

TRANSMITTAL

To: **THE COUNCIL**

Date: **01/22/20**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to be 'Eric Garcetti', is written over the printed name.

(Ana Guerrero) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau
1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org

January 15, 2020

Council File: 17-0583-S2
Council District: 13
Contact Persons: Apolinar Abrajan (213) 808-8947
Andre Perry (213) 808-8978
Edwin C. Gipson, II (213) 808-8597
Sean L. Spear (213) 808-8901

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO RE-ISSUE UP TO \$28,500,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS FOR THE PATH METRO VILLAS PHASE 2 APARTMENTS, A SUPPORTIVE HOUSING PROJECT

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, HCIDLA seeks approval and requests authority for the re-issuance of tax-exempt multifamily conduit revenue bonds in an amount not to exceed \$28,500,000 for the PATH Metro Villas Phase 2 Apartments (Project). Bank of America, as bond purchaser, requires approval of the bond re-issuance as a condition to address the funding gap created by the unexpected increased construction costs.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. ADOPT the Resolution as Attachment A to this report, authorizing the re-issuance of up to \$28,500,000 in tax-exempt multifamily conduit revenue bonds for the PATH Metro Villas Phase 2 Apartments Project; and,
 - B. AUTHORIZE the General Manager of HCIDLA, or designee, to negotiate and execute the relevant bond documents for the Project, subject to the approval of the City Attorney as to form.

BACKGROUND

Project Summary

PATH Metro Villas Phase 2 Apartments is a supportive housing development located at 320 N. Madison Avenue, Los Angeles, CA 90004, in Council District 13. Two previously existing office buildings were demolished and the new construction of two six-story buildings is in process. The construction work is about 74% complete and is expected to be completed in March 2020. When completed, the project will provide 122 new housing units. The Project amenities will include 70 subterranean parking spaces, a health clinic and mental health clinic, elevator service, community rooms, a teaching kitchen, a community garden, a barbeque area, and laundry facilities for tenants.

Financing History

Previously, on behalf of the borrower, HCIDLA requested and received a bond allocation from the California Debt Limit Allocation Committee (CDLAC); the bond allocation was obtained on July 19, 2017. Afterwards, per HCIDLA's request, the City Council and Mayor authorized HCIDLA to issue the bonds on behalf of the City of Los Angeles (CF No. 17-0583-S2). On December 14, 2017, the City, via HCIDLA, issued \$28,500,000 in tax-exempt bonds, the construction financing closed, and the project construction work started shortly thereafter. As part of the closing, a Trust Indenture was executed between the City of Los Angeles, as Issuer, and U.S. Bank National Association, as Trustee.

The borrower has reported that unexpected conditions have resulted in a five-month construction delay and \$1,785,865 in increased development costs. Primarily, water was unexpectedly found throughout the site during excavation, thus resulting in additional excavation work and the adding of a water vapor barrier. During the construction phase, the increased cost will be addressed by using a higher amount of the HCIDLA loan funds and a new Bank of America bridge loan. At the permanent financing phase, a higher amount of the tax-exempt loan will remain in place and the tax investor will provide additional funds. As a condition to work out the funding gap, Bank of America requires approval of the bond re-issuance. Without a timely approval, the project construction work will be further delayed, the various loan statuses may be jeopardized, and the financing will be unable to convert to permanent financing.

In order to help address this situation, the borrower has requested changes to the Trust Indenture and other documents that were executed as part of the construction financing closing and issuance of the bonds. In addition, under the Internal Revenue Code of 1986 (Code), as amended, such changes will also cause the bond to be re-issued. In order to help meet re-issuance requirements, on December 11, 2019, HCIDLA conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing. The total tax-exempt bond amount remains the same and there is no need for any new additional financing from the city loans or the need to seek a new bond allocation from CDLAC.

Affordability Restrictions

Pursuant to the City's Affordable Housing Bond Policies & Procedures (AHBPP) for Private Activity Bonds for Multifamily Rental Properties, approved September 2019, the Project must provide long-term affordable housing in the City of Los Angeles. Therefore, in connection with the issuance of the tax-exempt bonds, one or more Bond Regulatory Agreements has been executed and recorded in the official records of the Los Angeles County Recorder's Office. Each Bond Regulatory Agreement includes affordability restrictions throughout a term ending no sooner than the later of: 1) 15 years after the date on which 50% of the dwelling units are first occupied; 2) the date such bonds are paid in full; or, 3) the date on which any Section 8 assistance terminates, if applicable.

