**RESOLUTION AUTHORIZING AND APPROVING THE ESTABLISHMENT OF A REVOLVING LINE OF CREDIT WITH TWO COMMITMENTS, A TAXABLE COMMITMENT WITH CITY NATIONAL BANK AND A TAX-EXEMPT COMMITMENT WITH CN FINANCING, INC., WITH AN AGGREGATE REVOLVING LINE OF CREDIT NOT TO EXCEED $100,000,000 AND AUTHORIZING THE PRESIDENT & CEO, OR DESIGNEE, TO EXECUTE AND DELIVER A REVOLVING CREDIT AGREEMENT, FEE LETTER, PROMISSORY NOTES AND ALL OTHER RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS OTHER ACTIONS IN CONNECTION THEREWITH, SUBJECT TO CREDIT APPROVAL FROM CITY NATIONAL BANK AND CN FINANCING, INC., TERMS AND CONDITIONS ACCEPTABLE TO ALL PARTIES, TERMINATION OF THE EXISTING $25,000,000 REVOLVING LINE OF CREDIT FACILITY WITH CN FINANCING, INC., PREPAYMENT IN FULL AND TERMINATION OF AN EXISTING LOAN WITH CITIBANK IN AN AMOUNT NOT EXCEED $4,000,000, AND THE UNDERTAKING OF VARIOUS OTHER ACTIONS IN CONNECTION THEREWITH**

| | |
|---|---|
| Douglas Guthrie | Geoffrey Moen |
| President & Chief Executive Officer | Director of Development |

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**Purpose**: Authorize the President and CEO, or designee, to take all actions necessary to establish a revolving line of credit facility with two revolving commitments, one with City National Bank (the "Taxable Revolving Commitment") and one with CN Financing, Inc. (the "Tax-Exempt Revolving Commitment"). The Taxable Revolving Commitment and the Tax-Exempt Revolving Commitment, together, are the "Revolving Commitments". CN Financing, Inc., is a subsidiary of City National Bank. Together, City National Bank (the "Taxable Lender") and CN Financing, Inc. (the "Tax-Exempt Lender") are the "Lenders".

The maximum cumulative commitment amount of the Revolving Commitments is not to exceed $100,000,000 whether HACLA borrows money exclusively under the Taxable Revolving Commitment or the Tax-Exempt Revolving Commitment, or simultaneously under both .

The purpose of establishing the Revolving Commitments is to proactively arrange a cost effective and efficient funding mechanism to support several of HACLA's strategic initiatives including, but not limited to, the acquisition and rehabilitation of multifamily properties, the pre-development of future building sites, the development of an employee parking garage, and other capital improvements and initiatives. Revolving Commitments are anticipated to be taken out by bonds, long-term commercial loans, cash payments by HACLA and/or outside grants.

**Regarding:** On August 27, 2020, the BOC, by Resolution No. 9625, approved amending the City National Bank (CN Financing) revolving line of credit facility previously authorized under Resolution No. 9589 to reflect material changes in terms, authorized 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 agreement reflecting such revisions, and authorized 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.

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

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

**Issues:** On October 29, 2020, HACLA executed a $25,000,000 revolving line of credit with CN Financing, Inc., and, within weeks, borrowed approximately $23,000,000 from the facility to successfully finance its match funding obligation necessary to acquire four residential properties under the initial HomeKey program. In addition to meeting escrow closing dates, HACLA also turned to the revolving line to fund much of the rehabilitation work performed to date. The property acquisitions included Canoga Park Place, NoHo Apartments, Parthenia Place and Martel Apartments. Parthenia and Martel were permanently financed through the issuance of $11,200,000 of Multifamily Mortgage Revenue Bonds (Union Portfolio Project), 2021 Series A, in February 2021. Net proceeds of the bond sale were used to repay and replenish approximately half of what HACLA had initially borrowed from the revolving line. For the decade preceding the establishment of the $25,000,000 revolving line with CN Financing, HACLA did not have a revolving line in place.

