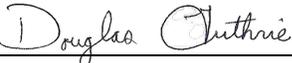


**RESOLUTION AUTHORIZING THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES TO DECLARE ITS OFFICIAL INTENT (THE INDUCEMENT) TO ISSUE, SOLELY AS CONDUIT BOND ISSUER, ONE OR MORE SERIES OF REVENUE BONDS OF THE AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$73,110,000 TO FINANCE AND REFINANCE ALL OR A PORTION OF THE COST OF THE ACQUISITION, CONSTRUCTION, DEVELOPMENT, REHABILITATION, AND EQUIPPING OF ROSE HILL COURTS PHASE II, 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 Rose Hill Courts Phase II (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).

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

On January 23, 2020, by Resolution 9568, the BOC authorized the President & CEO to enter into a Disposition and Development Agreement (“DDA”), a long-term Ground Lease and Predevelopment Loan documents with both Rose Hill Courts I Housing Partners, L.P. and Rose Hill Courts II Housing Partners, L.P. (the “Developers” or “Owners”) for the development of an 89 unit affordable housing residential development in Phase I of the Rose Hill Courts redevelopment and a 96 unit affordable housing residential development in Phase II of the Rose Hill Courts redevelopment, respectively.

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

**Issues** By taking this resolution to the BOC 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 Ross Financial (“Ross”) 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 Equity and 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 adoption of a debt issuance resolution at a future date.

*The Project  
& the Borrower*

The Project proposes to complete redevelopment of the 5.24-acre (228,255 square feet) former Rose Hill Courts (RHC) public housing site (Project Site) located within the Northeast Los Angeles Community Plan, in the El Sereno Community of the City of Los Angeles.

The RHC redevelopment is being completed in two phases. Phase I started construction in 2021 and is located on the northeast corner of the site at McKenzie and Florizel. It includes 89 units (replacing seven buildings consisting of 20 units and an administration building). Rose Hill Courts Phase I is anticipated to be completed by mid-2023.

The Project is considered the Phase II site and is currently improved with eight buildings that are occupied by public housing residents. The site is located at 3521 North McKenzie Avenue, Los Angeles, CA 90032 and vicinity. After occupant relocation, these eight buildings (consisting of 80 units) will be demolished and replaced with 96 new units. There will be 37 one-bedroom units, 33 two-bedroom units, 22 three-bedroom units and 4 four-bedroom units. Of the 37 one-bedroom units, 24 of the units will be designed/furnished to serve the needs of Special Needs tenants, provided an MHP application is successful. Approximately 370 people will be housed in this phase. Phase II will also have 119 parking spaces onsite at grade and tucked-under parking, including six spaces designated for handicapped persons. Total development cost is estimated at \$90.4 million.

