REPORT OF THE PRESIDENT & CEO **April 28, 2022**

RESOLUTION AUTHORIZING THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES TO DECLARE ITS OFFICIAL INTENT (THE INDUCEMENT) TO ISSUE, SOLELY AS CONDUIT BOND ISSUER, ONE OR MORE SERIES OF REVENUE BONDS OF THE AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $49,800,000 TO FINANCE AND REFINANCE ALL OR A PORTION OF THE COST OF THE REDEVELOPMENT, REHABILITATION, CONSTRUCTION, AND EQUIPPING OF JORDAN DOWNS PHASE S4, AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

Douglas Guthrie
President & Chief Executive Officer

John Castanon
Capital & Debt Officer

Purpose: The purpose of this action is to assist in making low interest rate financing available for the redevelopment and rehabilitation of Jordan Downs Phase S4 (the "Project"). The Housing Authority of the City of Los Angeles ("Authority" or "HACLA") is authorized to use its tax-exempt borrowing status to pass on lower interest rate financing to developers of affordable housing. HACLA will serve in the capacity of a conduit issuer of private activity bonds, notes or other debt to finance the Project, thus HACLA will not be the obligor of the debt. The obligor of the debt will be the owners and/or operators of the Project (the "Borrower", as further defined in "Issues" below).

Additionally, by taking this resolution now, the Borrower will be reimbursed for predevelopment costs expended 60-days prior to the adoption of this resolution and through the bond issuance (the "Reimbursement Expenditures"). The proceeds of the debt offerings are expected to cover debt issuance costs, Reimbursement Expenditures, and a portion of the financing for the Project. U.S. Treasury regulations require HACLA to declare its reasonable official intent to reimburse prior expenditures using the proceeds of a subsequent debt offering. By adopting the attached inducement resolution, HACLA declares this intent. Adoption of the inducement resolution does not bind HACLA to make any expenditure, incur any debt, perform as a conduit issuer, or to proceed with the Project.

Adopting this resolution authorizes HACLA to submit one or more applications to the California Debt Limit Allocation Committee ("CDLAC") requesting an allocation of private activity debt issuance capacity for the Project, and to take actions to prepare for the bond issuance. This includes forming a conduit debt issuance financing team, initially consisting of CSG Advisors Incorporated ("CSG") as municipal advisor and Kutak Rock LLP("Kutak") as bond counsel and arranging, scheduling and conducting a public hearing concerning the proposed Project, in accordance with the requirements of the Tax Equityand Fiscal Responsibility Act ("TEFRA").

This resolution before the Board of Commissioners ("BOC") today is the Inducement Resolution for the Project. Staff will return to the BOC to present more fully the structure and financing for the Project, and to seek approval of a debt issuance resolution authorizing HACLA to proceed with the conduit debt issuance, provided documentation is substantially final and complete and conditions precedent have been met. The BOC retains absolute discretion over HACLA's issuance of private activity debt (i) under the Housing Conduit Bond Policy; and (ii) through the BOC review and adoptionof a debt issuance resolution at a future date.

Regarding: On September 27, 2018, the BOC, by Resolution No. 9455, approved the establishment of the Authority's Conduit Bond Program through adoption of the Housing Conduit Bond Policy.

On January 27, 2022, the BOC, by Resolution No. 9791, approved revisions to the Debt Management Policy.

Issues: <u>The Project and the Borrower</u>

This development consists of the new construction of 90 residential units ranging in size from one to five-bedrooms. Upon completion, the Project will include approximately 130,000 square feet of gross floor area, comprised of a majority of residential area and approximately 2,500 square feet of non-residential area. Non-residential spaces will include a community room, a property management office, and a maintenance shop for the Jordan Downs community. Total project costs, including the cost to acquire the land and construct new buildings, will be approximately $70 million, or approximately $778,000 per dwelling unit.