In Spring 2021, a decision was made to seek a new revolving line of credit. The reasons were two-fold: (1) HACLA needed a much large-sized revolving line to expand the housing supply through capitalizing on the upcoming HomeKey Round 2 program and launching additional strategic initiatives that require immediate access to reliable funding; and (2) The desire to negotiate significantly lower pricing charged on the revolver itself. The $25,000,000 revolving line was sourced, structured and priced during the first six-months of the COVID-19 pandemic. As a result, banks hiked pricing for credit facilities relative to the real and unknown risks the pandemic posed to the economy as a whole.

On June 9, 2021, staff solicited proposals from twelve financial institutions to consider providing HACLA with one or more Revolving Commitment(s) for an aggregate commitment amount of at least $75 million. Five of the twelve financial institutions responded to the solicitation. The other four respondents were Bank of America, Bank of the West, JPMorgan Chase and MUFG Union Bank.

Data collected under the solicitation evidences that the covenants and use of funds offered by City National Bank and CN Financing, Inc. are the most favorable of the five term sheets received by HACLA. Terms and conditions will largely reflect the terms and conditions contained in the loan documents that pertain to the existing $25,000,000 revolving line of credit.

The proceeds of the borrowings may be used by HACLA solely for the purposes of (i) financing (A) the acquisition, rehabilitation, renovation, equipping and development of housing properties and mixed-use properties, (B) vacant or non-housing developed site acquisitions, and (C) the Parking Lot Project and to (ii) pay costs in connection with this Agreement (the "Project"); provided, however, that

(i) the aggregate amount of the proceeds of all outstanding borrowings used for capital improvement projects (including the Parking Lot Project) may not exceed $16,000,000, excluding proceeds used for HomeKey Round 2 projects, for which there is no limitation, and (ii) the aggregate amount of the proceeds of all outstanding borrowings used for the Orchid Project (a Homekey Round 1 Project) may not exceed $8,200,000; provided, further, however, that the proceeds of borrowings may be used for other corporate purposes with the prior written consent of the Lenders. Funding available under the Revolving Commitments may be borrowed, repaid and then re-borrowed, provided that the aggregate of all loans outstanding at any time does not exceed the $100,000,000 maximum commitment amount. Borrowings under the Revolving Commitments may not be used to finance the routine operating expenditures of HACLA. Pricing and several key terms of the Revolving Commitments include:

- Tax-Exempt Borrowings. Most, if not all of the borrowing HACLA intends to do with the Revolving Line of Credit will be considered tax-exempt. The Lenders are offering a borrowing rate that is approximately 40% lower in cost than the other bids received. The rate quoted is the SIFMA index value ("SIFMA") plus a margin of 0.475% for a term of five years. Four other financial institutions submitted term sheets, but the Lenders stood alone in offering the more favorable SIFMA index for borrowings. On September 13, 2021, the SIFMA index was 0.02%. For tax-exempt borrowings, pricing increases by 0.10% should HACLA's "A+" general obligation rating decline to "A", increase by an additional 0.15% if the rating further declines to "A-" and so forth. Estimated annual costs are illustrated in the table below.

| Revolving Commitments -- Interest and Fees, Adjusted for Increases in SIFMA Index | | | |
|---|---|---|---|
| **Tax-Exempt Scenario** | **Scenario A** | **Scenario B** | **Scenario C** |
| ***Assumed SIFMA Rate*** | 0.02% | 1.02% | 2.02% |
| **Stated Commitment Amount** | **$100,000,000** | **$100,000,000** | **$100,000,000** |
| ***Origination Fee*** | $0 | $0 | $0 |
| ***HACLA Legal, Closing Costs*** | $27,000 | $27,000 | $27,000 |
| ***Bank Counsel, Closing Costs*** | $20,000 | $20,000 | $20,000 |
| ***Total Origination and Issuance Fees*** | **$47,000** | **$47,000** | **$47,000** |
| | | | |
| ***Assuming 40% Utilization:*** | | | |
| ***Annual Cost, Year 1*** | $395,000 | $795,000 | $1,195,000 |
| ***Annual Cost, Years 2 to 5*** | $348,000 | $748,000 | $1,148,000 |
| | | | |
| ***Assuming 60% Utilization:*** | | | |
| ***Annual Cost, Year 1*** | $444,000 | $1,044,000 | $1,644,000 |
| ***Annual Cost, Years 2 to 5*** | $397,000 | $997,000 | $1,597,000 |
| | | | |
| ***Assuming 80% Utilization:*** | | | |
| ***Annual Cost, Year 1*** | $493,000 | $1,293,000 | $2,093,000 |
| ***Annual Cost, Years 2 to 5*** | $446,000 | $1,246,000 | $2,046,000 |