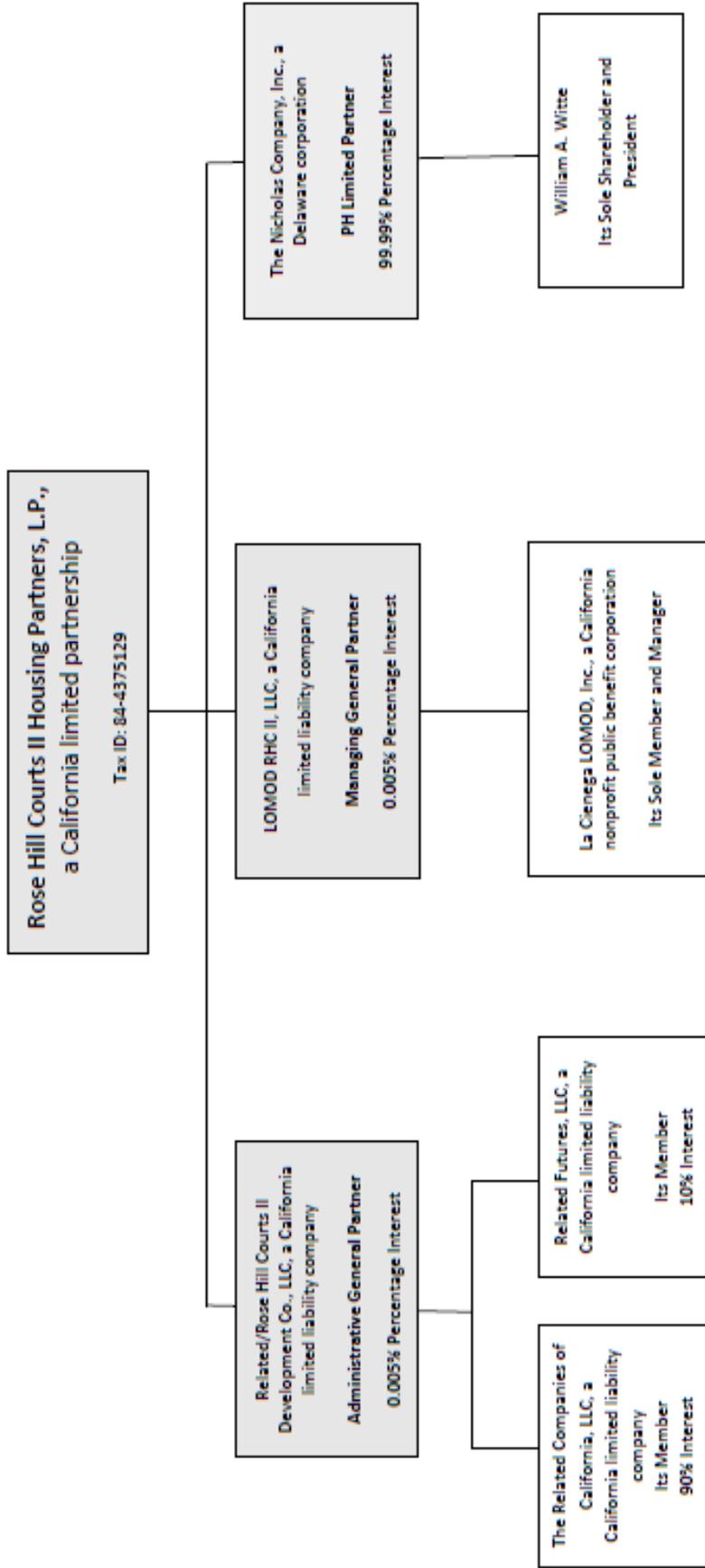
Phase II will also include a 6,366-square-foot management office/community building and a “Central Park” green space, creating a park-like setting for residents. The site will have upgraded lighting, fencing, signage, and security features, and storm-drain and utility improvements. The new sustainably designed buildings will be energy efficient and the landscaping will include water-efficient irrigation.

The project sponsor (“Sponsor”) is The Related Companies of California, LLC. The borrowing entity (“Borrower”) is Rose Hill Courts II Housing Partners, L.P., a California

Limited Partnership (the “Partnership”). The Managing General Partner (“MGP”) will be LOMOD RHC II, LLC, a California limited liability company or a Single Purpose Non-profit Entity with La Cienega LOMOD, Inc. as its Sole Member. And, the Administrative General Partner (“AGP”) is Related/Rose Hill Courts II Development Company, LLC, a California limited liability company. The identity of the Investor Limited Partner (“ILP”) will be determined at a future date. As illustrated in the diagram below, The Nicholas Company, Inc., serves as the interim ILP, but will be replaced with a new ILP at closing, following a competitive solicitation for Investor Limited Partners to be performed in 2023. Within the Partnership, the AGP will have a 0.005% percentage interest, the MGP will have a 0.005% percentage interest, and the ILP will have a 99.99% percentage interest in the Project.

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**ORGANIZATIONAL CHART FOR ROSE HILL COURTS II HOUSING PARTNERS, L.P.**



### *Residents*

No residents will be displaced as Phase II will begin construction only upon the completion of Phase I and after the residents living in the footprint of Phase II have been given the right to return to a new unit in the Phase I development.

### *Project Construction and Scheduling*

Project construction is anticipated to begin in 2024 for Phase II. Project construction, which will take approximately 24 months is anticipated to be completed in 2026. Workforce will vary based on the scheduled activities to over 100 workers at peak with an average of 40 to 60 workers per day.