In addition to the above, the bond award includes a CDLAC Resolution, which requires that the Project's affordable housing units remain affordable for 55 years. The Project also has affordability restrictions applied under a separate agreement with the California Tax Credit Allocation Committee (CTCAC) for a term of 55 years, as a result of the allocation of the 4% Low Income Housing Tax Credits (LIHTCs). On June 7, 2017, the project received a reservation of federal and state tax credits from the CTCAC.

The Project consists of a total of 122 housing units. Forty-six units will be for chronically homeless individuals, forty-four units will be for homeless individuals, thirty units will be for affordable family units, and two units for manager units. Of the total units, fifty-five will be designated for veterans.

Table 1, below, provides a summary of the Project unit mix, pursuant to CDLAC Resolution.

TABLE 1 – CDLAC AFFORDABILITY RESTRICTIONS				
Unit Type	Units at 50% AMI	Units at 60% AMI	Market Rate (Manager's Unit)	Total Number of Units
0-Bedroom	45	15		60
One-Bedroom	46	14		60
Two-Bedroom			2	2
Total	91	29	2	122

Development Team

Metro Villas Phase 2 Los Angeles, LP (Borrower/Sponsor), a California limited partnership. The Borrower entity is comprised of PV Metro Villas Phase 2 GP, LLC, the managing general partner, and NEF Assignment Corporation, as the limited partner. PATH Ventures is a California 501(c)(3) non-profit corporation and the sole member of the managing general partner. The Borrower entity is currently in compliance with HCIDLA's Business Policies.

PATH Ventures' Board of Directors include: David Alden, Co-President; Terry Bird, Co-President; Julie Downey; Shane Goldsmith, Co-Vice President; Michael Goldberg; Marsha Jones Moutrie, Co-Vice President; Brian Tucker, Co-Treasurer; Kaaren Kurtzman, Co-Treasurer; Eileen Dardick, Secretary; Jane Blumfield, Co-Secretary; Julie Summers, Co-Secretary; and Harreld Adams.

As a housing developer, PATH Ventures has been involved in the development of 13 multi-family rental projects consisting of a total of 763 housing units.

Borrower: Metro Villas Phase 2 Los Angeles, LP
340 N. Madison Avenue
Los Angeles, CA 90004
Contact: Lois Starr, Interim-Exec. Director
Phone: (323) 644-2270

Additional Project development team members are:

Architect: KFA, LLP
1625 Olympic Boulevard
Santa Monica, CA 90404
Contact: Wade Killefer, FAIA, Principal
Phone: (310) 399-7975

Attorney: Bocarsly, Emden, Cowan, Esmail, & Arndt, LLP
633 West Fifth Street, Floor 64
Los Angeles, CA 90071
Contact: Nichole Berklas
Phone: (213) 239-8059

General Contractor: Walton Construction Services
358 E. Foothill Blvd., Suite 100
San Dimas, CA 91773
Contact: E. Lee Jackson
Phone: (909) 267-7777

Property Manager: The John Stewart Company
888 S. Figueroa Street, Suite 700
Los Angeles, CA 90064
Contact: Lori Horn, VP
Phone: (213) 833-1860

Tax Credit Investor: National Equity Fund, Inc.
500 South Grand Ave., Floor 23
Los Angeles, CA 90071
Contact: Debbie Burkart, VP
Phone: (213) 250-9550

Financial Structure

In December 2017, Bank of America, N.A. (BoFA) purchased the \$28,500,000 bond in a private placement transaction. Proceeds from the sale of the bond flowed as tax exempt bond construction loan to the Borrower in an amount up to \$28,500,000. The bond construction loan has a 30-month term, and variable interest rate based on daily floating rate London Interbank Offered Rate (LIBOR), plus 175 basis points per year; the current indicative rate is 3.55%.

At conversion to permanent financing, the tax-exempt bond construction loan will be paid down with permanent financing sources. Concurrently, the California Community Reinvestment Corporation (CCRC) will purchase the remaining bond and proceeds from the bond purchase will be made available as a \$2,320,000 permanent tax-exempt bond loan to the Borrower. The new CCRC permanent tax-exempt bond loan will have a 15 year term and interest rate of 15 year muni bond index, plus 225 basis points fixed; the current indicative fixed rate is 4.44%.