The project sponsor is The Michaels Development Company I, L.P. The borrowing entity is Jordan Downs Phase S4, LP, a California Limited Partnership (the "Partnership" or the "Borrower"). The Administrative General Partner ("AGP") is Jordan S4-Michaels, LLC, a California limited liability company, and the Managing General Partner ("MGP") is La Cienega LOMOD, Inc., a California nonprofit public benefit corporation. The identity of the Investor Limited Partner ("ILP") will be determined at a future date. The AGP, MGP, and ILP are projected to have 0.0051%, 0.0049% and 99.990% interest in the Partnership, respectively. The project sponsor may include the AGP and the borrowing entity or affiliates thereof.

<u>Tax-Exempt Private Activity Debt, CDLAC and CTCAC</u>

HACLA, at the request of the Borrower, intends to submit a CDLAC-CTCAC Joint Application to request (i) tax-exempt bond private activity debt issuance allocation from CDLAC; and (ii) 4% federal tax credits from the California Tax Credit Allocation Committee ("CTCAC").

The Authority's capability to issue private activity debt is limited under Section 146 of the U.S. Internal Revenue Code of 1986 (the "Code"). The Code limits the amount of multifamily housing mortgage revenue bonds that may be issued in any calendar year by entities within a state and authorizes the governor or the legislature of a state to provide the method of allocation within the state. The Government Code of the State of California (the "Government Code") governs the allocation of the state ceiling among California governmental units having the authority to issue multifamily housing mortgage revenue bonds—and CDLAC was created for this purpose. The Government Code requires a local agency (here, HACLA) to file an application with the CDLAC prior to the issuance of multifamily housing mortgage revenue bonds.

HACLA, at the request of the Borrower, intends to submit an application to CDLAC in July 2022, requesting an allocation of private activity debt issuance capacity to facilitate the financing of the Project. This inducement resolution must be obtained prior to CDLAC application submittal, as the adopted resolution must be attached to the CDLAC application at the time of submission (per CDLAC Regulations, Chapter 1, Article 4, Section 5033 (b)(4)). CDLAC announces the award (or non-award) of private activity debtallocation requests at its allocation meetings. If the Project is awarded bond allocation, the Borrower will have 180 days to execute the private activity debt financing. These actions do not bind HACLA to incur costs or to issue private activity debt for the Project.

The amount of tax-exempt private activity debt allocation to be requested is estimated at $42.0 million, and debt sale proceeds will primarily be used to fund construction— and to cover costs of issuance and conduit debt related fees and expenses. The debt is likely to be sold through a negotiated sale, versus a competitive sale. The amount of debt allocation being requested is approximately 20% greater than the amount identified in the pro-forma. The additional amount serves as a cushion to compensate for unexpected increases in construction costs, an increase in interest rates, and to offset any reduction in other planned funding sources. The practice of applying a cushion is common for a transaction of this type. For the Project, the $42.0 million allocation request represents a not-to-exceed amount and, up to the moment prior to application submission, HACLA may reduce the amount of debt allocation request, should conditions warrant such action. The principal amount of private activity debt ultimately issued for the Project will depend upon project costs, projected revenues and interest rates at the time of issuance. In addition, the Project may include one or more issuances of approximately $6.5 million of taxable revenue bonds. With the 20% cushion, the taxable bonds may be sized up to $7.8 million. In aggregate, the tax- exempt private activity debt and the taxable debt total $49.8 million (including the 20% cushion).

The Project represents HACLA's sixth conduit debt issuance engagement. Staff will ensure that the private activity debt complies with the Housing Conduit Bond Policy,that associated continuing disclosure requirements are timely executed, and that conduit issuance fees due HACLA are collected.