### *Tax-Exempt*

#### *Private Activity Debt*

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").

HACLA'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 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 during the summer of 2023 (approximately), 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 debt allocation 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 or other debt for the Project.

The amount of tax-exempt private activity debt allocation to be requested is estimated at \$56,517,000 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 \$56,516,770 tax-exempt debt 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 requested, should

conditions warrant such action. In addition, the Project may include one or more issuances of approximately \$13,827,157 of taxable revenue bonds. With the 20% cushion, the taxable bonds may be sized up to \$16,592,588. In aggregate, the tax-exempt private activity debt and the taxable debt total approximately \$73,109,358 (including the 20% cushion).

The Project represents HACLAs eighth 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 HACLAs are collected.

#### *Municipal Advisor*

HACLAs requires municipal advisor services to assist in facilitating the conduit issuance of private activity debt. Pursuant to a contract being negotiated between HACLAs and Ross Financial (“Ross”), HACLAs will engage Ross as its municipal advisor for the conduit debt issuance associated with the Project. Ross has extensive experience with conduit debt issuance, is an established and respected municipal advisor to various governmental entities and has aided HACLAs on prior debt offerings on a non-conduit issuance basis. Ross’s service fee for each debt offering is estimated at \$75,000. Payment of Ross’ fee is the obligation of the Borrower. HACLAs staff have concluded Ross’ 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 HACLAs intends to engage the nationally recognized law firm, Kutak Rock LLP (“Kutak”). Kutak is currently under contract with HACLAs to provide transactional legal services, including Bond Counsel Services (Contract No. HA-2020-29-A). Kutak’s bond counsel fee is estimated to be \$90,000 for the initial series of debt offering, and up to an additional \$50,000 per additional bond series. Payment of Kutak’s fees are the obligation of the Borrower. HACLAs 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: California Debt and Investment Advisory Commission).

**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 HACLAs objectives.

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

Utilize available funding tools, including Tax Credits, conventional debt/equity, and Project-Based Vouchers 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 of the Borrower are expected to be supported through rental income and the cost of the Project will be off-set by competitive tax credits, and potentially other grants and low-interest loans.

*Budget and Program Impact:* The budget impact to HACLA is expected to be minimal, yet positive. HACLA can expect to receive approximately \$280,160 in conduit program fees at bond closing (February 2024, estimate), an additional \$91,387 at the one-year anniversary of closing, and a lesser amount on the second anniversary of closing, presuming permanent financing has transpired within 24 months of bond closing and the 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 Project Site

# **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 \$73,109,358 TO FINANCE AND REFINANCE ALL OR A PORTION OF THE COST OF THE ACQUISITION, CONSTRUCTION, DEVELOPMENT, REHABILITATION, AND EQUIPPING OF ROSE HILL COURTS PHASE II, 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 a subsequent resolution and 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:

<b>Project Name:</b>	<b>Address:</b>	<b>Units:</b>	<b>Project Sponsor and Borrower:</b>	<b>Maximum Amount:</b>
Rose Hill Courts Phase II	<ul style="list-style-type: none"> <li>▪ 3521 North McKenzie Avenue, Los Angeles, CA 90032 and vicinity;</li> <li>▪ 4446 Florizel Street, Los Angeles, CA 90032 and vicinity</li> </ul>	96	<p>The Related Companies of California, LLC (“Project Sponsor”).</p> <p>Rose Hill Courts II Housing Partners, L.P. (“Borrower”).</p>	\$73,109,358; consisting of up to \$56,516,770 of tax-exempt private activity bonds, and up to \$16,592,588 of taxable debt.

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

<u>Name</u>	<u>Title</u>
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 on this 29th day of September, 2022.