The financing structure also includes funding from the following sources: HCIDLA (\$4,200,000 HOME funds loan (C-130582) and \$3,513,721 HHH funds loan (C-130583)); the State of California - Department of Housing and Community Development’s (HCD) Affordable Housing and Sustainable Communities (AHSC) Program; HCD Veterans Housing and Homeless Prevention Program (VHHP); the Los Angeles County Department of Mental Health (LACDMH) through the Mental Health Services Act (MHSA) Housing Program; private foundation grants from the Home Depot Foundation and Bring Them HOMES (an initiative to support the creation of affordable and permanent supportive housing for homeless and low income veterans nationally); NEF is providing 4% Low Income Housing Tax Credit (LIHTC) equity; a BofA taxable loan; a California State Credit loan from the sponsor; the Los Angeles County Department of Health Services (DHS) is providing a 15 year rental subsidy for 15 units; the Housing Authority of the City of Los Angeles (HACLA) is providing rental assistance through the Section 8 Project Based Voucher Program for 75 units for 15 years.

HCIDLA requires that the lender, BofA, meet the City’s Responsible Banking Ordinance reporting requirements. At re-issuance, the City’s Bond Counsel will provide the required legal opinion as to the tax-exempt status of the bonds, under federal and state law. The legal and financing documents include language that establishes the bond structure as a limited obligation, and strictly payable from Project revenue. The Project financing does comply with both the HCIDLA Bond Policies, and City Financial Policies. Additionally, the legal and financing documents will require the Borrower to provide annual statements and information as requested by HCIDLA.

Sources and Uses

Tables 2, 3, and 4, below, provide a summary of the sources and uses for the Project, including cost per unit and cost category percentages.

Table 2 – Construction Sources			
Construction	Total Sources	Per Unit	% Total
Tax-Exempt Bond Proceeds - BofA	\$28,500,000	\$233,607	51%
Taxable loan - BofA	\$12,587,844	\$103,179	22%
Bridge loan - BofA	\$835,523	\$6,849	1%
HCIDLA - HOME & HHH	\$7,713,721	\$63,227	14%
Foundation Grants	\$455,000	\$3,730	1%
4% Tax Credit Equity (federal) – NEF	\$55,000	\$451	0%
MHSA	\$1,500,000	\$12,295	3%
Deferred Expenses	\$3,317,747	\$27,195	6%
Deferred Developer Fee	\$1,100,025	\$9,017	2%
TOTAL	\$56,064,860	\$459,548	100%

Table 3 – Permanent Sources			
Permanent	Total Sources	Per Unit	% Total
Tax-Exempt Bond Proceeds - CCRC	\$2,320,000	\$19,016	4%
HCIDLA - HOME & HHH	\$7,713,721	\$63,227	14%
State of CA HCD – AHSC loan	\$12,413,648	\$101,751	22%
Foundation Grants	\$455,000	\$3,730	1%
State of CA HCD – VHHP	\$6,173,180	\$50,600	11%
4% Tax Credit Equity (federal) - NEF	\$19,782,285	\$162,150	35%
4% Tax Credit Equity (state)	\$4,472,001	\$36,656	8%
MHSA	\$1,635,000	\$13,402	3%
Def. Dev. Fee	\$1,100,025	\$9,017	2%
TOTAL	\$56,064,860	\$459,548	100%

Table 4 – Uses of Funds		
Uses of Funds	Total Uses	Cost/Unit
Land/Acquisition	\$4,000,000	\$32,787
Architect & Engineering	\$1,575,000	\$12,910
Hard Costs	\$30,618,961	\$250,975
GC Overhead & Profit	\$2,693,820	\$22,080
Developer Fee	\$2,500,000	\$20,492
Other Soft Costs	\$14,677,079	\$120,304
TOTAL	\$56,064,860	\$459,548

HCIDLA’s Bond Team for the financing of the PATH Metro Villas Phase 2 Apartments is as follows:

- Bond Issuer Municipal Advisor: CSG Advisors, Inc.
315 W. 5th Street, Suite 302
Los Angeles, CA 90013
- Bond Issuer Counsel: Los Angeles City Attorney
200 N. Main Street, 9th Floor
Los Angeles, CA 90012
- Bond Counsel: Kutak Rock LLP
777 S. Figueroa Street, Suite 4550
Los Angeles, CA 90017

Labor Costs

Labor costs for the Project are subject to California prevailing wage requirements, and/or federal wage requirements under the Davis–Bacon Act of 1931 and Related Acts, as applicable.

FISCAL IMPACT

There is no fiscal impact to the General Fund as a result of the re-issuance of the Bond. The City is a conduit issuer and will not incur liability for repayment of the Bond. The Bond is a limited obligation, payable strictly from revenue derived from the Project. The City will not be obligated to make payments on the Bond.

Prepared By:



APOLINAR ABRAJAN
Finance Development Officer II

Reviewed By:



ANDRE' PERRY
Community Housing Programs Manager
(Bonds & HHH)

Reviewed By:



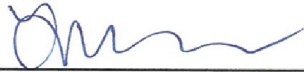
EDWIN GIPSON
Director of Development & Finance

Reviewed By:



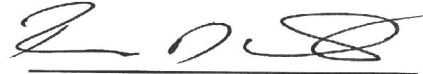
SEAN L. SPEAR
Assistant General Manager

Reviewed By:



LAURA K. GUGLIELMO
Executive Officer

Approved By:



RUSHMORE D. CERVANTES
General Manager

ATTACHMENTS:

Resolution
Trust Indenture 1st Supplement
TEFRA Hearing Minutes

ATTACHMENT A
RESOLUTION

RESOLUTION
CITY OF LOS ANGELES

A RESOLUTION APPROVING FOR PURPOSES OF SECTION 147(f) OF THE INTERNAL REVENUE CODE OF 1986 THE TECHNICAL REISSUANCE OF BONDS BY THE CITY OF LOS ANGELES TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT LOCATED WITHIN THE CITY OF LOS ANGELES AND APPROVING, FURTHER, CERTAIN AMENDMENTS TO THE EXISTING BOND DOCUMENTS.

WHEREAS, the City of Los Angeles (the “City”) is authorized, pursuant to Section 248, as amended, of the City Charter (the “Charter”) of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (the “Law”), to issue its revenue bonds for the purposes of providing permanent financing for the acquisition, construction and development of multifamily rental housing for persons and families of low or moderate income (the “Program”) which will satisfy the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Act”); and

WHEREAS, the City previously issued its Multifamily Housing Revenue Bond (PATH Metro Villas Phase 2 Apartments Project), Series 2017C in the aggregate principal amount of \$28,500,000 (the “Bond”) pursuant to a Trust Indenture dated as of December 1, 2017 (the “Indenture”) between the City and U. S. Bank National Association to fund a loan to finance the acquisition, construction and equipping of that certain multifamily rental housing project described in paragraph 9 below (the “Project”); and

WHEREAS, the Project is located wholly within the City; and

WHEREAS, the owner of the Project, Metro Villas Phase 2 Los Angeles, LP, has requested that the City approve modifications to the Indenture and certain other loan documents to increase the permanent loan amount of the Bond pursuant to a First Supplement to Trust Indenture (the “Supplemental Indenture”), a First Amendment to Bond Purchase Agreement and Delivery Assurance Documents (the “Bond Purchase Agreement Amendment”), a First Amendment to Deed of Trust (the “Amended Deed of Trust”) and a First Amendment to Loan Documents (the “Loan Document Amendment” and together with the Supplemental Indenture, the Bond Purchase Agreement Amendment, and the Amended Deed of Trust, the “Amendatory Documents”); and

WHEREAS, it is in the public interest and for the public benefit that the City authorize, execute and deliver as necessary the Amendatory Documents and it is within the powers of the City to provide for such amendments; and

WHEREAS, the amendments effected by the Amendatory Documents will cause the Bond to be “reissued” under the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the interest on the “reissued” Bond may qualify for a federal tax exemption under Section 142(a)(7) of the Code, only if such reissued Bond is approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Bond is required to be approved, following a public hearing, by an elected representative of the issuer of the Bond (or of the governmental unit on behalf of which the Bond is issued) and an elected representative of the governmental unit having jurisdiction over the area in which the relevant Project is located; and

WHEREAS, this City Council is the elected legislative body of the City and is the applicable elected representative required to approve the issuance of the Bond within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on November 27, 2019, to the effect that a public hearing would be held on December 11, 2019 regarding the reissuance of the Bond; and

WHEREAS, the Housing and Community Investment Department held said public hearing on such date, at which time an opportunity was provided to present arguments both for and against the issuance of the Bond; and

WHEREAS, the minutes of such public hearing, together with any written comments received in connection therewith, have been presented to the City Council; and

WHEREAS, the form of the Amendatory Documents has been presented to the City Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

1. The recitals hereinabove set forth are true and correct, and this City Council so finds. This Resolution is being adopted pursuant to the Law and in accordance with the Act.

2. Pursuant to and solely for the purposes of Section 147(f) of the Code, the City Council hereby approves the reissuance of the Bond by the City in one or more series to finance the Project. It is intended that this Resolution constitute approval of the reissued Bond: (a) by the applicable elected representative of the issuer of the Bond and (b) by the applicable elected representative of the governmental unit having jurisdiction of the area in which the Project is located in accordance with said Section 147(f).

3. The execution and delivery on behalf of the City of the Amendatory Documents substantially in the form presented to the City Council, for the purpose of (i) increasing the permanent loan amount of the Bond and (ii) and making various ancillary or conforming changes to the Amendatory Documents is hereby approved, and each Authorized Representative (as such term is defined in the Indenture) is hereby authorized and directed, for and on behalf of the City, to execute the Amendatory

Documents with such changes as such Authorized Representative may approve upon consultation with the City Attorney and/or Bond Counsel and approval by the City Attorney, such approval by the Authorized Representative to be conclusively evidenced by the execution of such Amendatory Documents.

4. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bond are hereby approved, confirmed and ratified, and each Authorized Representative of the City, the City Clerk and other properly authorized officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including, but not limited to, those described in the Indenture.

5. The City Clerk of the City or any deputy thereof is hereby authorized to countersign or to attest the signature of any Authorized Representative and to affix and attest the seal of the City as may be appropriate in connection with the execution and delivery of any of the documents authorized by this resolution, provided that the due execution and delivery of said documents or any of them shall not depend on such signature of the City Clerk or any deputy thereof or affixing of such seal. Any of such documents may be executed in multiple counterparts.

6. In addition to the Authorized Representative, any official of the City, including any official of the Los Angeles Housing and Community Investment Department, as shall be authorized in writing by the Mayor of the City, is hereby authorized for and on behalf of the City to execute and deliver any of the agreements, certificates and other documents, except the Bond, authorized by this Resolution.

7. Each Authorized Representative and other properly authorized officials of the City as specifically authorized under this resolution are hereby authorized, directed and empowered on behalf of the City and the City Council to execute any other additional applications, certificates, agreements, documents or other instruments or any amendments or supplements thereto, subject to approval by the City Attorney as to form, or to do and to cause to be done any and all other acts and things as they may deem necessary or appropriate to carry out the purpose of the foregoing authorizations and to address any issues arising with respect to the Bond or the agreements relating thereto subsequent to their issuance.

8. This Resolution shall take effect immediately upon its passage and adoption.

9. The "Project" referred to herein is as follows:

Project Name	Number of Units	Address	Owner
The PATH Metro Villas Phase 2 Apartments	122 (including 2 manager units)	320 N. Madison Avenue, Los Angeles, CA 90004	Metro Villas Phase 2 Los Angeles, LP

[Remainder of page intentionally left blank]

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 20__.

By _____
Name _____
Title _____

ATTACHMENT B

FIRST SUPPLEMENT TO TRUST INDENTURE

**FIRST SUPPLEMENT TO
TRUST INDENTURE**

THIS FIRST SUPPLEMENT TO TRUST INDENTURE, dated as of [_____] 1, 20[___] (this “First Supplement”), is by and among the **CITY OF LOS ANGELES**, a charter city and municipal corporation of the State of California, duly organized and existing under its charter and the laws of the State of California (the “City” or the “Issuer”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, (the “Trustee”), **BANK OF AMERICA, N.A.**, a national banking association organized and existing under the laws of the United States of America (the “Bank”), and **METRO VILLAS PHASE 2 LOS ANGELES, LP**, a California limited partnership (the “Borrower”) and amends and supplements that certain Trust Indenture dated as of December 1, 2017 (the “Original Indenture”) between the City and the Trustee relating to \$28,500,000 in principal amount of the City’s Multifamily Housing Revenue Bond (PATH Metro Villas Phase 2 Apartments Project), Series 2017C (the “Bond”).