<u>Municipal Advisor</u>

HACLA requires municipal advisor services to assist in facilitating the conduit issuance of private activity debt. Pursuant to a contract being negotiated between HACLA and CSG Advisors Incorporated ("CSG"), HACLA will engage CSG as its municipal advisor for the conduit debt issuance associated with the Project. CSG has extensive experience with conduit debt issuance, is an established and respected municipal advisor to various governmental entities and has aided HACLA on prior debt offerings on a non-conduit issuance basis. CSG's service fee for each debt offering is estimated at $40,000. Paymentof CSG's fee is the obligation of the Borrower. HACLA staff have concluded CSG's fees are reasonable, based upon analysis of municipal advisor fees charged to similar transactions during the past two years (source: California Debt and Investment Advisory Commission ("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"). Kutak is currently under contract with HACLA to provide transaction legal services, including Bond Services (Contract No. HA-2020-29-B). Kutak's bond counsel fee is estimated to be $95,000 for the debt offering, and an additional $10,000 per additional bond series. Payment of Kutak's fees is the obligation of the Borrower. HACLA determined that Kutak's bond counsel fees are reasonable, based on analysis of bond counsel fees charged to similar transactions during the past two years (source: CDIAC).

Vision Plan: PLACE Strategy #1: Stabilize the physical and financial viability of the conventional public housing portfolio.

Bond authority developed and utilized. Growth in revenue from bond authority realized to support HACLA's objectives.

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

Utilize available funding tools, including Tax Credits, conventional debt/equity, Project-Based Vouchers and RAD to achieve site-based improvements and stabilized operating income and ensure long-term affordability.

Funding: The Chief Administrative Officer confirms the following:

Source of Funds:

The Project and related debt obligations are expected to be supported through rental income comprised of traditional Section 8 Project Based Vouchers, RAD-PBV, market rate, and LIHTC tenant-paid rents.

Budget and Program Impact:

The budget impact to the Authority is expected to be minimal, yet positive. HACLA can expect to receive approximately $186,750 in conduit program fees at bond closing, an additional $62,250 at the one-year anniversary of closing, and $61,000 on the second anniversary of closing, presuming permanent financing has transpired within 24 months of bond closing and outstanding bond principal has been significantly reduced.

The Borrower is responsible for payment of all fees and expenses associated with the financing.

Environmental Review: Not Applicable

Section 3: Not Applicable

Attachments:

1. Resolution
2. Map of Jordan Downs

ATTACHMENT 1

RESOLUTION

RESOLUTION NO. [__________]

RESOLUTION AUTHORIZING THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES TO DECLARE ITS OFFICIAL INTENT (THE INDUCEMENT) TO ISSUE, SOLELY AS CONDUIT BOND ISSUER, ONE OR MORE SERIES OF REVENUE BONDS OF THE AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $49,800,000 TO FINANCE AND REFINANCE ALL OR A PORTION OF THE COST OF THE REDEVELOPMENT, REHABILITATION, CONSTRUCTION, AND EQUIPPING OF JORDAN DOWNS PHASE S4, AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Housing Authority of the City of Los Angeles (the "Authority" or "HACLA") 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, consisting of Part 2 of Division 24 of the California Health and Safety Code (the "Act"), including to issue and sell mortgage revenue bonds, private activity bonds or notes as part of a plan of financing for the purpose of making loans or otherwise providing funds to finance the acquisition, construction, rehabilitation and development of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act;

WHEREAS, the entity described in Section 7 hereof (the "Borrower") has requested that the Authority issue and sell its mortgage revenue bonds or notes pursuant to the Act to provide financing (including reimbursement of Borrower expenditures) for the acquisition, construction, development and rehabilitation of the multifamily rental housing development identified in Section 7 hereof, to be owned and/or operated by the Borrower (the "Project");

WHEREAS, the Board of Commissioners of the Authority (the "Board") hereby finds and declares that it is necessary, essential and a public purpose for the Authority to finance multifamily housing projects pursuant to the Act, in order to increase the supply of multifamily housing in the City of Los Angeles available to persons and families within the income limitations established by the Act;

WHEREAS, as an inducement to the Borrower to carry out its Project, this Board desires to adopt this resolution (the "Resolution") and to authorize the issuance of private activity mortgage revenue bonds, notes or other evidences of indebtedness by the Authority to finance the Project (the "Bonds"), for the Project in an aggregate principal amount not to exceed the maximum amount set forth in Section 7 hereof (the "Maximum Amount");