APPROVED AS TO FORM

HOUSING AUTHORITY OF THE  
CITY OF LOS ANGELES

By: \_\_\_\_\_  
James Johnson, General Counsel

By: \_\_\_\_\_  
Cielo Castro, Chairperson

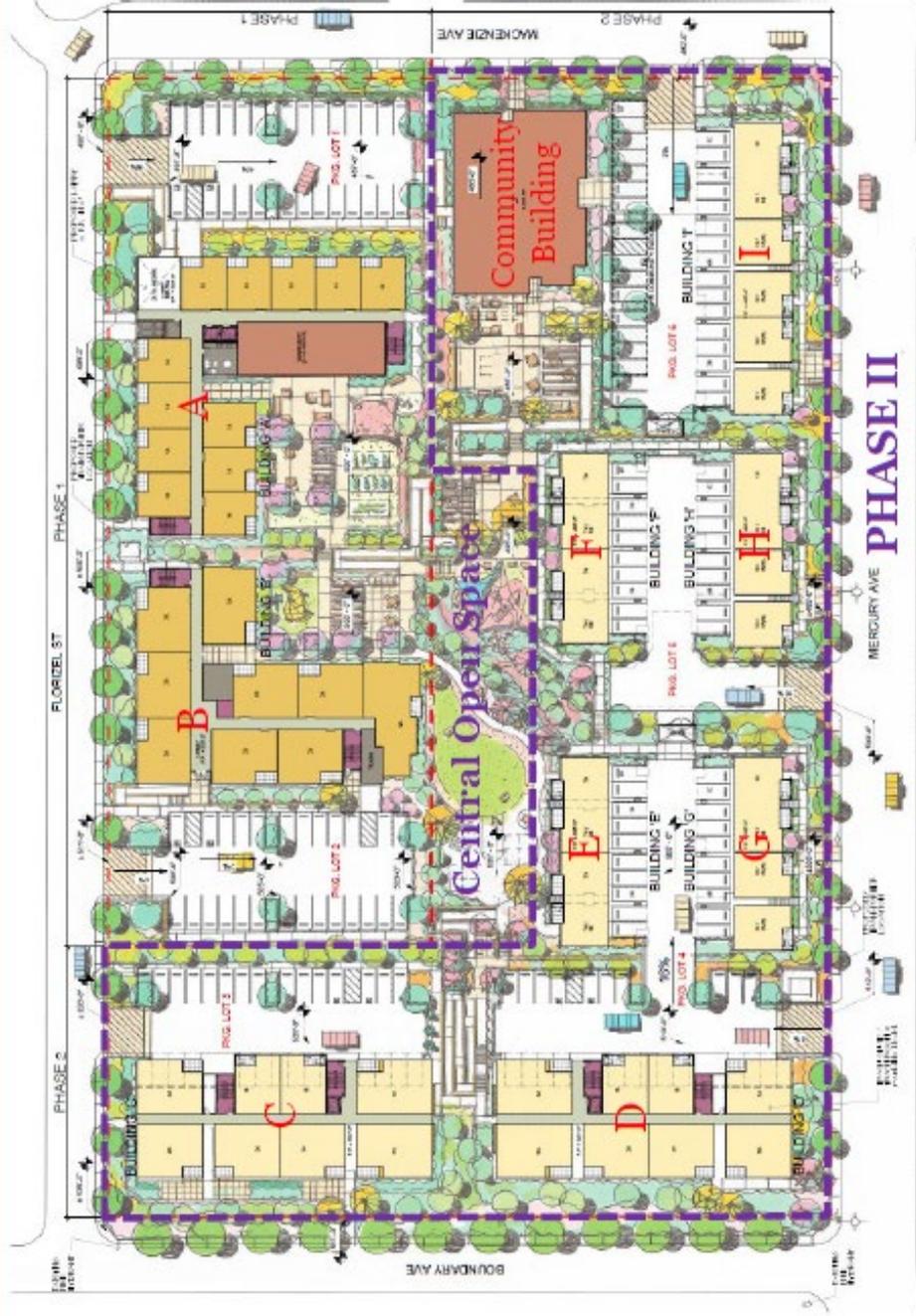
DATE ADOPTED: \_\_\_\_\_

# **ATTACHMENT 2**

## **MAP OF PROJECT SITE**

(APN: 5305-011-900 )

# Rose Hill Courts Phase II



SITE PLAN