WHEREAS, pursuant to the Original Indenture and Section 248 of the City Charter of the City of Los Angeles and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the “Law”), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California (the “Act”), the Issuer has issued the Bond; and

WHEREAS, the Borrower, CCRC and the Bank have agreed that principal amount of the Bond to be purchased by CCRC upon Conversion shall be increased to \$2,320,000; and

WHEREAS, Section 8.02 of the Original Indenture permits the Issuer and the Trustee, from time to time and at any time with the prior written consent of the Owner of the Bond to enter into an indenture or indentures supplemental to the Original Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any provisions of the Original Indenture; and

WHEREAS, the Bank is currently the registered Owner of the Bond and the servicer of the Loan (the “Servicer”); and

WHEREAS, Section 8.04 of the Original Indenture requires the consent of the prior written consent of the Borrower to enter into an indenture or indentures supplemental to the Original Indenture entered into pursuant to Section 8.02 of the Indenture; and

WHEREAS, the Issuer, the Bank and the Trustee have received an Opinion of Counsel that this First Supplement will not cause the interest on the Bond to be includable in gross income of the Owner (other than an Owner who is a “substantial user” of the Project or a “related person” to a “substantial user,” as defined in Section 147(a) of the Code) for purposes of federal income taxation and that this First Supplement is authorized or permitted by the Original Indenture; and

WHEREAS, pursuant to the Original Indenture, the Issuer, the Trustee, the Bank (as sole Owner of the Bond) and the Borrower have evidenced their consent to the terms of this First

Supplement and waived all required notices thereof under the Original Indenture, including, but not limited to, in Sections 8.02 and 8.04 of the Original Indenture, each as evidenced by the signature of an authorized representative hereto; and

NOW, THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto amend the Original Indenture as follows as of the date set forth above:

Section 1. Recitals; Definitions. The foregoing recitals are hereby agreed to and acknowledged. All capitalized terms used in this First Supplement and not otherwise defined have the meanings assigned in the Original Indenture.

Section 2. Amendment to Definition. The following definitions contained in Section 1.01 of the Original Indenture are amended to read or are added to Section 1.01 of the Original Indenture as follows:

“*Bond Purchase Agreement*” means the Bond Purchase Agreement dated as of December 1, 2019, among the Borrower, the Bank and CCRC as amended by the First Amendment to Bond Purchase Agreement and Delivery Assurance Documents dated as of [_____], among the Borrower, the Bank and CCRC, pursuant to which and subject to the terms and conditions therein, CCRC has agreed to purchase up to \$2,320,000 principal amount of the Bond upon Conversion.

Section 3. Amendment to Section 4.01. Section 4.01(d) of the Original Indenture is amended to read as follows:

(d) in part on the Conversion Date, in an amount sufficient to reduce the aggregate principal amount of the Outstanding Bond to \$2,320,000 or such lower amount as is necessary in order to satisfy the conditions to Conversion contained in the Bond Purchase Agreement as stated in writing by the Servicer;

Section 4. Amendment to Exhibit C. Exhibit C of the Original Indenture is amended and restated in its entirety as attached hereto.

Section 5. Ratification. Except as amended and supplemented hereby, all provisions of the Original Indenture remain in full force and effect, and the Original Indenture, as amended and supplemented by this First Supplement, is hereby ratified. By its execution hereto, the Bank hereby authorizes and directs the Trustee to execute this First Supplement.

Section 6. Effective Date. This First Supplement shall become effective as of the date hereof.

Section 7. Execution in Several Counterparts. This First Supplement may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the Issuer and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 8. Governing Law. This First Supplement shall be governed by and construed in accordance with the internal laws of the State of California.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned authorized representatives of the Issuer, the Trustee, the Borrower, the Bank have evidenced their respective consent to the terms of this First Supplement to Trust Indenture as of the day and year first above written by their below signatures.

