSENT TO AND SUBMISSION TO JURISDICTION IS WITH REGARD TO ANY ACTION RELATED TO THIS FEE AGREEMENT. REGARDLESS OF WHETHER THE PARTY'S ACTIONS TOOK PLACE IN THE STATE OF CALIFORNIA OR ELSEWHERE IN THE UNITED STATES, THIS SUBMISSION TO JURISDICTION IS NONEXCLUSIVE, AND DOES NOT PRECLUDE EITHER PARTY FROM OBTAINING JURISDICTION OVER THE OTHER IN ANY COURT OTHERWISE HAVING JURISDICTION.

Section 2.3. Counterparts. This Fee Agreement may be executed in multiple counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument. This Fee Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 2.4. Severability. Any provision of this Fee Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 2.5. Confidentiality. This Fee Agreement and the terms hereof are for the Authority's confidential use only. The Authority shall not deliver or permit (with knowledge), authorize or consent to the delivery of this Fee Agreement to any person for delivery to the Municipal Securities Rulemaking Board and shall use its best efforts to not disclose this Fee Agreement or the terms hereof to any person, other than its trustees, officers, employees, attorneys, accountants and financial advisors (but not commercial lenders), and then only on a confidential basis, except where (in the Authority's judgment, as applicable) disclosure is required by law or where the Bank consents to the proposed disclosure; *provided*, that any party to the transactions contemplated by this Fee Agreement (and each employee, representative, or other agent of such party) may disclose to any and all persons, without limitation of any kind, the federal, state or local tax treatment of the transaction contemplated herein, and all materials of any kind (including opinions or other tax analyses) relating to such federal, state or local tax treatment, other than the name of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, and any pricing terms or other nonpublic business or financial information that is unrelated to the federal, state or local tax treatment of the transaction contemplated herein to the taxpayer and is not relevant to understanding the federal, state or local tax treatment of the transaction contemplated herein to the taxpayer. This authorization of tax disclosure is retroactively effective to the commencement of the first discussions between the parties regarding the transaction contemplated herein. These provisions are meant to be interpreted so as to prevent the transaction contemplated herein from being treated as offered under “conditions of confidentiality” within the meaning of the Code and the Treasury Regulations thereunder.

Section 2.6. Representation by Legal Counsel; Joint Preparation. The parties hereto have participated jointly in the negotiation and drafting of this Fee Agreement, and each of the parties was represented by its respective legal counsel during the negotiation and execution of this Fee Agreement. In the event an ambiguity or question of intent or interpretation arises, this Fee Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Fee Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Fee Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of date first written above.

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By:________________________________
Name:
Title:

CITY NATIONAL BANK

By:_____________________________________
Name:
Title: