Mayor's Time Stamp

RECEIVED

'02 DEC 13 A11:23

DEPUTY MAYOR

**FORTHWITH**

City Clerk's Time Stamp

RECEIVED
CITY CLERK'S OFFICE

2002 DEC 13 AM 11:17

CITY CLERK

BY _____ DEPUTY

**SUBJECT TO MAYOR'S APPROVAL**

COUNCIL FILE NO. 99-0697 COUNCIL DISTRICT NO. 9

COUNCIL APPROVAL DATE December 11, 2002

RE: ISSUANCE OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS FOR THE CONSTRUCTION OF A RENTAL HOUSING PROJECT (METROPOLITAN LOFTS APARTMENTS) AT THE NORTHEAST CORNER OF FLOWER AND 11TH STREETS

LAST DAY FOR MAYOR TO ACT DEC 23 2002
(10 Day Charter requirement as per LAAC 11.27.40.1)

**DO NOT WRITE BELOW THIS LINE - FOR MAYOR OFFICE USE ONLY**

APPROVED ✓

*DISAPPROVED

*Transmit objections in writing pursuant to LAAC 11.27.40.1

DATE OF MAYOR APPROVAL OR DISAPPROVAL DEC 20 2002

DEC 24 2002

MAYOR

**HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE**
**Report/Communication for Signature**

Council File Number: 99-0697

Committee Meeting Date: 11/27/02

Council Date: 12/10/02

| COMMITTEE MEMBER | YES | NO | ABSENT |
|---|---|---|---|
| Councilmember Geuel, Chair | ✓ | | |
| Councilmember Garcetti | ✓ | | |
| Councilmember Reyes | ✓ | | |
| Councilmember Ridley-Thomas | | | ✓ |
| Councilmember Hahn | | | ✓ |

Remarks Metropolitan Lofts Housing Revenue Bonds

Miranda Paster, Legislative Assistant ---------- Telephone 978-1076

SPECIAL 1

DEC 17 2002

**MOTION**

At the Council's meeting of December 10, 2002, a Community Redevelopment Agency Housing Bond Project (Metropolitan Lofts Apartments) was approved. However, the monthly rental cap was amended to $350/month. Upon review, this lower rate will not support bond financing and must be returned to the initial rates. This is an urgency matter in that the bond sale is scheduled for December 20, 2002. This matter came to the attention of City staff after the posting of the today's agenda.

**I THEREFORE MOVE** that the City Council determine, as provided in Section 54954.2(b)(2) of the Government Code, and pursuant to Rule 23 of the Rules of the City Council, that there is an immediate need to act on this matter and that the need to action came to the attention of the Council subsequent to the posting of the agenda for today's meeting.

CD 9
VM

**I MOVE** that the Council amend its actions taken with regard to Item 29 from the Council Agenda of Tuesday, December 10, 2002 (CF99-0697) relative to the issuance of variable rate demand multifamily housing revenue bonds for the construction of a rental housing project (Metropolitan Lofts Apartments) at the northeast corner of Flower and 11th Streets, and amend the monthly rental cap to reflect the correct amounts currently projected to be initially $516 for a one-bedroom apartment and $620 for a two-bedroom apartment, as adjusted for family size and as further adjusted annually by changes in area median income.

**PRESENTED BY:** _____
**Wendy Greuel**
**Councilmember, 2nd District**

**SECONDED BY:** _____

AB

December 17, 2002

Findings and Motion
ADOPTED
DEC 17 2002
LOS ANGELES CITY COUNCIL
FORTHWITH

SEE HOUSING CMTE RPT ADOPTED - 12-11-02

COUNCIL VOTE

Dec 17, 2002 12:47:36 PM, #14

SPECIAL 1 MOTION (GREUEL - HOLDEN)
Voting on Item(s): FINDINGS
Roll Call

| | |
|---|---|
| BERNSON | Yes |
| GALANTER | Absent |
| GARCETTI | Yes |
| GREUEL | Yes |
| HAHN | Yes |
| HOLDEN | Yes |
| LABONGE | Yes |
| MISCIKOWSKI | Yes |
| PACHECO | Absent |
| PERRY | Absent |
| REYES | Yes |
| WEISS | Absent |
| ZINE | Yes |
| *PADILLA | Yes |
| | Absent |

Present: 10, Yes: 10 No: 0

COUNCIL VOTE

Dec 17, 2002 12:47:50 PM, #15

SPECIAL 1 MOTION (GREUEL - HOLDEN)
Voting on Item(s):
Roll Call

| | |
|---|---|
| BERNSON | Yes |
| GALANTER | Absent |
| GARCETTI | Yes |
| GREUEL | Yes |
| HAHN | Yes |
| HOLDEN | Yes |
| LABONGE | Yes |
| MISCIKOWSKI | Yes |
| PACHECO | Absent |
| PERRY | Absent |
| REYES | Yes |
| WEISS | Absent |
| ZINE | Yes |
| *PADILLA | Yes |
| | Absent |

Present: 10, Yes: 10 No: 0

CITY HALL
LOS ANGELES, CALIFORNIA 90012

JAMES K. HAHN
MAYOR

December 18, 2002

RECEIVED
CITY CLERK'S OFFICE
2002 DEC 20 PM 4:56
CITY CLERK
BY
DEPUTY

Honorable Members of the City Council
c/o City Clerk
Room 395, City Hall

Re: C.F. 99-0697, CRA issuance of $53,000,000 variable rate demand multifamily housing revenue bonds for construction of a rental housing project, Metropolitan Lofts Apartments, at Flower and 11th Streets (CD 9)

Honorable Members:

On December 10, 2002, the Council approved the above-entitled action relative to $53 million in multifamily housing revenue bonds for the Metropolitan Lofts Apartments rental housing project. On December 11, 2002, the Council reconsidered this matter and adopted a Holden-LaBonge motion amending the monthly rental cap to reflect the correct figures of $471 for a one bedroom apartment and $568 for a two bedroom apartment.

On December 13, 2002, the file was sent to me for my ten days to review and concur. State law requires my concurrence on multifamily housing revenue bonds.

In the interim, on December 17, 2002, the Council introduced and approved Special 1 Motion (Greuel-Holden) to further amend the monthly rental cap to reflect the correct amounts currently projected to be initially $516 for a one-bedroom apartment and $620 for a two-bedroom apartment, as adjustment for family size and as further adjusted annually by changed in area median income.

Now that the Council has finalized its amendments on the monthly rental cap, I am pleased to sign this council file to concur on the CRA's issuance of $53 million in multifamily housing revenue bonds for the Metropolitan Lofts Apartments.

Very truly yours,

JAMES K. HAHN
Mayor

JKH:jl
metro.wpd

*ADOPTED AS AMENDED by Council action of 12-10-02. MCA

File No. 99-0697

**TO THE COUNCIL OF THE CITY OF LOS ANGELES**

**Your HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE**

**reports as follows:**

| | Yes | No |
|---|---|---|
| Public Comments | XX | __ |

HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE REPORT and RESOLUTION relative to the issuance of variable rate demand multifamily housing revenue bonds for the construction of a rental housing project (Metropolitan Lofts Apartments) at the northeast corner of Flower and Eleventh Streets.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. CONCUR with the actions taken by the Community Redevelopment Agency (CRA) Board, at its meeting of November 21, 2002, relative to the issuance of up to $53,000,000 in multifamily housing revenue bonds for the financing of the Metropolitan Lofts Apartments located within the South Park Area of the City Center Redevelopment Project Area.

2. ADOPT the accompanying RESOLUTION approving the issuance of up to $53,000,000 in the principal amount of variable rate demand multifamily housing revenue bonds by the CRA to finance the construction of the Metro Lofts Apartments Project.

3. INSTRUCT the Administrator, CRA, or designee, to provide a report to the Housing and Community Development (HCD) Committee of the complete financial plan for the development of the Metro Lofts Apartment project, including the sources and uses of funds for predevelopment and construction activities.

4. INSTRUCT the Administrator, CRA, or designee, to provide a report which includes the information relative to the South Park Open Space Maintenance Fee, as follows:

   a. How much is currently in its account?
   b. How much in fees is generated per fiscal year?
   c. Who pays the fee?
   d. What are the services provided through this fee?

e. Who delivers these services?
f. Who administers the accounting for fees collected?

Fiscal Impact Statement: The Chief Legislative Analyst (CLA) reports that there is no General Fund impact. No City or CRA funds will be used for the issuance of the bonds for the Metropolitan Lofts Apartment project.

Summary:

On November 27, 2002, the Housing and Community Development (HCD) Committee considered the CRA report dated November 21, 2002 and the CLA report dated November 27, 2002. The HCD Committee approved the CLA's recommendations.

In its report date November 27, 2002, the CLA reported that the Project will include 264 apartment units with loft-style, one-bedroom, and two-bedroom units. Approximately 20% of the units will be set-aside for affordable housing to tenants earning 50% of the Area Median Income (AMI).

The CRA's role in the development of this Project is to perform the conduit financing for the issuance of the bonds. The developer, F.C. Metropolitan Lofts Inc., submitted an application to the California Debt Limitation Allocation Committee for the bonds in July 2002 and received authority for the bond issuance in September 2002. The bonds must be issued by December 23, 2002.

This matter is now forwarded to the Council for its consideration.

Respectfully submitted,

HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE

Comte Rpt & Resol
RE-ADOPTED
As Amended
DEC 11 2002

LOS ANGELES CITY COUNCIL
See Attached Motion

TO THE MAYOR FORTHWITH
Comte Rpt & Resol
ADOPTED
As Amended
DEC 10 2002

LOS ANGELES CITY COUNCIL
See Attached Motion

MCP
12/03/02
CD 9

#990697.wpd

DEC 11 2002 - Mot (Holden-LaBonge) ADOPTED to RECONSIDER matter

DEC 17 2002 - SEE ADDT'L AMENDING 2 MOTION

**CITY OF LOS ANGELES**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA APPROVING THE ISSUANCE OF UP TO $53,000,000 PRINCIPAL AMOUNT OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES TO FINANCE THE CONSTRUCTION OF THE METRO LOFTS APARTMENTS PROJECT**

**WHEREAS,** The Community Redevelopment Agency of the City of Los Angeles, California (the "Agency") is a redevelopment agency and public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) (the "Law") and the powers of said Agency include the power to issue bonds for any of its corporate purposes; and

**WHEREAS,** the Agency has authorized the issuance of its tax-exempt Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments), 2002 Series A (the "Bonds") in the aggregate principal amount of $53,000,000, for the purpose of making a loan to FC Metropolitan Lofts Associates L.P. (the "Borrower"), or an affiliate thereof to finance the construction of a [264]-unit multifamily rental housing development to be known as the Metro Lofts Apartments Project (the "Project") located in The City of Los Angeles; and

**WHEREAS,** as required by the Law and the Internal Revenue Code of 1986, as amended (the "Code"), at least 20% of the housing units in the Project will be rented to persons and families of very low income; and

**WHEREAS,** actions of the Agency related to the issuance of the Bonds are subject to the approval of this City Council and the Agency is desirous of obtaining such approval;

**WHEREAS,** this City Council has previously determined, as required pursuant to section 147(f) of the Code, and Treasury Regulations section 5f.103-2, that the Agency properly noticed and held a public hearing to consider the issuance of the Bonds, and this City Council and the Agency's designated representative have previously approved the issuance of the Bonds as required by section 147(f) of the Code, thereby enabling interest on the Bonds to be excluded from gross income for federal income tax purposes;

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOS ANGELES:**

**Section 1.** The City Council hereby approves the Agency's issuance of the Bonds pursuant to the Law, for the purpose of making a loan to the Borrower to finance the construction of the Project including, without limitation, the funding of a reserve fund for the Bonds and to pay costs of issuance for the Bonds (including any discount or premium in connection with the sale thereof), said Bonds to be issued in accordance with law in such manner and under such terms and conditions as shall be acceptable to the Agency, in the aggregate principal amount of $53,000,000.

**Section 2.** The Bonds may be issued so that the interest thereon shall be excluded from federal income taxation under the Code, and may be issued bearing a fixed interest rate or

a variable interest rate or part fixed and part variable; provided, however, that the Bonds shall be sold and awarded under procedures approved by the Agency, at public or private sale, and, provided further, that no Bonds shall bear interest at a rate in excess of the maximum rate permitted by law or have a maturity date in excess of fifty years from the date of issuance. Any Bonds sold by the Agency consistent with this resolution shall be, and shall be deemed to be, the duly authorized action of the Agency with respect thereto hereby approved under Section 8.99.04 of the Administrative Code of the City of Los Angeles (the "Administrative Code") and not subject to the provisions of Section 8.99.05 of the Administrative Code.