*Note: Scenario A is the current market condition, as of September 14, 2021.*
*The SIFMA index is a variable rate. All fees expressed here are estimates only.*

- Taxable Borrowings. If HACLA undertakes an acquisition where more than 10% of the value of the borrowing will be used for commercial, for-profit purposes, the Authority would be required to utilize a taxable borrowing. Staff does not believe this will be utilized but has negotiated the terms in case it is desired in the future in transactions taken to further HACLA's mission. The Lenders are offering a borrowing rate that is approximately 25% lower in cost than the four competing bids received. For taxable borrowings, the Lenders have quoted a SOFR index rate ("SOFR") plus a margin of 0.71% for the five-year term. The term sheets submitted by the other respondents use LIBOR as the lending index and add a margin of approximately 0.95%, on average. For taxable borrowings, pricing increases by 0.13% should HACLA's "A+" general obligation rating decline to "A", increase by an additional 0.19% if the rating further declines to "A-" and so forth.

- Commitment Fee. The Lenders are offering a Commitment Fee of 0.25% for the five-year term. The Commitment Fee is applied to that portion of the maximum commitment amount that's available for borrowing but is not being used.

- Term of Revolving Commitment. The Lenders are offering an initial term of five years. HACLA may borrow money at the above rates at any time during the five years. Only one other financial institution offered a five-year term, and the remaining respondents offered no longer than a three-year term.

- No Prepayment Penalty. HACLA may reduce the maximum commitment amount, or exit the Revolving Commitments entirely, without paying a reduction or early termination penalty.

- Renewal/Extension. The legal documentation will feature renewal options, whereby HACLA may request one-year extensions to the expiration date of the Revolving Commitments. Renewals are permissible where mutually agreed to by the Lenders and HACLA. Terms and pricing may be adjusted, accordingly, at time of renewal/extension.

- Lengthy Term-Out Option. Borrowings outstanding at the term expiration date will convert to a term-out loan, provided no event of default has occurred. The term-out loan period is expected to be five years. From a borrower's perspective, a longer period is better. In comparison to the other institutions responding to our solicitation, the duration of the term-out option was a much shorter.

- Closing Costs. The Lenders estimated closing costs are approximately $20,000. These costs will cover the cost of their bank counsel (Chapman & Cutler) and in-house administrative costs. HACLA will be required to pay Lenders costs when the transaction closes, likely in November 2021. HACLA has tasked Kutak Rock as external bond counsel, and legal services are estimated at $15,000. Municipal advisory costs to Ross Financial for assistance with the solicitation are estimated at $12,000 . All of these figures are estimates.

The initial use of the $100,000,000 Revolving Line of Credit is expected to assist in purchasing b approximately five multifamily properties with 350 units of housing under Homekey Round 2 and to absorb borrowings currently outstanding under the previously established revolving line of credit amounting to approximately $12,375,772 (August 20, 2021). Activation of the Revolving Commitments will also require the prepayment of an existing loan at a cost of approximately $3.9 million (described below).