CITY OF LOS ANGELES, as Issuer

By: Housing and Community Investment
Department

By _____
Authorized Officer

Approved as to form by:

MICHAEL N. FEUER,
City Attorney

Deputy/Assistant City Attorney

[Issuer signature page to *PATH Metro Villas Phase 2* First Supplement to Trust Indenture]

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____

Name: Julia Hommel

Title: Vice President

[Trustee signature page to *PATH Metro Villas Phase 2* First Supplement to Trust Indenture]

BANK OF AMERICA, N.A., as Bank and
Servicer

By: _____

Name:

Title:

[Bank signature page to *PATH Metro Villas Phase 2*
First Supplement to Trust Indenture]

NOTARY ACKNOWLEDGMENT STATEMENT

State of California

County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ [SEAL]

**METRO VILLAS PHASE 2 LOS ANGELES,
LP**, a California limited partnership, as Borrower

By: PV Metro Villas Phase 2 GP, LLC, a
California limited liability company, its
Managing General Partner

By: PATH Ventures, a California
nonprofit public benefit corporation,
its sole member

By: _____
Amy Anderson
Executive Director

[Borrower signature page for *PATH Metro Villas Phase 2* First Supplement to Trust Indenture]

EXHIBIT C

FORM OF REDEMPTION SCHEDULE

(subject to change based upon actual permanent loan amount)

\$28,500,000
City of Los Angeles
Multifamily Housing Revenue Bond
(PATH Metro Villas Phase 2 Apartments Project)
Series 2017C

REDEMPTION SCHEDULE

Due	Principal Amt
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[To be provided by CCRC]

ATTACHMENT C

TEFRA HEARING MINUTES

TEFRA PUBLIC HEARING MEETING MINUTES
WEDNESDAY, DECEMBER 11, 2019
9:00 AM
THE LOS ANGELES
HOUSING + COMMUNITY INVESTMENT DEPARTMENT
1200 W. 7TH STREET, ROOM 833
APOLINAR ABRAJAN, CHAIR

This meeting is to conduct the required Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) Public Hearing for the **PATH Metro Villas Phase 2 Project.**

This meeting is called to order on Wednesday, December 11, 2019 at 9:00 a.m. in Room 833 of the Los Angeles Housing + Community Investment Department.

A notice of this hearing was published in the Los Angeles Times on November 27, 2019. The purpose of this meeting is to hear public comments regarding the subject Multifamily Revenue Bonds.

The City of Los Angeles Housing + Community Investment Department representatives present were Apolinar Abrajan and Conny Griffith.

The time is now 9:30 a.m. and seeing no representatives from the public are present, this meeting is now adjourned.

I declare under penalty of perjury that this is a true and exact copy of the TEFRA hearing held for the above referenced projects on December 11, 2019 at Los Angeles, California.

CITY OF LOS ANGELES
Los Angeles Housing + Community Investment Department
RUSHMORE D. CERVANTES, General Manager



Apolinar Abrajan, Finance Development Officer II
Affordable Housing Bond Program

ATTACHMENT A
RESOLUTION

RESOLUTION
CITY OF LOS ANGELES

A RESOLUTION APPROVING FOR PURPOSES OF SECTION 147(f) OF THE INTERNAL REVENUE CODE OF 1986 THE TECHNICAL REISSUANCE OF BONDS BY THE CITY OF LOS ANGELES TO FINANCE THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT LOCATED WITHIN THE CITY OF LOS ANGELES AND APPROVING, FURTHER, CERTAIN AMENDMENTS TO THE EXISTING BOND DOCUMENTS.

WHEREAS, the City of Los Angeles (the “City”) is authorized, pursuant to Section 248, as amended, of the City Charter (the “Charter”) of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (the “Law”), to issue its revenue bonds for the purposes of providing permanent financing for the acquisition, construction and development of multifamily rental housing for persons and families of low or moderate income (the “Program”) which will satisfy the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Act”); and

WHEREAS, the City previously issued its Multifamily Housing Revenue Bond (PATH Metro Villas Phase 2 Apartments Project), Series 2017C in the aggregate principal amount of \$28,500,000 (the “Bond”) pursuant to a Trust Indenture dated as of December 1, 2017 (the “Indenture”) between the City and U. S. Bank National Association to fund a loan to finance the acquisition, construction and equipping of that certain multifamily rental housing project described in paragraph 9 below (the “Project”); and

WHEREAS, the Project is located wholly within the City; and

WHEREAS, the owner of the Project, Metro Villas Phase 2 Los Angeles, LP, has requested that the City approve modifications to the Indenture and certain other loan documents to increase the permanent loan amount of the Bond pursuant to a First Supplement to Trust Indenture (the “Supplemental Indenture”), a First Amendment to Bond Purchase Agreement and Delivery Assurance Documents (the “Bond Purchase Agreement Amendment”), a First Amendment to Deed of Trust (the “Amended Deed of Trust”) and a First Amendment to Loan Documents (the “Loan Document Amendment” and together with the Supplemental Indenture, the Bond Purchase Agreement Amendment, and the Amended Deed of Trust, the “Amendatory Documents”); and