**Section 3.** The Agency is hereby authorized and directed to prepare, approve and distribute its resolutions, trust indentures and/or trust agreements authorizing the issuance of the Bonds, one or more loan agreements, one or more deeds of trust, one or more official statements for the sale of the Bonds, one or more purchase contracts setting forth the details of the sale, and the Agency is hereby further authorized and directed to prepare, publish and distribute such other notices, documents, certificates, opinions and instruments as the Agency shall deem necessary or desirable to effectuate the sale of Bonds and any and all prior and future such actions taken consistent with this resolution shall be, and shall be deemed to be, the duly authorized actions of the Agency with respect thereto hereby approved, ratified and confirmed under Section 8.99.04 of the Administrative Code and not subject to the provisions of Section 8.99.05 of the Administrative Code.

**Section 4.** This Resolution supersedes all prior resolutions concerning the subject matter hereof to the extent inconsistent herewith.

**Section 5.** This Resolution shall take effect upon adoption.

**PASSED AND ADOPTED THIS** 11th **DAY OF** December, **2002.**

*I hereby certify that the foregoing Resolution was adopted by the City Council of The City of Los Angeles, California, at its meeting held* December 11, *2002.*

*IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of The City of Los Angeles this* 11th *day of* December, *2002.*

*J. Michael Carey, City Clerk*

*By:* Veronica Warner
Deputy

**VERBAL MOTION**

I HEREBY MOVE that Council RECONSIDER Item 29 from the Council Agenda of Tuesday, December 10, 2002 (CF 99-0697) relative to the issuance of variable rate demand multifamily housing revenue bonds for the construction of a rental housing project (Metropolitan Lofts Apartments) at the northeast corner of Flower and 11th Streets and, AMEND the monthly rental cap to reflect the correct figures of $471 for a one bedroom apartment and $568 for a two bedroom apartment.

PRESENTED BY _____
NATE HOLDEN
Councilmember, 10th District

SECONDED BY _____
TOM LABONGE
Councilmember, 4th District

December 11, 2002

CF 99-0697

Motion
ADOPTED
DEC 11 2002
LOS ANGELES CITY COUNCIL
TO THE MAYOR FORTHWITH.
Received and Filed

o"\Docs\Ccl Agendas\mk\99-0697a.mot.wpd

COUNCIL VOTE

Dec 11, 2002 12:04:53 PM, #11

Item 29 from 12/10/02
Voting on Item(s):
Roll Call

| | |
|---|---|
| BERNSON | Absent |
| GALANTER | Absent |
| GARCETTI | Yes |
| GREUEL | Yes |
| HAHN | Absent |
| HOLDEN | Yes |
| LABONGE | Yes |
| *MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PERRY | Absent |
| REYES | Yes |
| WEISS | Yes |
| ZINE | Yes |
| PADILLA | Yes |
| | Absent |

Present: 10, Yes: 10 No: 0

COUNCIL VOTE

Dec 11, 2002 12:03:34 PM, #10

Voting on Item(s):
Roll Call Reconsider #29 from 12-10

| | |
|---|---|
| BERNSON | Absent |
| GALANTER | Absent |
| GARCETTI | Yes |
| GREUEL | Yes |
| HAHN | Absent |
| HOLDEN | Yes |
| LABONGE | Yes |
| *MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PERRY | Absent |
| REYES | Yes |
| WEISS | Yes |
| ZINE | Yes |
| PADILLA | Yes |
| | Absent |

Present: 10, Yes: 10 No: 0

**VERBAL MOTION**

I HEREBY MOVE that Council AMEND the Housing and Community Development Committee report (Item No. 29, CF 99-0697) relative to issuance of variable rate demand multifamily housing revenue bonds for the construction of a rental housing project (Metropolitan Lofts Apartments) at the northeast corner of flower and 11th Streets, as follows:

**INSTRUCT the Community Redevelopment Agency to require that no more than $350 per month be charged for the 50 units allocated for low income residents.**

PRESENTED BY _____
NATE HOLDEN
Councilmember, 10th District

SECONDED BY _____
JAN PERRY
Councilmember, 9th District

December 10, 2002

CF 99-0697

Motion

ADOPTED

DEC 10 2002

LOS ANGELES CITY COUNCIL

DEC 11 2002 Received and Filed

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COUNCIL VOTE

Dec 10, 2002 11:09:13 AM, #7

ITEM NO. (29)
Voting on Item(s): 29
Roll Call As Amended

| | |
|---|---|
| BERNSON | Yes |
| GALANTER | Yes |
| GARCETTI | Yes |
| GREUEL | Yes |
| HAHN | Yes |
| HOLDEN | Yes |
| LABONGE | Yes |
| *MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PERRY | Yes |
| REYES | Yes |
| WEISS | Yes |
| ZINE | Yes |
| PADILLA | Yes |
| | Absent |

Present: 14, Yes: 14 No: 0

DATE: 12/10-02 ITEM #: 29

| NAME | DEPT. | POSITION |
|---|---|---|
| Mike Cracraft | CRA | Sr Hsg Dev |
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# HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE
## SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 99-0697

- [x] Council Member(s) 9
- [ ] Interested Department
- [ ] ~~Mayor (with/without file)~~
- [x] Chief Legislative Analyst
- [x] City Administrative Officer
- [x] Controller
- [ ] City Clerk
  - [ ] City Clerk, Chief Administrative Services
- [ ] Treasurer
- [x] City Attorney (with blue sheet / without blue sheet)
- [ ] General Services Department
- [ ] Department of Transportation
- [ ] Personnel Department
- [x] Los Angeles Housing Department
- [ ] Community Development Department, Lillian Y. Kawasaki, General Manager
  - [ ] cc: Contact Person
- [x] Community Redevelopment Agency
- [ ] Board of Public Works
- [ ] Workforce Investment Board
- [ ] Workforce Investment Board, Youth Council
- [ ]
- [ ]

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

CITY OF LOS ANGELES
CALIFORNIA

JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

99-0697
CD 9

November 22, 2002

HOUSING & COMMUNITY DEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from the Community Redevelopment Agency relative to the issuance of Variable Rate Demand Multifamily Housing Revenue Bonds for the construction of a rental housing project (Metropolitan Lofts Apartments on Agency-owned property at the northeast corner of Flower and 11th Streets in the South Park Area of the City Center Redevelopment Project, was referred on November 22, 2002, to the HOUSING & COMMUNITY DEVELOPMENT COMMITTEE.

J. Michael Carey

City Clerk
amm

**Community Redevelopment Agency**

of the City
of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

An Affirmative Action
Equal Opportunity
Employer

Date 11/21/02

File Code CT2190

CRA File No 4320
Council District: 9
Contact Person: D. Riccitiello 977-1794
M. Cracraft 977-1826

CRA
LA

Honorable Council of the City of Los Angeles
John Ferraro Council Chamber
Room 340, City Hall

RECEIVED
CITY CLERK'S OFFICE
2002 NOV 22 PM 1:41
CITY CLERK
BY
DEPUTY

RECEIVED
CITY CLERK'S OFFICE
2002 NOV 22 PM 3:41
CITY CLERK
BY
DEPUTY

**COUNCIL TRANSMITTAL:**

Transmitted herewith, is a Board Memorandum adopted by the Agency Board on November 21, 2002, for City Council Review and Approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

**VARIOUS ACTIONS RELATED TO: THE ISSUANCE OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS FOR THE CONSTRUCTION OF A RENTAL HOUSING PROJECT (METROPOLITAN LOFTS APARTMENTS) ON AGENCY-OWNED PROPERTY LOCATED AT THE NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CITY CENTER REDEVELOPMENT PROJECT.**

**RECOMMENDATION**

That the City Council approve recommendations 1-3 and adopt the attached Resolution referenced as action number 2 on the attached Board Memorandum.

**ENVIRONMENTAL REVIEW**

The recommended action implements a project that was previously evaluated and processed according to the California Environmental Quality Act ("CEQA"). A Mitigated Negative Declaration (MND) was approved by the Agency on May 2, 2001, and an Addendum to the MND was approved by the Agency on July 11, 2002

**FISCAL IMPACT STATEMENT**

The recommend actions implement the Agency's FY'03 Work Program for the City Center Redevelopment Project. The actions are consistent with the Five-Year Implementation Plan for the City Center Redevelopment Project. The Agency imposes an annual administration fee of $30,000 to cover staff costs to complete and submit various bond compliance reports associated with the Bonds.

*Peggy Moore, Chair*

*Armando Vergara, Sr., Vice Chair*
*Javier O. Lopez, Treasurer*
*Greta T. Hutton*
*Coby A. King*
*Douglas R. Ring*
*Christine M. Robert*

*Jerry A. Scharlin*
*Administrator*

NOV 22 2002
HOUSING & COMMUNITY DEVELOPMENT

There is no fiscal impact to the City's General Fund, as a result of these actions.

for Jerry A. Scharlin, Administrator

cc: Alan Alietti, Office of the City Clerk
Miranda Paster, Office of the City Clerk (Original to Clerk Index & 10 Copies)
Lisa Johnson, Office of the CAO
Paul Smith, and Ivania Sobalvarro, Office of the CLA
Jonathan Kevles, Office of the Mayor
Neil Blumenkopf, Office of the City Attorney
Councilmember Jan Perry-CD 9

CRA
LA

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CA

MEMORANDUM

3

DATE: NOVEMBER 21, 2002 CT 2190

TO: AGENCY COMMISSIONERS

FROM: JERRY A SCHARLIN, ADMINISTRATOR

SUBJECT: VARIOUS ACTIONS RELATING TO THE ISSUANCE OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS FOR THE CONSTRUCTION OF A RENTAL HOUSING PROJECT (METROPOLITAN LOFTS APARTMENTS) ON AGENCY-OWNED PROPERTY LOCATED AT THE NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CITY CENTER REDEVELOPMENT PROJECT AREA
CD 9

RECOMMENDATIONS

1. That the Agency, subject to City Council review and approval, adopt the attached Resolution (Attachment A) approving the issuance of up to $53,000,000 aggregate principal amount of multifamily housing revenue bonds of the Agency (the "Bonds") in one or more series, the proceeds of which will be loaned to FC Metropolitan Lofts Associates, LP, a California limited partnership (the "Developer") to finance certain development costs of the Metropolitan Lofts Project (the "Project"), and authorizing the Administrator, and/or Designated "Responsible Officers", to execute and deliver the legal documents to effect the issuance of the Bonds, including the following; Indenture of Trust, Loan Agreement, Regulatory Agreement and Declaration of Restrictive Covenants, Bond Purchase Agreement, Official Statement and Intercreditor Agreement.

2. Request that the City Council adopt the attached Resolution (Attachment B) approving the issuance of up to $53,000,000 aggregate principal amount of variable rate demand multifamily housing revenue bonds by the Community Redevelopment Agency of the City of Los Angeles to finance the construction of the Project.

3. That the Agency, subject to City Council review and approval, authorize the Administrator, or designee, to execute contracts with:

   a. U. S. Bank, N.A., in an amount not to exceed $10,000 for the initial year for Trustee services relating to the bonds;
   b. Newman & Associates, Inc., in an amount not to exceed $130,000 for Co-Underwriter and Remarketing Agent services; and,
   c. Jackson Securities, Inc., in an amount not to exceed $70,000 for Co-Underwriter services.

RE

July 11, 2002 – Agency adopted a first amendment to the DDA ("Amended DDA") with the Developer and a reimbursement resolution stating its intent to issue the Bonds and allowing for the reimbursement of certain expenditures made in connection with the Project by the Developer.

July 12, 2002 – City Council approval of these actions.

July 19, 2002 – Agency staff conducted a public hearing ("TEFRA hearing") pursuant to section 147(f) of the Internal Revenue Code of 1986 (the "Code") to consider the proposed issuance of the Bonds.

August 16, 2002 – City Council approved the issuance of the Bonds and confirmed that the public hearing with respect to the Bonds was properly noticed and held pursuant to the Code.

SOURCE OF FUNDS

No Agency funds are required for the recommended actions.