Interest payments on the loans outstanding will be due monthly, in arrears, and loans that remain outstanding at the facility expiration date may be converted to term loans. Principal payments are not required prior to the facility expiration date. In the unlikely event term-out loan conversion is not an option, as would be the case if HACLA were to default on the payment of its scheduled debt obligations, principal and accrued interest owed the Lenders would be due and payable in full on the facility expiration date.

Interest payments due on borrowings will be secured by all unencumbered and legally available assets of HACLA. In other words, the borrowings will be secured as a general obligation of HACLA, on par with and equal to the general obligation pledge extended to HACLA's currently outstanding general obligation debt: General Obligation Refunding Bonds, 2018 Series A.

Over the term of the Revolving Commitment the largest proportion of borrowings expected to be used to execute the acquisition of multifamily residential properties. Through this approach, HACLA acquires residential properties using its general obligation pledge (currently rated "A+" by S&P) on an interim basis and only to a limited extent while it is rehabilitating the property, leasing or completing its permanent financing.

Citibank

In July 2021, Staff reached out to Citibank to discuss prepayment of the 2012 Citibank Loan. In August 2021, following further discussions, Citibank agreed to HACLA prepaying the loan. This prepayment will require HACLA to make a one-time payment to Citibank in the amount of approximately $3.88 million. The loan will be prepaid in full. Prepayment of the Citibank loan should be executed in late-October 2021.

Termination of the 2012 Citibank Loan serves to eliminate the financial covenants contained within the associated loan documentation. Removal of those financial covenants is necessary for HACLA to establish a larger revolving line of credit with City National Bank and CN Financing, Inc.

Normally, the 2012 Citibank Loan would not be eligible for optional prepayment until after the first optional prepayment date of October 1, 2022. That date is one year from now. Citibank was made aware of our initiatives pertaining to upcoming multifamily property acquisitions, and the need for a larger sized revolving line of credit. Thus, Citibank agreed to waive the prepayment date limitation. If the Board of Commissioners approves this prepayment. HACLA will be required to pay Citibank the outstanding principal amount of the loan, plus the equivalent of three-months of interest at 8.47%. In the loan documents, the 8.47% rate is identified as the interest rate for "extraordinary" scenarios". HACLA has been paying a 4.47% annual interest rate on the 2012 Citibank Loan for the past nine years. See the table below for additional details. The dollar figures are estimates.

**2012 Citibank Loan -- EXTRAORDINARY PREPAYMENT**

| | | | |
|---|---|---|---|
| Principal | $5,750,000.00 | IPMT = | $26,822.58 |
| Loan Term | 20 | | x 3 |
| Normal Interest Rate | 4.47% | Interest Due = | $80,467.74 |
| Extraordinary Interest Rate | 8.47% | Principal Due = | 3,800,129.33 |
| Normal Monthly Payment | $36,284.29 | Total P&I Due Citibank | **$3,880,597.07** |
| Extraordinary Monthly Payment | na | | |
| Normal Annual Payment | $440,889.47 | | |
| Extraordinary Annual Payment | na | 12-mo @ 4.47% = | 165,363.21 |
| | | 3-mo @ 8.47% = | ($80,467.74) |
| | | Savings to HACLA = | $84,895.47 |

| Date | Beginning Balance | Payment | Interest | Principal | Outstanding Principal |
|---|---|---|---|---|---|
| 7/1/2021 | 3,909,547.60 | 36,284.29 | 14,563.06 | 21,721.23 | 3,887,826.37 |
| 8/1/2021 | 3,887,826.37 | 36,284.29 | 14,482.15 | 21,802.14 | 3,866,024.23 |
| 9/1/2021 | 3,866,024.23 | 36,284.29 | 14,400.94 | 21,883.35 | 3,844,140.88 |
| 10/1/2021 | 3,844,140.88 | 36,284.29 | 14,319.42 | 21,964.87 | 3,822,176.02 |
| 11/1/2021 | 3,822,176.02 | 36,284.29 | 14,237.60 | 22,046.69 | 3,800,129.33 |