WHEREAS, it is in the public interest and for the public benefit that the City authorize, execute and deliver as necessary the Amendatory Documents and it is within the powers of the City to provide for such amendments; and

WHEREAS, the amendments effected by the Amendatory Documents will cause the Bond to be “reissued” under the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the interest on the “reissued” Bond may qualify for a federal tax exemption under Section 142(a)(7) of the Code, only if such reissued Bond is approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Bond is required to be approved, following a public hearing, by an elected representative of the issuer of the Bond (or of the governmental unit on behalf of which the Bond is issued) and an elected representative of the governmental unit having jurisdiction over the area in which the relevant Project is located; and

WHEREAS, this City Council is the elected legislative body of the City and is the applicable elected representative required to approve the issuance of the Bond within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on November 27, 2019, to the effect that a public hearing would be held on December 11, 2019 regarding the reissuance of the Bond; and

WHEREAS, the Housing and Community Investment Department held said public hearing on such date, at which time an opportunity was provided to present arguments both for and against the issuance of the Bond; and

WHEREAS, the minutes of such public hearing, together with any written comments received in connection therewith, have been presented to the City Council; and

WHEREAS, the form of the Amendatory Documents has been presented to the City Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

1. The recitals hereinabove set forth are true and correct, and this City Council so finds. This Resolution is being adopted pursuant to the Law and in accordance with the Act.

2. Pursuant to and solely for the purposes of Section 147(f) of the Code, the City Council hereby approves the reissuance of the Bond by the City in one or more series to finance the Project. It is intended that this Resolution constitute approval of the reissued Bond: (a) by the applicable elected representative of the issuer of the Bond and (b) by the applicable elected representative of the governmental unit having jurisdiction of the area in which the Project is located in accordance with said Section 147(f).

3. The execution and delivery on behalf of the City of the Amendatory Documents substantially in the form presented to the City Council, for the purpose of (i) increasing the permanent loan amount of the Bond and (ii) and making various ancillary or conforming changes to the Amendatory Documents is hereby approved, and each Authorized Representative (as such term is defined in the Indenture) is hereby authorized and directed, for and on behalf of the City, to execute the Amendatory

Documents with such changes as such Authorized Representative may approve upon consultation with the City Attorney and/or Bond Counsel and approval by the City Attorney, such approval by the Authorized Representative to be conclusively evidenced by the execution of such Amendatory Documents.

4. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bond are hereby approved, confirmed and ratified, and each Authorized Representative of the City, the City Clerk and other properly authorized officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including, but not limited to, those described in the Indenture.

5. The City Clerk of the City or any deputy thereof is hereby authorized to countersign or to attest the signature of any Authorized Representative and to affix and attest the seal of the City as may be appropriate in connection with the execution and delivery of any of the documents authorized by this resolution, provided that the due execution and delivery of said documents or any of them shall not depend on such signature of the City Clerk or any deputy thereof or affixing of such seal. Any of such documents may be executed in multiple counterparts.

6. In addition to the Authorized Representative, any official of the City, including any official of the Los Angeles Housing and Community Investment Department, as shall be authorized in writing by the Mayor of the City, is hereby authorized for and on behalf of the City to execute and deliver any of the agreements, certificates and other documents, except the Bond, authorized by this Resolution.

7. Each Authorized Representative and other properly authorized officials of the City as specifically authorized under this resolution are hereby authorized, directed and empowered on behalf of the City and the City Council to execute any other additional applications, certificates, agreements, documents or other instruments or any amendments or supplements thereto, subject to approval by the City Attorney as to form, or to do and to cause to be done any and all other acts and things as they may deem necessary or appropriate to carry out the purpose of the foregoing authorizations and to address any issues arising with respect to the Bond or the agreements relating thereto subsequent to their issuance.

8. This Resolution shall take effect immediately upon its passage and adoption.

9. The "Project" referred to herein is as follows:

Project Name	Number of Units	Address	Owner
The PATH Metro Villas Phase 2 Apartments	122 (including 2 manager units)	320 N. Madison Avenue, Los Angeles, CA 90004	Metro Villas Phase 2 Los Angeles, LP

[Remainder of page intentionally left blank]

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 20__.

By _____
Name _____
Title _____