ENVIRONMENTAL REVIEW

The recommended action implements a project that was previously evaluated and processed according to the California Environmental Quality Act (CEQA). A Mitigated Negative Declaration (MND) was approved by the Agency on May 2, 2001, and an Addendum to the MND was approved by the Agency on July 11, 2002.

SUMMARY

The recommended actions will authorize the Agency to issue tax-exempt bonds in the amount of $53,000,000 in one or more series, to cover costs of developing the Project along with the costs of issuing the tax-exempt bonds. A preliminary development budget with the sources and uses of Project funds is attached to this report (Attachment C). The Developer has requested that the Agency issue the Bonds, and the Developer has applied for and received an allocation of private activity bond volume from the California Debt Limit Allocation Committee ("CDLAC").

In July of 2002, the Agency and the City Council approved the Amended DDA, which provided for the conveyance of the Project site to the Developer under a 55-year ground lease with four options to extend the term of the lease for ten years each. The Project includes 264 total apartment units, with a minimum of 20% of the units required to be affordable to households earning 50% or less of the area median income.

The Agency Board previously adopted its reimbursement resolution declaring its official intent to issue tax-exempt bonds for the Project as an initial step in the issuance of tax-exempt bonds. Once adopted, certain predevelopment and subsequent construction costs become eligible for reimbursement from tax-exempt bond proceeds. A TEFRA hearing was conducted by the Agency and approved by the Board on July 19, 2002. The final step in authorizing the issuance of bonds by the Agency is the adoption of an authorizing resolution by the Agency, which approves the issuance of tax-exempt bonds and the execution of the various legal documents required in connection therewith, subject to City Council review and approval.

Key members of the bond team on this financing include:

Developer - F.C. Metropolitan Lofts, Inc. (Forest City Properties Corporation)
Bond Counsel – Fulbright & Jaworski, L.L.P
Co-Underwriters – Newman & Associates, Inc., and Jackson Securities, Inc.
Financial Advisor – Hutchinson, Shockey, Erley & Co. (hired by Developer)
Trustee – U. S. Bank, N.A.
Remarketing Agent – Newman & Associates, Inc.

U. S. Bank, Newman & Associates, and Jackson Securities are currently on the Agency list of pre-qualified firms.

The Co-Underwriters were selected by staff and are on the list of pre-qualified firms based on an Agency issued Request For Qualifications (RFQ) No. 02-03, issued in August 2001.

The Trustee is currently on an Agency list of seven pre-qualified firms to provide trustee, fiscal agent, escrow agent, paying agent, dissemination agent and tender agent services. Agency staff selected the seven firms based on an Agency issued request for qualifications (RFQ) No. 02-05, issued September 18, 2001.

The Developer must satisfy certain conditions prior to conveyance of the property under the Amended DDA, including submitting evidence of financing, final construction plans and a final art plan for Agency review and approval. In addition to Agency standard DDA requirements, the Developer is required to make an annual payment of the South Park Open Space Maintenance Fee in the amount of $35,000. The Developer is required to begin construction by March 1, 2003.

Costs of bond issuance will be paid from the proceeds of the bond issue and debt service will be paid by the Project. The cost of the Project is based upon schematic design drawings and specifications. Agency staff will review final construction drawings and specifications and proposed contracts between the Developer and its general contractor.

## PROGRAM AND BUDGET IMPACT

The recommended actions implement the Agency's FY'03 Work Program for the City Center Redevelopment Project. The actions are consistent with the Five-Year Implementation Plan for the City Center Redevelopment Project. The Agency imposes an annual administration fee of $30,000 to cover its staff costs to complete and submit various bond compliance reports associated with the Bonds. The Agency also imposes a one-time administrative fee payable simultaneously with the issuance of the Bonds in the amount of $50,000 to cover its staff costs to complete the transactions associated with the sale of the Bonds.

## BACKGROUND

The development entity selected by the Agency and approved by City Council for this site is a limited partnership whose managing general partner is F.C. Metropolitan Lofts, Inc., a single-purpose California corporation wholly owned by Forest City Properties Corporation, which is headquartered in Cleveland, Ohio with a local office at 949 South Hope Street in Los Angeles. Forest City is a large residential developer with vast experience in the development of large mixed-income and market rate, in-fill residential projects. Its parent, Forest City Industries, is publicly traded on the American Stock Exchange. Forest City was responsible for two larger

residential developments on an adjacent block in the South Park neighborhood, the Skyline Condominiums and the Metropolitan Apartments.

The Metropolitan Lofts project is the final phase of development for the block, which involves land previously acquired by the Agency. Completed Agency developments include the adaptive reuse of the historic NCR Building by TELACU into 40 units of special needs housing and the construction of a 75-unit senior housing development (Villa Flores), both projects funded by the Agency and HUD's 202 Program; and a 64-unit family housing and childcare project (Hope Village) involving Agency financial assistance and low-income housing tax credits. The First United Methodist Church, owner of the property at the southeast corner of Flower Street and Olympic Boulevard, is actively seeking funding for the construction of a new church facility involving a new sanctuary, chapel, fellowship hall and classrooms with a combined floor area of approximately 10,000 square feet. The construction of the Metropolitan Lofts and the new church will complete the redevelopment of the block.

Richard J. Benbrook

Jerry A. Scharlin

Attachments (3)

There is no conflict of interest known to me which exists with regard to any Agency officer or employee concerning this action.

**ATTACHMENT A**

**RESOLUTION NO. _____**

**RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA APPROVING AND AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF ITS VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (METROPOLITAN LOFTS APARTMENTS), 2002 SERIES A, AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, A LOAN AGREEMENT, A REGULATORY AGREEMENT, A BOND PURCHASE AGREEMENT AND AN OFFICIAL STATEMENT AND APPROVING OTHER RELATED ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, The Community Redevelopment Agency of the City of Los Angeles (the "Agency") is authorized pursuant to Sections 33750 et seq. of the California Health and Safety Code (the "Act") to finance the acquisition, construction and development of multifamily rental housing for families and individuals of low or moderate income, and to issue and sell revenue bonds for the purpose of providing loans for such purposes; and

**WHEREAS**, FC Metropolitan Lofts Associates L.P., a California limited partnership (the "Borrower"), has requested that the Agency issue and sell its Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments), 2002 Series A (the "Bonds") in the principal amount of $53,000,000, for the purpose of making a loan to the Borrower to enable the Borrower to finance the construction of a 264-unit multifamily rental housing development to be known as Metropolitan Lofts Apartments and located in The City of Los Angeles (the "Project"); and

**WHEREAS**, as required by the Act and the Internal Revenue Code of 1986 (the "Code"), at least 20% of the housing units in the Project will be rented to persons and families of very low income; and

**WHEREAS**, pursuant to section 147(f) of the Code, and Treasury Regulations section 5f.103-2 (the "Regulations") promulgated under the Code, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes, a public hearing with respect to the Bonds must be held and the issuance of the Bonds must be approved by an "applicable elected representative" with respect to the Agency; and

**WHEREAS**, the City Council of The City of Los Angeles (the "City Council") is the "applicable elected representative" authorized to approve the issuance of the Bonds following said public hearing; and

**WHEREAS**, notice of the public hearing required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was duly published and the public hearing

was held by a designated representative of the Agency on July 19, 2002, at approximately 10 a.m.; and

**WHEREAS**, the City Council subsequently approved the issuance of the Bonds and confirmed that the public hearing was properly noticed and held by the Agency pursuant to a resolution of the City Council adopted on August 16, 2002; and

**WHEREAS**, it is in the public interest, for the public benefit and in furtherance of the public purpose of the Agency to issue the Bonds for the aforesaid purposes; and

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

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES:**

**Section 1.** The above recitals, and each of them, are true and correct.

**Section 2.** The Board of Commissioners of the Agency hereby approves the issuance of the Bonds in an aggregate principal amount not to exceed $53,000,000 under the Act and the Code for the purpose of providing funds to make a loan to the Borrower to enable the Borrower to finance the construction of the Project.

**Section 3.** The Agency hereby approves the Indenture of Trust, substantially in the form annexed hereto, marked "Exhibit A," and authorizes the execution and delivery thereof on behalf of the Agency with such revisions, amendments and completions as shall be approved by the Administrator, any one of the Deputy Administrators, the Director of Finance and the Manager of Underwriting, or any of their designees (each, a "Responsible Officer"), with the advice of Fulbright & Jaworski L.L.P., bond counsel to the Agency ("Bond Counsel"), such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 4.** The Agency hereby approves the Loan Agreement, substantially in the form annexed hereto, marked "Exhibit B," and authorizes the execution and delivery thereof on behalf of the Agency with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 5.** The Agency hereby approves the Regulatory Agreement and Declaration of Restrictive Covenants, substantially in the form annexed hereto, marked "Exhibit C," and authorizes the execution and delivery thereof on behalf of the Agency with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 6.** The Agency hereby approves the form of Bond Purchase Agreement among the Agency, the Borrower and Newman & Associates, a Division of

GMAC Commercial Holding Capital Markets Corp., on its own behalf and on behalf of Jackson Securities, Inc. (collectively the "Underwriters"), substantially in the form annexed hereto, marked "Exhibit D," and authorizes the execution and delivery thereof on behalf of the Agency with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the principal amount of the Bonds shall not exceed $53,000,000, and the Underwriters' discount or fee (excluding any original issue discount) shall not exceed one-half of one percent (0.5%) of the original principal amount of the Bonds.

**Section 7.** The Agency hereby approves the form of Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"), substantially in the form annexed hereto, marked "Exhibit E," with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of Bond Counsel. Any one of the Responsible Officers is hereby authorized and directed, for and in the name of and on behalf of the Agency, to execute a certificate confirming that the Preliminary Official Statement has been "deemed final" by the Agency for purposes of the Securities and Exchange Commission Rule 15c2-12. Distribution by the Underwriters of the Preliminary Official Statement is hereby approved. The Agency hereby authorizes and directs the preparation and execution of a final Official Statement, for and in the name of the Agency, substantially in the form of the Preliminary Official Statement, with such changes therein, however, as such Responsible Officer may approve, such approval to be conclusively evidenced by the execution and delivery of such final Official Statement. The Agency and the Underwriters are hereby directed to distribute copies of such final Official Statement to all actual purchasers of the Bonds.

**Section 8.** The Agency hereby ratifies, confirms and approves its engagement of Bond Counsel in such terms as may be agreed to by any Responsible Officer.

**Section 9.** The Agency hereby ratifies and confirms the publication of notice with respect to the public hearing on the Bonds required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations.

**Section 10.** All actions heretofore taken by any officer, employee or agent of the Agency in connection with the Project are hereby ratified, confirmed and approved. Each of the Responsible Officers is hereby authorized and directed to execute and deliver any and all agreements, documents and instruments (including but not limited to any intercreditor agreements and subordination agreements) and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution.

of the Project including, without limitation, the funding of a reserve fund for the Bonds and to pay costs of issuance for the Bonds (including any discount or premium in connection with the sale thereof), said Bonds to be issued in accordance with law in such manner and under such terms and conditions as shall be acceptable to the Agency, in the aggregate principal amount of $53,000,000.

**Section 2.** The Bonds may be issued so that the interest thereon shall be excluded from federal income taxation under the Code, and may be issued bearing a fixed interest rate or a variable interest rate or part fixed and part variable; provided, however, that the Bonds shall be sold and awarded under procedures approved by the Agency, at public or private sale, and, provided further, that no Bonds shall bear interest at a rate in excess of the maximum rate permitted by law or have a maturity date in excess of fifty years from the date of issuance. Any Bonds sold by the Agency consistent with this resolution shall be, and shall be deemed to be, the duly authorized action of the Agency with respect thereto hereby approved under Section 8.99.04 of the Administrative Code of the City of Los Angeles (the "Administrative Code") and not subject to the provisions of Section 8.99.05 of the Administrative Code.

**Section 3.** The Agency is hereby authorized and directed to prepare, approve and distribute its resolutions, trust indentures and/or trust agreements authorizing the issuance of the Bonds, one or more loan agreements, one or more deeds of trust, one or more official statements for the sale of the Bonds, one or more purchase contracts setting forth the details of the sale, and the Agency is hereby further authorized and directed to prepare, publish and distribute such other notices, documents, certificates, opinions and instruments as the Agency shall deem necessary or desirable to effectuate the sale of Bonds and any and all prior and future such actions taken consistent with this resolution shall be, and shall be deemed to be, the duly authorized actions of the Agency with respect thereto hereby approved, ratified and confirmed under Section 8.99.04 of the Administrative Code and not subject to the provisions of Section 8.99.05 of the Administrative Code.