Interest Rate Risk and Variable Rate Indexes

A transaction of this type is designed to provide the borrower with interim financing. It is not long-term financing and it requires a plan for take-out financing. The source of take-out financing is expected to be derived from proceeds collected from the sale of long-term bonds or notes, or from the application of HACLA's available fund balances. A successful sale of long-term debt is dependent on market conditions, bond yields and other factors present at the time of sale. In the unlikely event of severe market disruption, HACLA may be forced to delay the sale of the bonds or notes until market conditions improve. If delayed in arranging take-out financing, HACLA will incur higher than anticipated annual interest expenses and possibly a prolonged period of limited remaining borrowing capacity under the Revolving Commitments. This risk, a refinancing risk, is inherent to interim financing structures of this type. Most government entities find that the benefits of the structure outweigh the risks. HACLA is a solid investment-grade issuer and take-out financing such as a tax-exempt bond sale, should be well-received by the investment community.

Compliance with the Debt Management Policy

The structure, terms and conditions of the Revolving Commitments are in compliance with the 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

HACLA's in-house counsel and Kutak Rock (external counsel) are serving as joint legal counsel for this transaction.

**Vision Plan:** **Pathways Strategy 1. Build and enhance HACLA's internal real estate development team into a capable, adequately staffed "community revitalizer and public developer" and business line comparable to other large, regionally oriented development/redevelopment authorities**.

Soliciting innovative partnerships will allow HACLA's development team to grow HACLA's real estate business line in a way that is comparable to and competitive with other large regional developers. HACLA has invested in additional staffing this year within Development Services to engage in additional acquisition and development activities in support of this strategy.

**Place Strategy 2. Increase functionality and effectiveness of Asset Management portfolio.**

This strategy will expand HACLA's property portfolio and increase revenues through the application of acquisition and infill strategies that serve to increase the total number of affordable housing units HACLA offers, while simultaneously diversifying the range of housing options HACLA is able to offer in response to changes in market demands.

**Funding:** The Chief Administrative Officer confirms the following:

Source of Funds:
Unencumbered and legally available fund reserves of HACLA, are available to cover the fees and expenses associated with establishing and operating this interim financing mechanism, and to fund the approximately $3.88 million prepayment of the 2012 Citibank Notes. Under most circumstances, take-out financing in the form of long-term debt obligations will be the intended permanent source of financing for the borrowings conducted under the Revolving Commitments.

Budget and Program Impact:

- Based on current market conditions, total annual fees and expenses are estimated to be $444,000 in year one, assuming a five-year term, a 0.25% commitment fee, a 0.475% interest rate on borrowings, and a dollar amount of borrowings outstanding averaging $60,000,000 throughout the year.

- Assuming a 1.00% increase in the SIFMA index, total annual fees and expenses are estimated to be $1,044,000 in year one, assuming a five-year term, a 0.25% commitment fee, a 1.52% interest rate on borrowings, and a dollar amount of borrowings outstanding averaging $60,000,000 throughout the year.

Current market conditions provide a relatively low interest rate environment for a revolving line of credit, making the Revolving Commitments a suitable and economically viable interim financing mechanism for HACLA. Should market interest rates trend significantly higher during the term of the Revolving Commitments, HACLA has the option to terminate the revolvers without having to pay an early termination penalty.