WHEREAS, the Authority, in the course of assisting the Borrower in the financing of the Project, expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project within 60 days prior to the adoption of this Resolution and may incur additional Reimbursement Expenditures within 60 days prior to the adoption of this Resolution and prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis;

WHEREAS, Section 1.142-4 and Section 1.150-2 of the Treasury Regulations promulgated under the below defined Code (the "Treasury Regulations") require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

WHEREAS, Section 146 of the Internal Revenue Code of 1986 (the "Code") limits the amount of multifamily housing mortgage revenue bonds that may be issued in any calendar year by entities within a state and authorizes the governor or the legislature of a state to provide the method of allocation within the state;

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State of California (the "Government Code") governs the allocation of the state ceiling among governmental units in the State of California having the authority to issue private activity multifamily housing mortgage revenue bonds;

WHEREAS, Section 8869.85 of the Government Code requires a local agency to file an application with the California Debt Limit Allocation Committee ("CDLAC") prior to the issuance of private activity multifamily housing mortgage revenue bonds; and

WHEREAS, the Board hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act.

NOW, THEREFORE, BE IT RESOLVED, the Board of Commissioners of the Housing Authority of the City of Los Angeles does hereby authorize and approve as follows:

Section 1. The recitals hereinabove set forth are true and correct, and this Board of Commissioners so finds.

Section 2. The Board hereby determines that it is necessary and desirable to provide financing for the Project by the issuance and sale of Bonds pursuant to the Act and hereby authorizes the issuance and sale of the Bonds in one or more series from time to time pursuant to a plan of financing by the Authority and the Bonds for the Project will be issued in an aggregate principal amount not to exceed the Maximum Amount in Section 7 below. This action is taken expressly for the purpose of inducing the Borrower to undertake the Project, provided that nothing contained herein shall be construed to signify that the Project complies with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the Authority or any officer, agent or employee of the Authority will grant any approval, consent or permit which may be required in connection with the acquisition and construction or rehabilitation of the Project or the issuance of the Bonds.

Section 3. The issuance and sale of the Bonds shall be upon such terms and conditions as may be agreed upon by the Authority and the Borrower and the initial purchasers of the Bonds; provided, however, that no Bonds shall be sold or issued unless specifically authorized by a subsequent resolution of this Board.

Section 4. This Resolution is being adopted by the Authority for purposes of establishing compliance with the requirements of Section 1.142-4 and Section 1.150-2 of the Treasury Regulations. In that regard, the Authority hereby declares its official intent to use proceeds of indebtedness to reimburse the Reimbursement Expenditures. Notwithstanding the foregoing, this resolution does not bind the Authority to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 5. The Designated Officers (defined in Section 8 below) of the Authority are hereby authorized to file applications with CDLAC and directed to apply to CDLAC for a private activity bond allocation for application by the Authority for the issuance of the Bonds in one or more series from time to time for the Project in an amount not to exceed the Maximum Amount, to collect from the Borrower an amount equal to the performance deposit required by CDLAC and to certify to CDLAC that such amount has been placed on deposit in an account in a financial institution.

Section 6. The Designated Officers of the Authority are hereby authorized and directed to take whatever further action relating to the aforesaid financial assistance may be deemed reasonable and desirable provided that the terms and conditions under which the Bonds are to be issued and sold shall be approved by this Board in the manner provided by law prior to the sale thereof.

Section 7. The “Project,” the “Borrower” and the “Maximum Amount” are set forth below:

Project Name:	**Address:**	**Units:**	**Project Sponsor and Borrower:**	**Maximum Amount:**
Jordan Downs Phase S4	▪ 10110 Grape Street; ▪ 10150 Grape Street; ▪ Both addresses are located in Los Angeles, California 90002	90	Jordan Downs Phase S4, LP, (“Borrower”). The Michaels Development Company I, L.P. (“Project Sponsor”).	$49.8 million; up to $42.0 million of private activity bonds, and up to $7.8 million of taxable debt.