**Section 4.** This Resolution supersedes all prior resolutions concerning the subject matter hereof to the extent inconsistent herewith.

**Section 5.** This Resolution shall take effect upon adoption.

**PASSED AND ADOPTED THIS _____ DAY OF _____, 2002.**

*I hereby certify that the foregoing Resolution was adopted by the City Council of The City of Los Angeles, California, at its meeting held _____, 2002.*

*IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of The City of Los Angeles this _____ day of _____, 2002.*

*J. Michael Carey, City Clerk*

*By:* _____
Deputy

***Metropolitan Lofts***
***Total Units:*** ***264***
**11/13/02**
**File Name:** **MetroLoftsIntAff25**

| **Development Cost Summary** | Assumptions | Total Cost | Cost Per Unit |
|---|---|---|---|
| Land Transaction | | 0 | 0 |
| Art Fee | | 375,000 | 1,420 |
| Construction Costs - Residential | | 40,893,804 | 154,901 |
| Partner G & A Fee | | 860,000 | 3,258 |
| General & Administrative Costs | | 2,300,000 | 8,712 |
| A & E | | 2,208,200 | 8,364 |
| F,F, & E | | 400,000 | 1,515 |
| Marketing | | 200,000 | 758 |
| Taxes | | 200,000 | 758 |
| Insurance (Included in HC) | | 0 | 0 |
| Interest Reserve/Operating Deficit | | 1,767,082 | 6,693 |
| Financing Costs | | 2,149,600 | 8,142 |
| City Fees | | 2,178,000 | 8,250 |
| Legal Fees | | 100,000 | 379 |
| Predevelopment Cost | | 1,520,100 | 5,758 |
| Contingency | | 2,870,000 | 10,871 |
| **Total Residential Dev Cost** | | 58,021,785 | 219,779 |
| **Total Commercial Cost (TI,Leasing Comm)** | | 389,016 | |
| **Total Development Costs** | | 58,410,801 | |

**Sources of Funds**

| | | |
|---|---|---|
| **Bond Funds** | | |
| Property Underwritten | 38,000,000 | |
| Inputed Partnership Equity | 15,000,000 | |
| Total Bond Funds | | 53,000,000 |
| Partnership Equity | | 5,410,801 |
| **Total Sources of Funds** | | 58,410,801 |
| Total Equity | | 20,410,801 |
| Equity as a % of Total Development Cost | | 35% |

DRAFT OF
11/12/02

# INDENTURE OF TRUST

**between**

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA,**
**as Issuer**

**and**

**U.S. BANK, N.A.,**
**as Trustee**

**Dated as of December 1, 2002**

**relating to**

**$53,000,000**
**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**
**VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS**
**(METROPOLITAN LOFTS APARTMENTS)**
**2002 SERIES A**

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# INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of December 1, 2002 (the "Indenture"), by and between THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, a redevelopment agency and public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called the "Issuer"), and U.S. BANK, N.A., a national banking association organized and existing under the laws of the United States of America with a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created, as trustee (herein called the "Trustee"),

## WITNESSETH:

WHEREAS, the Issuer has determined to adopt and implement a program to finance the acquisition, rehabilitation and development of multifamily rental housing pursuant to Sections 33750 et seq. of the Health and Safety Code of the State of California (the "Act"), and has determined to issue revenue bonds for such purpose as authorized by the Act;

WHEREAS, all conditions, things and acts required by the Act, and by all other laws of the State of California, to exist, to have happened and to have been performed precedent to and in connection with the issuance of The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A (the "Bonds"), do exist, have happened, and have been performed in due time, form and manner as required by law, and the Issuer is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the Bonds for the purpose, in the manner and upon the terms herein provided;

WHEREAS, the Issuer has duly entered into a loan agreement (the "Agreement" or the "Loan Agreement") with the Trustee and FC Metropolitan Lofts Associates L.P., a California limited partnership (the "Borrower"), specifying the terms and conditions of the loan of the proceeds of the Bonds to the Borrower to finance the multifamily rental housing development to be known as Metropolitan Lofts Apartments in The City of Los Angeles, California (the "Project") and the repayment by the Borrower of such loan;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Issuer has authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Issuer, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the Issuer, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, and the interest and premium, if any, on, all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and for and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable considerations the receipt of which is hereby acknowledged, the Issuer covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective registered owners from time to time of the Bonds, as follows:

## ARTICLE I

## DEFINITIONS AND GENERAL PROVISIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of the Loan Agreement and of any indenture supplemental hereto or agreement supplemental thereto, have the meanings herein specified, as follows:

The term "Acceleration Default" shall mean an Event of Default described in Section 7.1(a) of the Loan Agreement.

The term "Act" shall mean Sections 33750 et seq. of the Health and Safety Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

The term "Act of Bankruptcy" shall mean the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Borrower, any general partner of the Borrower or any guarantor of the Borrower guaranteeing the Borrower's obligations under the Loan Agreement or the Credit Agreement, under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

The term "Administrator" or "Program Administrator" shall mean a governmental agency, a financial institution, a certified public accountant, an apartment management firm, a mortgage insurance company or other business entity performing similar duties or otherwise experienced in the administration of restrictions on bond financed multifamily housing projects which shall initially be the Issuer and, at the Issuer's election, any other person or entity appointed by the Issuer who shall enter into an administration agreement in a form acceptable to the Issuer and the Program Administrator.

The term "Agents" shall mean collectively the Remarketing Agent, the Tender Agent and any paying agent hereunder.

The term "Agreement" or "Loan Agreement" shall mean the Loan Agreement, of even date herewith, among the Issuer, the Trustee and the Borrower, as originally executed or as it may from time to time be supplemented or amended.

The term "Authorized Amount" shall mean Fifty-Three Million Dollars ($53,000,000), the authorized principal amount of the Bonds.

The term "Authorized Bank Representative" shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Credit Bank by any officer of the Credit Bank, which certificate may designate an alternate or alternates.

The term "Authorized Borrower Representative" shall mean any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed by the Borrower, which certificate may designate an alternate or alternates.

The term "Authorized Denominations" shall mean $100,000 or any $5,000 integral multiple in excess of $100,000 during any Weekly Period or Daily Period, and shall mean $5,000 and any integral multiple thereof during any Reset Period or any period after the Conversion Date.

The term "Authorized Issuer Representative" shall mean the Administrator or any Deputy Administrator of the Issuer or any other person designated to act in such capacity by a Certificate of the Issuer containing the specimen signature of any of such persons, which certificate may designate an alternate or alternates.

The term "Available Amounts" shall mean amounts which are (a) on deposit with the Trustee in trust for the benefit of the Holders in a separate and segregated account in which only Available Amounts are held and are (b) (i) drawn under the Letter of Credit, (ii) proceeds of sale of the Bonds received contemporaneously with the issuance and sale of the Bonds, (iii) the subject of an opinion of nationally-recognized counsel experienced in bankruptcy matters received by the Trustee at the time such amounts are deposited with the Trustee to the effect that the use of such amounts to make payments on the Bonds would not be voidable as preferential payments under Section 547 or recoverable under Section 550 of the United States Bankruptcy Code should the Issuer, the Borrower, or any general partner, general partner of a general partner or guarantor of the Borrower guaranteeing the Borrower's obligations under the Loan Agreement or the Credit Agreement become a debtor in proceedings commenced thereunder; and (iv) income from the investment of any of the foregoing.

The term "Bond Counsel" shall mean Fulbright & Jaworski L.L.P. or any other attorney at law or firm of attorneys selected by the Issuer, of nationally recognized standing in matters pertaining to the exclusion from gross income of interest on bonds for federal income tax purposes issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Borrower or the Credit Bank.

The term "Bond Fund" shall mean the fund established pursuant to Section 5.02 hereof.

The term "Bond Year" shall mean the one-year period beginning on January 1 in each year and ending on December 31 in the following year except that the first Bond Year shall begin on the Closing Date and end on December 31, 2003.

The term "Bonds" shall mean The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A, issued and outstanding hereunder.

The term "Borrower" shall mean (i) FC Metropolitan Lofts Associates L.P., a California limited partnership, and its successors and assigns, and (ii) any surviving, resulting or transferee entity as provided in Section 5.2 of the Agreement.

The term "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banks in the City of New York, New York, banks and trust companies in the city in which the Principal Office of the Trustee is located and banks in the city in which the Principal Office of the Credit Bank is located are not required or authorized by law to remain closed and on which the New York Stock Exchange is not closed.

The term "Certificate of the Issuer" shall mean a certificate of the Issuer signed by an Authorized Issuer Representative. If and to the extent required by the provisions of Section 1.03, each Certificate of the Issuer shall include the statements provided for in Section 1.03.

The term "Certified Resolution" shall mean a copy of a resolution of the Issuer certified by the Secretary of the Issuer, or by any deputy thereof or assistant thereto, to have been duly adopted by the Commission of the Issuer and to be in full force and effect on the date of such certification.

The term "Closing Date" shall mean December __, 2002, the date of initial issuance and delivery of the Bonds.

The term "Code" shall mean the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

The term "Completion Date" shall mean the date of the completion of the acquisition and construction of the Project, as that date shall be certified as provided in Section 2(l) of the Regulatory Agreement, or, in the event that acquisition and construction of the Project shall not occur, the date of receipt of notice from the Borrower by the Issuer and the Trustee that the acquisition and construction of the Project has been abandoned.

The term "Conversion" shall mean establishment of the interest rate on the Bonds at the Fixed Rate, pursuant to Section 2.02(e).

The term "Conversion Date" shall mean the date on which the Fixed Rate becomes effective.

The term "Cost of Issuance Fund" shall mean the fund established pursuant to Section 3.04 hereof.

The term "Credit Agreement" shall mean the Reimbursement Agreement, of even date herewith, between the Borrower and the Credit Bank, as originally executed or as it may from time to time be supplemented or amended, providing for the issuance of the Letter of Credit, and any subsequent agreement pursuant to which a substitute Letter of Credit is issued.

The term "Credit Bank" shall mean Bank of America, N.A., as issuer of the Letter of Credit, or any issuer of a substitute Letter of Credit as permitted under Section 5.8 of the Loan Agreement, and the respective successors and assigns of the business thereof and any surviving, resulting or transferee banking association or corporation with or into which it may be consolidated or merged or to which it may transfer all or substantially all of its banking business.

The term "Daily Conversion Date" shall mean each Interest Payment Date on which the Bonds begin to bear interest at a Daily Rate pursuant to the provisions of this Indenture.

The term "Daily Period" shall mean each period during which Bonds bear interest at a Daily Rate.

The term "Daily Rate" shall mean the interest rate borne by the Bonds as determined in accordance with Section 2.02(c) hereof.

The term "Debt Service" shall mean the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

The term "Deed of Trust" shall mean any deed of trust securing the obligations of the Borrower under the Loan Agreement or the Credit Agreement, as such deed of trust may be originally executed or as from time to time supplemented and amended.

The term "Demand Date" shall mean any date (which must be a Business Day) on which any Bond is required to be purchased as a result of a demand thereof by a Bondholder or of a mandatory tender date pursuant to Sections 2.02 and 2.03 hereof.

The term "Event of Default" as used herein other than with respect to defaults under the Loan Agreement shall have the meaning specified in Section 7.01 hereof, and as used in the Loan Agreement shall have the meaning specified in Section 7.1 thereof.