**Environmental Review:** Not Applicable

**Section 3:** Not Applicable

**Attachments:**

1. Resolution
2. Amended and Restated Fee Agreement
3. Amended and Restated Revolving Credit Agreement

## Attachment 1

## Resolution

**RESOLUTION NO. [__________]**

**RESOLUTION AUTHORIZING AND APPROVING THE ESTABLISHMENT OF A REVOLVING LINE OF CREDIT WITH TWO COMMITMENTS, A TAXABLE COMMITMENT WITH CITY NATIONAL BANK AND A TAX-EXEMPT COMMITMENT WITH CN FINANCING, INC., WITH AN AGGREGATE REVOLVING LINE OF CREDIT NOT TO EXCEED $100,000,000 AND AUTHORIZING THE PRESIDENT & CEO, OR DESIGNEE, TO EXECUTE AND DELIVER A REVOLVING CREDIT AGREEMENT, FEE LETTER, PROMISSORY NOTES AND ALL OTHER RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS OTHER ACTIONS IN CONNECTION THEREWITH, SUBJECT TO CREDIT APPROVAL FROM CITY NATIONAL BANK AND CN FINANCING, INC., TERMS AND CONDITIONS ACCEPTABLE TO ALL PARTIES, TERMINATION OF THE EXISTING $25,000,000 REVOLVING LINE OF CREDIT FACILITY WITH CN FINANCING, INC., PREPAYMENT IN FULL AND TERMINATION OF AN EXISTING LOAN WITH CITIBANK IN AN AMOUNT NOT EXCEED $4,000,000, AND THE UNDERTAKING OF VARIOUS OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Housing Authority of the City of Los Angeles ("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, 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;

**WHEREAS**, HACLA 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;

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

**WHEREAS**, on April 23, 2020, the HACLA 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;

**WHEREAS**, on August 27, 2020, the Board adopted Resolution No. 9625, approving changes to the revolving line of credit facility previously authorized under Resolution No. 9589, including authorizing the execution of a credit agreement for an initial revolving commitment amount not-to-exceed $50,000,000;

**WHEREAS,** in October 2020, pursuant to the Board's authorizations via Resolutions 9589 and 9625, HACLA established a $25,000,000 revolving line of credit with CN Financing, Inc., an affiliate of City National Bank (the "$25,000,000 Revolving Commitment");

**WHEREAS,** HACLA subsequently used the $25,000,000 Revolving Commitment to facilitate various HACLA initiatives, including acquisition and rehabilitation of properties partially funded through and acquired in conjunction with the State of California's HomeKey Program;

**WHEREAS,** borrowings outstanding under the $25,000,000 Revolving Commitment total approximately $12,375,722 as of August 20, 2021;

**WHEREAS,** on September 9, 2021, the State of California released its Notice of Funding Availability for Round Two of the HomeKey Program ("HomeKey R2");

**WHEREAS,** HACLA anticipates that HomeKey R2, along with various other initiatives, including borrowings for other property acquisitions, site acquisitions, and capital projects that potentially include the construction of a parking garage adjacent to HACLA's 2600 Wilshire office (the "Parking Lot Project"), will significantly increase its need for short-term borrowing facilitated by a revolving line of credit facility;

**WHEREAS,** in June 2021, HACLA Staff solicited twelve financial institutions to submit term sheets for a revolving line of credit facilities and five institutions provided term sheets responsive to this solicitation;

**WHEREAS,** HACLA Staff identified the covenants and use of funds offered by City National Bank and its affiliate CN Financing, Inc. in their term sheets as the most favorable among the revolving line of credit facilities presented in response to HACLA's solicitation;

**WHEREAS,** City National Bank and CN Financing, Inc. have proposed a revolving line of credit facility with two revolving commitments, one with City National Bank (the "Taxable Revolving Commitment") and one with CN Financing, Inc. (the "Tax-Exempt Revolving Commitment"). The Taxable Revolving Commitment and the Tax-Exempt Revolving Commitment, together, are the "Revolving Commitments". The maximum cumulative borrowing authorization between the Revolving Commitments is One Hundred Million dollars (the "Maximum Commitment Amount"). CN Financing, Inc., is a subsidiary of City National Bank. Together, City National Bank (the "Taxable Lender") and CN Financing, Inc. (the "Tax-Exempt Lender") are the "Lenders".