Section 8. **BE IT FURTHER RESOLVED** that the Designated Officers of the Authority referred to above are as follows:

Name	*Title*
Douglas Guthrie	President and Chief Executive Officer
Marlene Garza	Chief Administrative Officer
Jenny Scanlin	Chief Development Officer
Margarita Lares	Chief Programs Officer

Section 9. **BE IT FURTHER RESOLVED** that this Resolution shall be effective upon its adoption

PASSED AND ADOPTED by the Housing Authority of the City of Los Angeles this 28th day of April, 2022.

APPROVED AS TO FORM

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

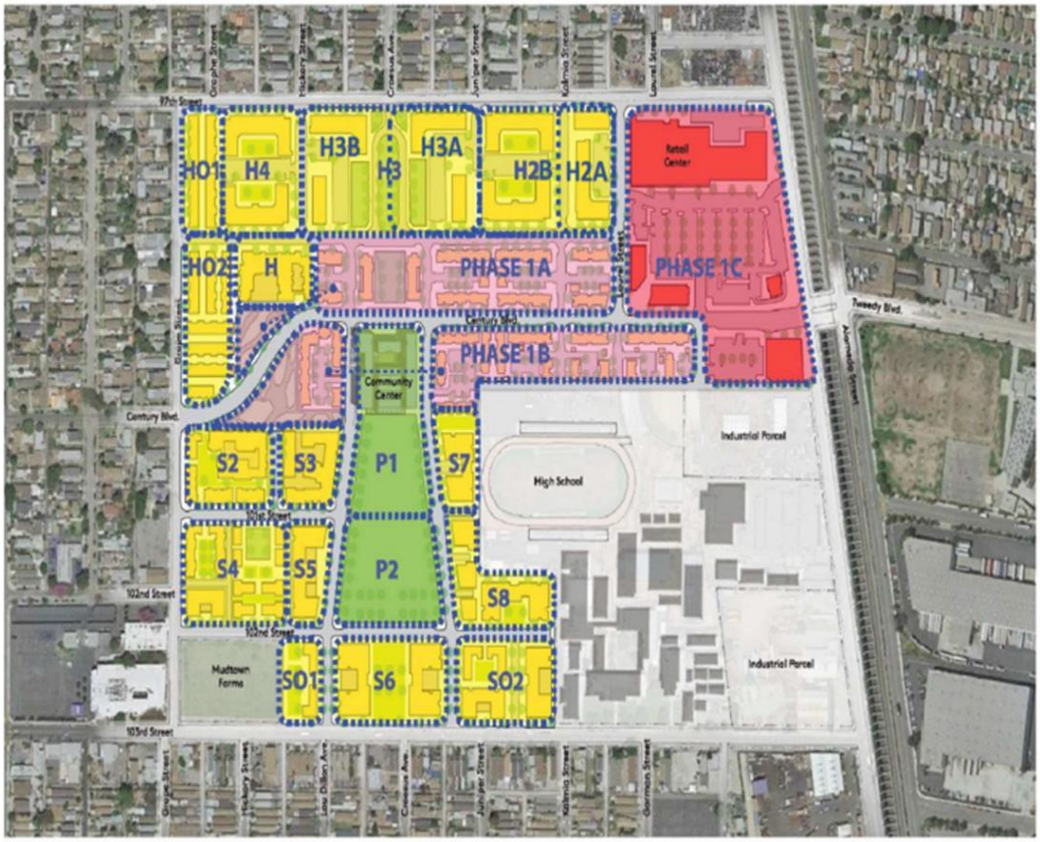
By:____________________________
James Johnson, General Counsel

By: ____________________________
Cielo Castro, Chairperson

DATE ADOPTED: _______________________

ATTACHMENT 2

MAP OF JORDAN DOWNS



JORDAN DOWNS SITE PLAN / OCTOBER 24, 2019   0   200'

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