The term "Event of Taxability" shall mean and shall be deemed to have occurred on the date of any of the occurrence of the following:

(a) the receipt by the Issuer of an opinion of Bond Counsel to the effect that as a result of a change in law, the operation of the Project or any other information made available subsequent to Closing Date, interest on Bonds is includable in gross income for federal income tax purposes; or;

(b) the receipt by the Issuer, the Borrower, the Trustee, any Bondholder or the Credit Bank of any written notice of a determination by the Commissioner or any District Director of the Internal Revenue Service stating that an event, condition or circumstance has occurred (other than an act or omission of any Bondholder) which has the effect of causing the interest payable on the Bonds to become includable for federal income tax purposes (other than indirect inclusion through an alternative minimum tax, preference tax or similar calculation) in the gross income of any Bondholder (a "Determination of Taxability") has occurred; or

(c) the receipt by the Issuer, the Borrower or the Bondholder of a written notice from Trustee stating that Trustee has been advised (A) by any owner or former owner of any Bond that the Internal Revenue Service has determined in writing that there has been an Determination of Taxability or (B) by written notice from the Commissioner or any District Director of the Internal Revenue Service that there has been an Determination of Taxability; or

(d) a judgment or order of a court of competent jurisdiction to the effect that a Determination of Taxability has occurred, which judgment or order is final (either because the time for appeal thereof has expired or because the judgment or order is issued by a court having final appellate jurisdiction over the matter and is not subject to collateral attack); or

(e) a notice of deficiency, ruling or decision of the Internal Revenue Service which is final (because no action has been taken to cause such ruling or decision to be judicially reviewed and the time for taking any such action has expired or with respect to which two years has elapsed since the date of the original notification there), to the effect that a Determination of Taxability has occurred, which judgment, order, notice of deficiency, ruling or decision resulted from a proceeding in which the Borrower had an opportunity to participate if such participation is permitted by law.

The term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value " means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

The term "Fixed Rate" shall mean the fixed interest rate borne by the Bonds after Conversion and until the maturity date of the Bonds, determined in accordance with Section 2.02(e) hereof.

The term "Funding Requisition" shall mean the requisition form requesting disbursement of moneys from the Program Fund in the form attached to the Loan Agreement as Exhibit A.

The term "Gross Proceeds" shall have the same meaning ascribed to such term in Treasury Regulations §1.148-1(b).

The term "Indenture" shall mean this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to the provisions hereof.

The term "Interest Payment Date" shall mean (i) for interest accrued during any Weekly Period or any Daily Period, the first Business Day of each month, commencing the first Business Day of January, 2003, (ii) for interest accrued during any Reset Period, March 1 and September 1, of each year, commencing on the March 1 and September 1, next following the applicable Reset Date, and (iii) for interest accrued on and after the Conversion Date, March 1 and September 1 of each year, commencing on the March 1 and September 1 next following the Conversion Date.

The term "Interest Period" shall mean each period commencing on an Interest Payment Date and ending on the day before the next succeeding Interest Payment Date, except that the first Interest Period shall begin on the Closing Date and shall end on the day before the first Interest Payment Date.

The term "Interest Rate Conversion Date" shall mean any date (which must be a Business Day) on which the interest rate borne by the Bonds is established at a new rate for a corresponding interest rate period as set forth in Section 2.02 in this Indenture.

The term "Investment Property" shall mean any security (as said term is defined in section 165(g)(2)(A) or (B) of the Code), obligation, annuity or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under section 103 of the Code.

The term "Investment Securities" shall mean any of the following (including any funds composed of the following, which may be funds maintained or managed by the Trustee, the Credit Bank or any of their respective affiliates) approved by the Credit Bank, but only to the extent that the same are acquired at Fair Market Value: (a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (including State and Local Government Series); (b) obligations, participations, or other instruments of or issued by a federal agency or a United States government-sponsored enterprise, the principal of and interest on which is unconditionally guaranteed by the United States (including such obligations held in book-entry form); (c) any obligations on which the interest is exempt from federal income taxation and which are rated by the Rating Agency in a rating category that is at least equal to the rating on the Bonds; (d) certificates of deposit issued by, or time or demand deposits or other banking arrangements with, a nationally or state-chartered bank (including the Credit Bank and the Trustee or any of its affiliates) or savings and loan association which, to the extent they are not insured by Federal deposit insurance, are collateralized by securities eligible to secure public deposits in the State, or which are issued by or with such an institution having a minimum capital of $500,000,000 and rated within the top three ratings of a nationally recognized rating service; (e) shares of a money market mutual fund or other collective investment fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, having assets of at least $100,000,000, and having a rating AAAm or AAAm-G by the Rating Agency, including money market mutual funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund, (f) repurchase agreements, which may include repurchase agreements of the Trustee, secured by any of the obligations referred to in (a) and (b) above and the debt of the issuer of the repurchase agreement is rated at least in

one of the two highest rating categories of the Rating Agency and (g) any other investments selected by the Borrower and approved by the Credit Bank.

The term "Issuance Costs" shall mean all costs and expenses of issuance of the Bonds, including, but not limited to:

(i) Underwriters' discount and fees;

(ii) counsel fees, including bond counsel, Underwriters' counsel, Borrower's counsel, Credit Bank's counsel and Issuer's counsel fees, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds;

(iii) the Issuer fees and expenses incurred in connection with the issuance of the Bonds, including financial advisor's fees and expenses, and the Issuer's administrative fee for processing the request of the Borrower to issue the Bonds;

(iv) Rating Agency fees;

(v) Trustee's fees and Trustee's counsel fees, and initial fees of the Tender Agent;

(vi) paying agent and certifying and authenticating agent fees related to issuance of the Bonds;

(vii) accountant fees related to issuance of the Bonds;

(viii) printing costs of the Bonds and of the final official statement;

(ix) publication costs associated with the financing proceedings;

(x) costs of engineering and feasibility studies necessary to the issuance of the Bonds; and

(xi) Letter of Credit fees payable to the Credit Bank on the Closing Date.

The term "Issuer" shall mean The Community Redevelopment Agency of the City of Los Angeles, California, and its successors and assigns as provided in Section 11.01.

The term "Letter of Credit" shall mean that certain irrevocable, direct-pay letter of credit issued by the Credit Bank on or before the Closing Date, or any reissuance, amendment or extension thereof or any substitute letter of credit or other credit instrument provided for any Weekly Period or Daily Period meeting the requirements of Section 5.8(a) of the Loan Agreement, or provided for any Reset Period meeting the requirements of Section 5.8(b) of the Loan Agreement, or provided in connection with Conversion meeting the requirements of Section 5.8(c) of the Loan Agreement.

The term "Loan" shall mean the loan made by the Issuer to the Borrower pursuant to the Agreement for the purpose of financing the Project.

The term "Loan Agreement" shall mean the Agreement as defined herein.

The term "Market Risk Event" shall mean (a) (i) legislation enacted by the Congress, or introduced in the Congress, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of Congress by any

Committee of such House to which such legislation has been referred for consideration, or (ii) a decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) issued by the United States department of the Treasury or the Internal Revenue Service, or (iv) any action taken or statement made by or on behalf of the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress which indicates or implies that legislation will be introduced in the current or next scheduled session of the United States Congress, in each case referred to in clauses (i), (ii), (iii) and (iv) above with the purpose or effect, directly or indirectly, of imposing federal income taxation upon interest to be received by any owner of the Bonds; or (b) legislation enacted or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other "security," as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or any event shall have occurred or shall exist which, in the reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in the reoffering circular distributed in connection with the Conversion or is not or was not reflected in such reoffering circular but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or (c) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because (i) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State of California authorities, or (ii) the State of California shall have taken any action, whether administrative, legislative, judicial or otherwise which materially and adversely affects the Remarketing Agent's ability to remarket the Bonds, or (iii) escalation of a war involving the United States or other national calamity shall have occurred.

The term "Maximum Rate" shall mean initially twelve percent (12%) per annum; provided, that the Maximum Rate shall never exceed any maximum rate of interest permitted by law to be paid on the Bonds or charged on the Loan.

The term "Net Proceeds," when used with respect to any insurance proceeds or condemnation award, shall mean the amount remaining after deducting from the gross proceeds thereof all expenses (including attorneys' fees) incurred in the collection of such proceeds or award.

The term "Net Proceeds," when used with respect to the Bonds, shall mean the proceeds of the Bonds received by or for the Issuer on the Closing Date, less amounts used to pay Issuance Costs.

The term "Nonpurpose Obligation" shall mean any Investment Property other than the Loan which is acquired with the Gross Proceeds.

The term "Opinion of Counsel" shall mean a written opinion of counsel, who may be counsel for the Issuer or Bond Counsel or counsel for the Trustee, and who shall be acceptable to the Trustee. If and to the extent required by the provisions of Section 1.03, each Opinion of Counsel shall include the statements provided for in Section 1.03.

The term "outstanding," when used as of any particular time with reference to Bonds, shall mean, subject to the provisions of Section 11.08(e), all Bonds theretofore authenticated and delivered by the Trustee under this Indenture except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which moneys or securities in the necessary amount (as provided in Section 10.04) shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.08.

The term "Person" shall mean an individual, a corporation, a partnership, a trust, an unincorporated organization, limited liability company or other legal entity, or a government or any agency or political subdivision thereof.

The term "Principal Office" with respect to the Trustee shall mean the designated corporate trust office of the Trustee located at the address set forth in Section 11.06 hereof, or at such other place as the Trustee shall designate by notice given under said Section 11.06; and with respect to the Remarketing Agent shall mean its office located at the address set forth in Section 11.06 hereof, or at such other place as the Remarketing Agent shall designate to the Trustee as provided in Section 8.12; and with respect to the Credit Bank shall mean its office located at the address set forth in Section 11.06 hereof, or at such other place as the Credit Bank shall designate as provided in said Section 11.06; and with respect to the Tender Agent shall mean its office located at the address set forth in Section 11.06 hereof, or at such other place as the Tender Agent shall designate to the Trustee as provided in Section 8.17; and with respect to the Borrower shall mean its office located at the address set forth in Section 11.06 hereof, or at such other place as the Authorized Borrower Representative shall designate to the Trustee.

The term "Principal Reserve Amount" shall mean $10,600,000.

The term "Principal Reserve Fund" shall mean such Fund created by Section 3.02 hereof.

"Principal Reserve Schedule" shall mean the Schedule of Deposits to Principal Reserve Fund set forth in the Credit Agreement and attached hereto as Exhibit F, as such schedule may be amended, modified, supplemented or restated from time to time as directed by the Credit Bank.

The term "Program Fund" shall mean the fund established pursuant to Section 3.03 hereof.

The term "Project" shall mean the multifamily rental housing development located in The City of Los Angeles, California known as Metropolitan Lofts Apartments consisting of those facilities, including structures, buildings, fixtures or equipment, as they may at any time exist, which facilities are to be financed, in whole or in part, from the proceeds of the sale of the Bonds and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities.

The term "Project Costs" shall mean, to the extent authorized by the Code, the Act and the Regulations, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping, as the case may be, of the Project, whether paid or incurred prior to or after the date of execution of the Regulatory Agreement, including, without limitation, Issuance Costs paid by the Borrower on the Closing Date and subject to reimbursement to the Borrower, costs for site preparation, the planning of housing and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the annual fees paid in connection with the Letter of Credit, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and developers' overhead

and supervisors' fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, the Issuer or any other entity for expenditures made, with the approval of the Issuer, for the Project), and capitalized interest accrued prior to the Completion Date (or amounts necessary to reimburse the Credit Bank for draws on the Letter of Credit for the payment of such accrued interest).

The term "Property" shall mean the real property underlying the Project, as described in the Ground Lease dated as of December __, 2002, between the Issuer as lessor and the Borrower as lessee.

The term "Purchase Price," with respect to any Bond required to be purchased pursuant to Section 2.03 hereof, shall mean the principal amount of such Bond plus interest accrued thereon to the Demand Date.

The term "Purchase Price" for the purpose of computation of the Yield of the Bonds has the same meaning as the term "issue price" in sections 1273(b) and 1274 of the Code and, in general, shall mean the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds are sold or, if the Bonds are privately placed, the price paid by the first buyer of the Bonds or the acquisition cost of the first buyer. The term "Purchase Price," for the purpose of computation of the Yield of Nonpurpose Obligations, shall mean the fair market value of the Nonpurpose Obligations on the date of use of Gross Proceeds or acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Obligation becomes a Nonpurpose Obligation of the Bonds.

The term "Qualified Project Costs" shall mean Project Costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) of land or of property of a character subject to depreciation in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that (a) only such portion of interest otherwise a Qualified Project Cost and accruing during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs, (b) interest accruing in respect of any portion of the Project after the date such portion is placed in service (as such term is used in section 167 of the Code) shall not be a Qualified Project Cost, (c) Qualified Project Costs shall not include any Issuance Costs, and (d) if any portion of the Project is being constructed or rehabilitated by a Related Person (within the meaning of section 1.150-1(b) of the Treasury Regulations) to the Borrower or the Issuer (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Related Person in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Related Person, and (C) any overhead expenses incurred by the Related Person which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Related Person due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of section 142(d) of the Code, (iii) the costs either (A) are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid), or (B) were preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or

construction of the Project that do not exceed in the aggregate twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1).