**WHEREAS**, the terms of the Revolving Commitments would require that HACLA's borrowings outstanding under the $25,000,000 Revolving Commitment be transitioned to the Revolving Commitments via amendment and restatement of the agreements underlying the $25,000,000 Revolving Commitment;

**WHEREAS,** in 2012, HACLA entered into a loan with Citibank to fund capital improvements and renovation to HACLA's 2600 Wilshire property and structure, which has an outstanding principal balance of approximately $3.8 million (the "2012 Citibank Loan");

**WHEREAS,** the Lenders have made prepayment of the 2012 Citibank Loan a pre-condition for activating the Revolving Commitments;

**WHEREAS,** under the terms of its agreement with Citibank, HACLA cannot fully repay the principal outstanding on the 2012 Citibank Loan until the first optional prepayment date of October 1, 2022;

**WHEREAS,** HACLA Staff have negotiated an early prepayment of the 2012 Citibank Loan, which would require HACLA to make a one-time payment to Citibank of approximately $3.88 million, which includes approximately $85,000 in interest owed Citibank, to be paid when the loan is terminated;

**WHEREAS,** HACLA will pay the approximately $3.88 million to Citibank using unencumbered and legally available reserve funds;

**WHEREAS,** the Revolving Commitments will be provided to HACLA by the Lenders pursuant to a revolving credit agreement (the "Amended and Restated Credit Agreement") by and between HACLA and the Lenders, whereby HACLA may request Borrowings (as defined in the Amended and Restated Credit Agreement) from time to time, to finance (i) the acquisition, construction, rehabilitation, renovation, equipping, and refinancing of multifamily rental housing, other housing properties, and permissible mixed use properties, (ii) site acquisitions, (iii) capital improvement projects, including the Parking Lot Project, and (iv) costs in connection with the Amended and Restated Credit Agreement;

**WHEREAS,** the obligations incurred by HACLA pursuant to the terms of the Amended and Restated Credit Agreement and evidenced by one or more promissory notes (the "Notes") will be general obligation debt secured by and payable from HACLA's unencumbered and legally available assets, as provided in the Amended and Restated Credit Agreement;

**WHEREAS,** the interest rate on the Notes for tax exempt borrowing will be a variable rate substantially equivalent to the SIFMA index value ("SIFMA") plus a margin of 0.475% for a five-year term;

**WHEREAS,** the interest rate on the Notes for taxable borrowing will be a variable rate substantially equivalent to the SOFR index rate ("SOFR") plus a margin of 0.71% for a five-year loan period;

**WHEREAS,** HACLA and the Lenders will enter into an Amended and Restated Fee and Interest Rate Agreement (the "Fee Agreement") to confirm the interest rates and other fees payable by HACLA to the Lenders with respect to the Revolving Commitments;

**WHEREAS,** the following substantially final documents have been presented to this Board:

(a) form of the Amended and Restated Fee Agreement; and

(b) form of the Amended and Restated Revolving Credit Agreement.

**WHEREAS**, the structure of the HomeKey Program and HomeKey R2, and partnerships HACLA has entered, or will be entering, in relation to that program, create a reasonable likelihood that HACLA will have access to grant funds and other unencumbered assets to repay certain borrowings under the Revolving Commitments.

**NOW, THEREFORE, BE IT RESOLVED**, the Board does hereby authorize and approve the establishment of Revolving Commitments with City National Bank and its affiliate CN Financing, Inc. with an initial maximum cumulative borrowing amount between the two Revolving Commitments of $100,000,000, under terms for tax-exempt borrowing that include a variable rate substantially equivalent to the SIFMA index value ("SIFMA") plus a margin of 0.475% for a five-year loan period, and under terms for taxable borrowing that include a variable rate substantially equivalent to the SOFR index rate ("SOFR") plus a margin of 0.71% for a five-year loan period. The Board further authorizes prepayment of the 2012 Citibank Loan using unencumbered and legally available reserve funds and repayment of borrowings under the Revolving Commitments with grant funds and other unencumbered and legally available assets of HACLA, 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 Fee Agreement, Revolving Credit Agreement, 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**

By: ______________________________
General Counsel

**HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

By: ______________________________
Chairperson

DATE ADOPTED: ___________________

## Attachment 2

## Amended and Restated Fee Agreement

## Attachment 3

## Amended and Restated Revolving Credit Agreement