The term "Rating Agency" shall mean Moody's Investors Service Inc. or its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, or any other nationally recognized rating agency designated by the Trustee at the written election and direction of the Issuer and the Credit Bank.

The term "Rebate Analyst" shall mean a person that is (a) qualified and experienced in the calculation of rebate payments under section 148 of the Code and in compliance with the arbitrage rebate regulations promulgated under the Code, (b) chosen by the Borrower and (c) engaged for the purpose of determining the amount of required to be rebated to the federal government pursuant to the Code.

The term "Record Date" shall mean, with respect to each Interest Payment Date during a Weekly Period or a Daily Period, the close of business on the Business Day before such Interest Payment Date, and with respect to any Interest Payment Date during a Reset Period or after Conversion, the close of business on the fifteenth (15th) day of the month (whether or not a Business Day) before such Interest Payment Date.

The term "Regulations" shall mean the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time or pursuant to any predecessor statute to the Code.

The term "Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Restrictive Covenants, of even date herewith, among the Issuer, the Borrower and the Trustee required to be executed, delivered and recorded with respect to the Project pursuant to Section 5.7 of the Loan Agreement.

"Related Person" shall mean, with respect to a specified Person, each Person that is a "related person" within the meaning of section 1.150-1(b) of the Treasury Regulations, to the Person specified.

The term "Remarketing Agent" shall mean the remarketing agent appointed in accordance with Section 8.12 hereof.

The term "Remarketing Agreement" shall mean the Remarketing Agreement, of even date herewith, among the Borrower, the Remarketing Agent [and the Trustee], and any similar substitute or additional such agreement providing for the remarketing of the Bonds, in each case as supplemented or amended from time to time.

The term "Remarketing Date" shall mean the date (which must be a Business Day), prior to each Demand Date, by which the Remarketing Agent is required to notify the Trustee, the Tender Agent and the Credit Bank of the Bonds for which it has found purchasers, as set forth in Section 8.14 hereof.

The term "Reserved Rights" shall mean those certain rights of the Issuer under the Loan Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorney's fees and related expenses, its right to specifically enforce the Borrower's covenant to comply with applicable federal tax law to give or withhold consent to amendments, changes, modifications and alterations to the Loan Agreement and the Regulatory Agreement.

The term "Reset Date" shall mean any date upon which the Bonds begin to bear interest at a Reset Rate for the succeeding Reset Period.

The term "Reset Period" shall mean each period during which the Bonds bear interest at a Reset Rate.

The term "Reset Rate" shall mean the rate of interest borne by the Bonds as determined in accordance with Section 2.02(d) hereof.

The term "responsible officer" or "Responsible Officer" of the Trustee shall mean and include the president, every vice president, every assistant vice president, every trust officer, and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of his knowledge of, and familiarity with, a particular subject.

The term "Revenues" shall mean all amounts pledged hereunder to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following: (i) all moneys drawn by the Trustee under the Letter of Credit, (ii) any portion of the Net Proceeds of the Bonds deposited with the Trustee under Section 3.02 hereof, (iii) any income earned on investments pursuant to Section 5.03 hereof, (iv) any repayments of the Loan required to be made by the Borrower pursuant to Section 4.2(a) of the Loan Agreement and (v) any amounts on deposit in the Program Fund, the Costs of Issuance Fund or the Principal Reserve Fund, and (vi) any amounts received by the Trustee pursuant to the Deed of Trust, if any; but such term shall not include amounts held for the payment to the United States, the Issuer, the Administrator or the Trustee pursuant to Sections 4.2(b), 4.2(c), 4.2(d), 4.2(e), 7.3, 8.3, 9.2 and 9.3 of the Agreement or Sections 6.08 and 8.06 hereof or Section 23 of the Regulatory Agreement.

The term "Supplemental Indenture" shall mean any indenture hereafter duly authorized and entered into between the Issuer and the Trustee in accordance with the provisions of this Indenture.

The term "Tender Agent" shall mean the Tender Agent appointed in accordance with Section 8.17.

The term "Tender Notice" shall mean a notice of demand for purchase of Bonds given by any Bondholder pursuant to Section 2.03(a) hereof.

The term "Trustee" shall mean U.S. Bank, N.A., a national banking association organized and existing under the laws of the United States of America or its successor appointed in accordance with the terms hereof.

The term "Underwriter" shall mean, together, Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp., and Jackson Securities Inc.

The term "Weekly Conversion Date" shall mean each Interest Payment Date on which the Bonds first begin to bear interest at a Weekly Rate pursuant to the provisions of this Indenture.

The term "Weekly Interest Accrual Period" shall mean, during any Weekly Period, a period beginning on any Thursday and ending on the following Wednesday, except that the first Weekly Interest Accrual Period for any Weekly Period shall begin on the first day of such Weekly Period and end on the following Wednesday, provided that the Weekly Interest Accrual Period shall be changed, upon at least two Business Days' prior written notice by the Remarketing Agent to the Trustee, the Credit Bank and the Borrower, to a period beginning on any day of the week specified by the Remarketing Agent in such notice and ending on the sixth day following such beginning day, and in the event of such a change the

Weekly Interest Accrual Period immediately preceding the effective date of such change shall end on the day immediately preceding such effective date.

The term "Weekly Interest Computation Date" shall mean, with respect to any Weekly Interest Accrual Period other than the first Weekly Interest Accrual Period, the first Business Day immediately preceding the first day of such Weekly Interest Accrual Period; provided, that in the event the Remarketing Agent shall change the Weekly Interest Accrual Period as provided in the Indenture, the Weekly Interest Computation Date shall be the day specified in a written notice provided by the Remarketing Agent.

The term "Weekly Period" shall mean each period during which the Bonds bear interest at a Weekly Rate.

The term "Weekly Rate" shall mean the Weekly Rate of interest borne by the Bonds as determined in accordance with Section 2.02(b) hereof.

The term "Weekly Rate Adjustment Date" shall mean any date upon which the Bonds begin to bear interest at a Weekly Rate for the succeeding Weekly Period.

The terms "Written Consent," "Written Demand," "Written Direction," "Written Election," "Written Notice," "Written Order," "Written Request" and "Written Requisition," of the Issuer shall mean, respectively, a written consent, demand, direction, election, notice, order, request or requisition signed on behalf of the Issuer by an Authorized Issuer Representative.

The term "Yield" shall mean that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Obligations which require payments in a form not characterized as principal and interest) on a Nonpurpose Obligation or on the Bonds produces an amount equal to the Purchase Price of such Nonpurpose Obligation or the Bonds, all computed as prescribed in applicable Regulations and, in the case of variable rate obligations, as further prescribed in Section 6.07 hereof.

Section 1.02. Rules of Construction.

(a) The singular form of any word used herein, including the terms defined in Section 1.01, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders.

(b) All references herein to "Articles," "Sections" and other subdivisions hereof are to the corresponding Articles, Sections or subdivisions of this Indenture as originally executed; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

(c) The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning construction or effect of this Indenture.

Section 1.03. Content of Certificates and Opinions. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture or the Agreement shall include (a) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (c) a statement that, in the opinion of the signers, they have made or

caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

## ARTICLE II

## THE BONDS

Section 2.01. Authorization and Terms of Bonds.

(a) Authorization. There are hereby authorized to be issued bonds of the Issuer designated as "The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A" in the aggregate principal amount of the Authorized Amount. Any Bonds delivered on or after Conversion shall be designated "The Community Redevelopment Agency of the City of Los Angeles, California Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A" with the same year and series designation as the original Bonds. No Bonds may be issued hereunder except in accordance with this Article. The maximum principal amount of Bonds which may be issued and outstanding under this Indenture shall not exceed the Authorized Amount, exclusive of Bonds executed and authenticated as provided in Section 2.08.

(b) General Terms. Any Bonds delivered on a Weekly Conversion Date or during a Weekly Period shall be in substantially the form set forth in Exhibit A hereto; any Bonds delivered on a Daily Conversion Date or during a Daily Period shall be in substantially the form set forth in Exhibit B hereto; any Bonds delivered on a Reset Date or during a Reset Period shall be in substantially the form set forth in Exhibit C hereto; any Bonds delivered on or after Conversion shall be in substantially the form set forth in Exhibit D hereto; in each case, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture, including any supplemental indenture. If appropriate, the provisions shown on said Exhibit A, said Exhibit B, said Exhibit C or said Exhibit D as appearing on the Bonds may be inserted in place of the paragraph referring to such provisions.

The Bonds shall be issuable only as fully registered Bonds, without coupons, in Authorized Denominations, and shall be numbered from one upward, in the order of their authentication, with any other designation as the Trustee deems appropriate. The Bonds shall be dated as of the Closing Date, and all Bonds shall mature on December 1, 2052, shall bear interest payable on each Interest Payment Date at the rate per annum determined from time to time as provided in Section 2.02, and shall be subject to redemption prior to maturity as provided in Article IV. Each Bond shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its registration, unless it is registered as of an Interest Payment Date for which interest has been paid or after the Record Date in respect thereof, in which event it shall bear interest from such Interest Payment Date, or unless it is registered on or before the Record Date for the first Interest Payment Date, in which event it shall bear interest from its date.

(c) Payment. Both the principal and redemption price, including any premium, of the Bonds shall be payable in lawful money of the United States of America only upon presentation thereof at the Principal Office of the Trustee. Payment of the interest on any Bond shall be made in like lawful money to the person appearing on the bond registration books of the Trustee as the registered owner thereof on the applicable Record Date, such interest to be paid on each Interest Payment Date by check mailed by first class mail, postage prepaid on the Interest Payment Date, to the registered owner at its address as it appears on such registration books, except that the Trustee will, at the request of any registered owner of $1,000,000 or more in aggregate principal amount of Bonds, make payments of interest on such Bonds by wire transfer to the account designated by such owner (which account shall be in the United States of

America) to the Trustee in writing at least fifteen (15) days before the Record Date for such payments, any such designation to remain in effect until withdrawn by written notice to the Trustee.

Section 2.02. Determination of Interest Rate on the Bonds.

(a) Initial Rate. The Bonds shall bear interest from the Closing Date to [date] at a rate of _____ percent (___%) per annum, and thereafter at a Weekly Rate, determined as set forth in subsection (b) of this Section, until the first Interest Rate Conversion Date and thereafter shall bear interest at the applicable rate set forth in this Section.

(b) Weekly Rate. The rate of interest on the Bonds may, at the option of the Borrower, be established at a Weekly Rate on any Interest Payment Date during a Daily Period or on any Reset Date. In order to effect establishment of a Weekly Rate (after the initial establishment of a Weekly Rate pursuant to Section 2.02(a) hereof), the Borrower must deliver such written consent and a written notice to the Trustee, the Issuer, the Credit Bank, the Tender Agent and the Remarketing Agent specifying (i) the Interest Rate Conversion Date upon which the interest rate borne by the Bonds shall be converted to a Weekly Rate, which shall be not less than thirty (30) days after notice is received by the parties, (ii) any redemption amounts for each Interest Payment Date at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to the Indenture, provided that if no such redemption amounts are so specified, such redemption amounts shall be the amounts specified pursuant to the Indenture, and (iii) the date on which the Weekly Rate will be determined by the Remarketing Agent, which date shall be not less than one (1) Business Day before the Interest Rate Conversion Date. Prior to the Trustee giving written notice to the registered Bondholders of the Interest Rate Conversion Date as provided below, the Borrower shall deliver, or cause to be delivered, (i) in the event that the Interest Rate Conversion Date occurs following a Reset Period, an opinion of Bond Counsel to the effect that the establishment of the Weekly Rate in accordance with the procedure described in the Indenture is permitted by the Indenture and the Act and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, (ii) the Letter of Credit to be in effect required by the Agreement, if necessary, (iii) the form of notice to be given by the Trustee to the owners of the Bonds with respect to the establishment of a Weekly Rate, (iv) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with the establishment of the Weekly Rate, including, but not limited to, its own fees and expenses and the cost of printing Bonds, and (v) written evidence from the Rating Agency to the effect that the short-term rating of the Bonds will not be lower than the second highest rating category of the Rating Agency without regard to any rating qualifiers.

The Trustee shall give notice to the registered owners of the Bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Interest Rate Conversion Date specifying: (i) the Interest Rate Conversion Date, and that the interest rate on the Bonds will be established at the Weekly Rate on the Interest Rate Conversion Date; (ii) that all outstanding Bonds not tendered for purchase at least seven (7) days before the Interest Rate Conversion Date will be deemed to have been so tendered and shall, unless remarketed, be purchased on the Interest Rate Conversion Date at a price equal to the principal amount thereof plus interest accrued to such date; and (iii) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Interest Rate Conversion Date.

Any Bond not tendered to the Tender Agent at least seven (7) days before a Interest Rate Conversion Date shall on the seventh (7th) day before such Interest Rate Conversion Date be deemed to have been tendered for purchase on such Interest Rate Conversion Date pursuant to the Indenture for all purposes of the Indenture, including particularly Article VIII thereof

The Weekly Rate of interest borne by the Bonds during each Weekly Period for each Weekly Interest Accrual Period shall be the Weekly Rate determined by the Remarketing Agent which rate shall be reported to the Trustee, the Tender Agent, the Borrower and the Credit Bank, as provided in Section 8.12 hereof, on the Weekly Interest Computation Date for such Weekly Interest Accrual Period. Any Bondholder may obtain information on the Weekly Rate by request to the Trustee. The amount of interest paid on each Interest Payment Date for each $100,000 principal amount (or $5,000 principal amount, if applicable because of a change in denomination due to a prior Reset Period) of Bonds shall be determined by multiplying each different interest rate applicable to the Bonds during the preceding Interest Period by $100,000 (or $5,000, if applicable) and with respect to each such rate multiplying the resulting product by the actual number of days elapsed during such Interest Period during which such rate was effective and dividing the resulting product by 365 or 366, as appropriate, and then totaling the respective such results for each such interest rate and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For purposes of computing accrued interest in connection with the purchase, redemption or acceleration of Bonds while they bear interest at a Weekly Rate, the day that such accrued interest is due shall be treated as the day after the last day of an Interest Period.

The Weekly Rate determined by the Remarketing Agent on each Weekly Interest Computation Date shall be that rate of interest which, if borne by the Bonds, would, in its judgment, having due regard to prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Weekly Interest Computation Date; provided, however, that in no event shall the Weekly Rate at any time exceed the Maximum Rate; and provided further that the Weekly Rate on any Bond shall never exceed any maximum rate of interest permitted by law to be paid on the Bonds or charged on the Loan. If the Remarketing Agent shall fail or refuse to determine the Weekly Rate on any Weekly Rate Computation Date, then the Weekly Rate most recently determined shall remain in effect until such time as the Remarketing Agent determines a new Weekly Rate pursuant to this Section 2.02.

The determination of the Weekly Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Borrower, the Credit Bank, the Remarketing Agent, the Tender Agent and the Trustee, and each shall be protected in relying on it.

The Trustee shall give written notice by first class mail to Bondholders of any change in the Weekly Rate Accrual Period or Weekly Rate Computation Date.

(c) Daily Rate. The rate of interest on the Bonds may, at the option of the Borrower, be established at a Daily Rate on any Interest Payment Date during a Weekly Period or on any Reset Date. In order to effect establishment of a Daily Rate, the Borrower must deliver such written consent and a written notice to the Trustee, the Issuer, the Credit Bank, the Tender Agent and the Remarketing Agent specifying (i) the Interest Rate Conversion Date upon which the interest rate on the Bonds shall be converted to a Daily Rate, which shall be not less than thirty (30) days after notice is received by the parties, (ii) any redemption amounts for each Interest Payment Date at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to the Indenture, provided that if no such redemption amounts are so specified, such redemption amounts shall be the amounts specified pursuant to the Indenture, and (iii) the date on which the Daily Rate will be determined by the Remarketing Agent, which date shall be not less than one (1) Business Day before the Interest Rate Conversion Date. Prior to the Trustee giving written notice to the registered Bondholders of the Interest Rate Conversion Date as provided below, the Borrower shall deliver, or cause to be delivered, (i) in the event the Interest Rate Conversion Date occurs following a Reset Period, an opinion of Bond Counsel to the effect that the establishment of the Daily Rate in accordance with the procedure described in the Indenture is permitted by the Indenture and the Act and will not adversely affect the exclusion from gross income for federal income tax purposes of

interest on the Bonds, (ii) the Letter of Credit to be in effect required by the Agreement, if necessary, (iii) the form of notice to be given by the Trustee to the owners of the Bonds with respect to the establishment of a Daily Rate, (iv) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with the establishment of the Daily Rate, including, but not limited to, its own fees and expenses and the cost of printing Bonds, and (v) written evidence from the Rating Agency to the effect that the short-term rating of the Bonds will not be lower than the second highest rating category of the Rating Agency.

The Trustee shall give notice to the registered owners of the Bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Interest Rate Conversion Date specifying: (i) the Interest Rate Conversion Date, and that the interest rate on the Bonds will be established at the Daily Rate on the Interest Rate Conversion Date; (ii) that all outstanding Bonds not tendered for purchase at least seven (7) days before the Interest Rate Conversion Date will be deemed to have been so tendered and shall, unless remarketed, be purchased on the Interest Rate Conversion Date at a price equal to the principal amount thereof plus interest accrued to such date; and (iii) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Interest Rate Conversion Date.

Any Bond not tendered to the Tender Agent at least seven (7) days before a Interest Rate Conversion Date shall on the seventh (7th) day before such Interest Rate Conversion Date be deemed to have been tendered for purchase on such Interest Rate Conversion Date pursuant to the Indenture for all purposes of the Indenture, including particularly Article VIII thereof

The Daily Rate of interest borne by the Bonds during each Daily Period shall be the Daily Rate determined by the Remarketing Agent which rate shall be reported to the Trustee, the Tender Agent, the Borrower and the Credit Bank, as provided in Section 8.12 hereof, on or before 10:30 a.m., New York City time, on each Business Day for that Business Day. The Daily Rate for any non-Business Day shall be the Daily Rate for the last day on which a Daily Rate was set. Any Bondholder may obtain information on the Daily Rate by request to the Trustee. The amount of interest paid on each Interest Payment Date for each $100,000 principal amount of Bonds shall be determined by multiplying each different interest rate applicable to the Bonds during the preceding Interest Period by $100,000 and with respect to each such rate multiplying the resulting product by the actual number of days elapsed during such Interest Period during which such rate was effective and dividing the resulting product by 365 or 366, as appropriate, and then totaling the respective such results for each such interest rate and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). For purposes of computing accrued interest in connection with the purchase, redemption or acceleration of Bonds while they bear interest at a Daily Rate, the day that such accrued interest is due shall be treated as the day after the last day of an Interest Period.

The Daily Rate determined by the Remarketing Agent on each Business Day shall be that rate of interest which, if borne by the Bonds, would, in its judgment, having due regard to prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Business Day; provided, however, that in no event shall the Daily Rate at any time exceed the Maximum Rate; and provided further that the Daily Rate on any Bond shall never exceed any maximum rate of interest permitted by law to be paid on the Bonds or charged on the Loan. If the Remarketing Agent shall fail or refuse to determine the Daily Rate on any Business Day, then the Daily Rate most recently determined shall remain in effect until such time as the Remarketing Agent determines a new Daily Rate pursuant to this Section 2.02(c).

The determination of the Daily Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Borrower, the Credit Bank, the Remarketing Agent, the Tender Agent and the Trustee, and each shall be protected in relying on it.

(d) Reset Rate. The rate of interest on the Bonds may, at the option of the Borrower and with the written consent of the Credit Bank, be established at a Reset Rate on any Interest Payment Date during a Weekly Period or a Daily Period, or on any Reset Date, in accordance with the procedures set forth in this subsection (d). In order to effect establishment of a Reset Rate, the Borrower must deliver such written consent of the Credit Bank and a written notice to the Trustee, the Issuer, the Credit Bank, the Tender Agent and the Remarketing Agent, which notice may be thereafter revoked by a written revocation delivered to the Credit Bank and a written notice to the Trustee, the Issuer, the Credit Bank, the Tender Agent and the Remarketing Agent not later than [three (3) Business Days] prior to the Reset Date, specifying (i) the Reset Date, which shall be not less than thirty (30) days after notice is received by the parties, (ii) the proposed duration of the Reset Period, which shall be at least six months and shall terminate on the date immediately prior to an Interest Payment Date, (iii) the date on which the Reset Rate will be determined by the Remarketing Agent, which date shall be not less than [ten (10)] days before the Reset Date, and (iv) any redemption amounts for each Interest Payment Date thereafter at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to Section 4.01 hereof. Prior to the Trustee giving notice to the registered Bondholders of the Reset Date as provided below, the Borrower shall deliver, or cause to be delivered, (i) an opinion of Bond Counsel to the effect that the establishment of the Reset Rate in accordance with the procedure described in this subsection (d) is permitted by this Indenture and the Act and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, (ii) the Letter of Credit to be in effect upon and after the Reset Date, together with accompanying documentation required by Section 5.8(b) of the Agreement, (iii) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with the establishment of the Reset Rate, including, but not limited to, its own fees and expenses and the cost of printing Bonds, and (iv) evidence from each Rating Agency then providing a rating on the Bonds to the effect that the then current rating of the Bonds will not be lowered or withdrawn solely as a result of the establishment of the Reset Rate (except for any withdrawal of a short-term rating if any corresponding long-term rating is confirmed).

The Trustee shall give notice to the registered Bondholders, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Reset Date specifying: (A) the Reset Date, and that the interest rate on the Bonds will be established at the Reset Rate on the Reset Date; (B) that all outstanding Bonds not tendered to the Tender Agent for purchase at least seven (7) days before the Reset Date will be deemed to have been so tendered and shall, unless remarketed, be purchased on the Reset Date at a price equal to the principal amount thereof plus interest accrued to such date; and (C) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Reset Date.

If the Letter of Credit to be in effect upon and after a Reset Date is not delivered to the Trustee at least fifteen (15) days before the applicable Reset Date, or if on any Business Day at least ten (10) Business Days before the applicable Reset Date the Trustee receives written notice from the Borrower signed by an Authorized Borrower Representative to the effect that it no longer wishes to change the interest rate on the Bonds to the proposed Reset Rate, or if on any Business Day within ten (10) Business Days before the applicable Reset Date the Trustee receives written notice from the Remarketing Agent that a Market Risk Event has occurred, the Trustee shall promptly (but in any event within two (2) Business Days) give notice to the registered owners of the Bonds, in the same manner that the notice of the establishment of the Reset Rate described in the preceding paragraph was given, canceling such notice and stating either that (1) if the Borrower shall have timely delivered to the Trustee a Letter of Credit meeting the requirements of Section 5.8(b) of the Loan Agreement then the Bonds will begin to bear

interest at a Weekly Rate on the date which was to be the Reset Date, or (2) if the Borrower shall have not so delivered such a Letter of Credit, then the Bonds will be redeemed pursuant to Section 4.01(e) hereof. The Trustee shall also provide written notice of the cancellation to the Credit Bank, the Issuer and the Remarketing Agent.

Any Bond not tendered to the Tender Agent at least seven (7) days before a Reset Date shall on the seventh (7th) day before such Reset Date be deemed to have been tendered for purchase on such Reset Date pursuant to Section 2.03 hereof for all purposes of this Indenture, including particularly Article VIII hereof.

From and after each Reset Date until the last day of the related Reset Period, the Bonds will bear interest at the applicable Reset Rate, payable on March 1 and September 1 of each year, commencing on the Interest Payment Date next following the Reset Date, computed on the basis of a 360-day year of twelve 30-day months. The Reset Rate shall be that rate, determined by the Remarketing Agent on the date specified in the notice from the Borrower referred to in the first paragraph of this subsection (d), which, in the judgment of the Remarketing Agent, having due regard to prevailing financial market conditions, would be required, but would not exceed the rate which would be required, to be borne by the Bonds in order for the market value of the Bonds on said date to be 100% of the principal amount thereof (disregarding accrued interest); provided that in no event shall any Reset Rate exceed the Maximum Rate or any maximum rate permitted by law to be paid on the Bonds or to be charged on the Loan.

The determination of a Reset Rate by the Remarketing Agent in accordance with the provisions of this subsection (d) shall (in the absence of manifest error) be conclusive and binding upon the holders of the Bonds, the Issuer, the Credit Bank, the Remarketing Agent, the Borrower and the Trustee, the Tender Agent, and each shall be protected in relying on it.

At least thirty (30) days prior to the Interest Payment Date following the final day of a Reset Period, the Borrower shall elect to have the Bonds bear interest from and after such Interest Payment Date at a Reset Rate for a new Reset Period, at a Fixed Rate, at a Weekly Rate or at a Daily Rate by giving written notice of such election to the Trustee, the Issuer, the Credit Bank and the Remarketing Agent. If the Borrower fails to make such election, or fails to supply the items required by the applicable subsection of this Section 2.02 by the dates specified in such subsection, (a) the interest rate on the Bonds shall be a Weekly Rate determined in accordance with the procedures set forth in subsection (b) of this Section commencing on the day immediately following the last day of the Reset Period, if the Borrower shall have timely delivered to the Trustee a Letter of Credit meeting the requirements of Section 5.8(b) of the Loan Agreement or (b) if the Borrower shall have not so delivered such a Letter of Credit, then the Bonds will be redeemed pursuant to Section 4.01(e) hereof.

Upon every Reset Date, the Trustee shall cause to be prepared, at the expense of the Borrower, new Bonds in the form set forth in Exhibit C. Any such Bonds shall be executed and authenticated as provided in Section 2.04, and shall be delivered to Bondholders on the Reset Date without charge in exchange for any outstanding Bonds.

(e) Fixed Rate. The rate of interest on the Bonds may, at the option of the Borrower and with the written consent of the Credit Bank, be established at a Fixed Rate on any Interest Payment Date during a Weekly Period or a Daily Period, or on any Reset Date, in accordance with the procedures set forth in this subsection (e). In order to effect Conversion, the Borrower must deliver such written consent and a written notice to the Trustee, the Issuer, the Credit Bank, the Tender Agent and the Remarketing Agent, which notice may be thereafter revoked by a written revocation delivered to the Trustee, the Issuer, the Credit Bank, the Tender Agent and the Remarketing Agent not later than [ten (10) Business Days] prior to the Reset Date, specifying (i) the Conversion Date, which shall be not less than thirty (30) days after such notice is received by such parties, (ii) the date on which the Fixed Rate will be determined

by the Remarketing Agent, which date shall be not less than ten (10) days before the Conversion Date and (iii) any redemption amounts for each Interest Payment Date thereafter at a price equal to the principal amount of Bonds subject to redemption plus interest accrued thereon to the date fixed for redemption, without premium, pursuant to Section 4.01 hereof. Prior to the Trustee giving notice to the registered Bondholders of the Conversion Date as provided below, the Borrower shall deliver, or cause to be delivered, to the Trustee (i) an opinion of Bond Counsel to the effect that Conversion in accordance with the procedures described in this subsection (e) is permitted by this Indenture and the Act and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes, (ii) the Letter of Credit to be in effect upon and after Conversion, together with accompanying documentation required by Section 5.8(c) of the Agreement, (iii) payment to the Trustee of such amount as the Trustee reasonably determines may be required in connection with Conversion, including, but not limited to, its own fees and expenses and the cost of printing Bonds, and (iv) written evidence from each Rating Agency then providing a rating on the Bonds to the effect that the then current rating of the Bonds will not be lowered or withdrawn solely as a result of Conversion (except for any withdrawal of a short-term rating if any corresponding long-term rating is confirmed).

The Trustee shall give notice to the registered owners of the Bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Conversion Date, specifying: (A) that the interest rate on the Bonds will be established at the Fixed Rate and the date the Fixed Rate will become effective; (B) that all outstanding Bonds not tendered for purchase at least seven (7) days before the Conversion Date will be deemed to have been so tendered and shall, unless remarketed, be purchased on the Conversion Date at a price equal to the principal amount thereof plus interest accrued to such date; and (C) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Conversion Date.

If the Letter of Credit to be in effect upon and after Conversion is not delivered to the Trustee at least fifteen (15) days before the Conversion Date, or if on any Business Day at least ten (10) Business Days before the Conversion Date the Trustee receives notice from the Borrower to the effect that it no longer wishes to proceed with the Conversion, or if on any Business Day within ten (10) Business Days before the Conversion Date the Trustee receives notice from the Remarketing Agent that a Market Risk Event has occurred, the Trustee shall promptly (but in any event within two (2) Business Days) give notice to the Bondholders, in the same manner that the notice of Conversion described in the preceding paragraph was given, canceling such notice of Conversion and stating either (1) if the Borrower shall have timely delivered to the Trustee a Letter of Credit meeting the requirements of Section 5.8(d) of the Loan Agreement, then the Bonds will begin to bear interest at a Weekly Rate on the date which was to be the Conversion Date, or (2) if the Borrower shall have not so delivered such a Letter of Credit, then the Bonds will be redeemed pursuant to Section 4.01(e) hereof. The Trustee shall also provide written notice of the cancellation to the Credit Bank, the Issuer, the Tender Agent and the Remarketing Agent.

Any Bond not tendered to the Tender Agent at least seven (7) days before the Conversion Date shall on the seventh (7th) day before the Conversion Date (whether or not such day is a Business Day) be deemed to have been tendered for purchase on the Conversion Date pursuant to Section 2.03 hereof for all purposes of this Indenture, including particularly Article VIII hereof.

Any Bond tendered pursuant to the provisions of Section 2.03 hereof from the date notice of Conversion is given through the Conversion Date, or deemed to have been so tendered as described in the next preceding paragraph, shall not be remarketed except to a purchaser who, at the time of such purchase, agrees that such Bond will be deemed tendered on the Conversion Date.

From and after Conversion and until maturity, the Bonds will bear interest at the Fixed Rate, payable on March 1 and September 1 of each year, commencing on the Interest Payment Date next following the Conversion Date, computed on the basis of a 360-day year of twelve 30-day months. The

Fixed Rate shall be that rate, determined by the Remarketing Agent on the date specified in the notice from the Borrower referred to in the first paragraph of this subsection (e), which, in the judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, would be required, but would not exceed the rate which would be required, to be borne by the Bonds in order for the market value of the Bonds on such date to be one hundred percent (100%) of the principal amount thereof (disregarding accrued interest); provided that in no event shall the Fixed Rate exceed any maximum rate permitted by law to be paid on the Bonds or to be charged on the Loan.

The determination of the Fixed Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Borrower, the Trustee, the Credit Bank, the Tender Agent and the Remarketing Agent, and each shall be protected by relying on the rate. The Trustee shall, upon request of any Bondholder, notify such Bondholder of the Fixed Rate to be in effect on and after the Conversion Date.

Upon Conversion, the Trustee shall cause to be prepared, at the expense of the Borrower, new Bonds in the form set forth in Exhibit D hereto and stating the Fixed Rate. Any such Bonds shall be executed and authenticated as provided in Section 2.04, and shall be delivered to Bondholders on the Conversion Date without charge in exchange for any outstanding Bonds.

Section 2.03. Demand for Purchase and Mandatory Purchase.

(a) Subject to the terms of this Section 2.03, any Bond, or any principal amount thereof in Authorized Denominations, shall (unless remarketed pursuant to Section 8.14 hereof) be purchased, from the sources prescribed in Section 8.15 hereof, on any Business Day during a Weekly Period or a Daily Period on demand of the registered owner of such Bond made in accordance with this Section 2.03(a) at a Purchase Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the Demand Date. Bonds will be purchased during a Weekly Period or a Daily Period upon demand of a registered owner of such Bond upon (i) delivery to the Tender Agent, acting as agent on behalf of the Trustee, with a copy to the Trustee and the Remarketing Agent at its Principal Office, of an irrevocable written notice in the form set forth as Exhibit E hereto (a "Tender Notice") which states (1) the principal amount of such Bond and the certificate number of such Bond for which payment is demanded, and (2) the date on which such Bond or principal amount thereof in Authorized Denominations shall be purchased pursuant to this Section 2.03, which date with respect to a demand tender during a Weekly Period shall be a Business Day not prior to the seventh (7th) day next succeeding the date of the receipt of the Tender Notice by the Tender Agent, and with respect to a demand tender during a Daily Period shall be the date of receipt of the Tender Notice by the Tender Agent, provided with respect to a demand tender during a Daily Period, the Tender Notice shall be received by the Tender Agent prior to 9:30 a.m., New York City time, on the Demand Date; and (ii) delivery to the Tender Agent at its Principal Office, at or prior to 9:30 a.m., New York City time, on the Demand Date, of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent).

Bonds not delivered to the Tender Agent on or prior to 9:30 a.m., New York City time, on the Demand Date shall be deemed purchased for all purposes of this Indenture and interest shall cease to accrue on such Bonds on the Demand Date. Payment of the Purchase Price of any Bond shall be made by check or by wire transfer or as designated in the Tender Notice with respect to such Bond, but only upon delivery and surrender of such Bond and due-bill, if any, to the Tender Agent on the Demand Date.

Anything herein to the contrary notwithstanding, no Bonds shall be purchased at the demand of a Bondholder pursuant to this subsection (a) or remarketed pursuant to Section 8.14 if an Event of Default hereunder other than an Event of Default under Section 7.01(d) shall have occurred and be continuing, or if all of the Bonds shall have been called for redemption, and no Bonds shall be purchased pursuant to this Section or remarketed pursuant to Section 8.14 during a Reset Period or after the Conversion Date; nor

shall any Bond be purchased pursuant to this Section if such Bond is registered in the name of the Issuer, the Borrower or the Credit Bank, or known by the Trustee to be registered in the name of any general partner, or guarantor of the Borrower's obligations under the Loan Agreement or the Credit Agreement or any nominee of the Issuer, the Borrower, the Credit Bank, or any such general partner or guarantor.

(b) The Bonds shall be subject to mandatory tender for purchase at a Purchase Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date of purchase, (i) on the effective date of any substitute Letter of Credit delivered during a Weekly Period or a Daily Period, or (ii) on any Interest Rate Conversion Date.

The Trustee shall give notice to the registered owners of the Bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before any mandatory tender Demand Date, specifying: (i) that the Letter of Credit is expiring or terminating, that a substitute Letter of Credit (together with the name of the substitute Credit Bank and the expected rating on the Bonds) is being delivered or that an Interest Rate Conversion Date is to occur; (ii) that all outstanding Bonds not tendered for purchase at least seven (7) days before the Demand Date will be deemed to have been so tendered and shall be purchased on the Demand Date at a price equal to the principal amount thereof plus interest accrued to such date; and (iii) that all Bonds must either be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Demand Date. The Trustee shall provide a copy of such notice by overnight mail to the Remarketing Agent.

Any Bond not tendered to the Tender Agent at least seven (7) days before the Demand Date shall on the seventh (7th) day before such Demand Date be deemed to have been tendered for purchase on such Demand Date pursuant to this section for all purposes of this Indenture, including particularly Article VIII hereof.

Any Bonds tendered pursuant to the provisions of subsection (a) or subsection (b) hereof from the date notice of mandatory purchase is given through the Demand Date, shall not be remarketed except to a purchaser who, at the time of such purchase, agrees that such Bond will be deemed tendered on the Demand Date. Affected Bonds shall be purchased as provided in Section 8.15.

Unless on or before any Demand Date there is reissued or delivered a Letter of Credit complying with the requirements of the applicable subsection of Section 5.8 of the Loan Agreement, the Bonds tendered or deemed tendered pursuant to subsection (b) shall not be remarketed.

Section 2.04. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Issuer with the manual or facsimile signature of its Administrator or any Deputy Administrator and the manual or facsimile signature of its Secretary or Assistant Secretary. The Bonds shall then be delivered to the Trustee or the Tender Agent for authentication by the Trustee or the Tender Agent, as the case may be. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or the Tender Agent, as the case may be, or issued by the Issuer, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the Issuer as though the officers who signed the same had continued to be such officers of the Issuer. Also, any Bond may be signed on behalf of the Issuer by such persons as on the actual date of the execution of such Bond shall be the proper officers although on the nominal date of such Bond any such person shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, Exhibit B, Exhibit C or Exhibit D hereto, executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be

conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer and Exchange of Bonds. Any Bond may, in accordance with the terms of this Indenture, be transferred, upon the books of the Trustee or, in the case of a transfer in connection with the purchase of Bonds, the Tender Agent, required to be kept pursuant to the provisions of Section 2.06, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, or the Principal Office of the Tender Agent, as the case may be, accompanied by a written instrument of transfer in a form acceptable to the Trustee or the Tender Agent, as the case may be, duly executed. Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of the same series of other Authorized Denominations. Whenever any Bond shall be surrendered for transfer or exchange, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same series, for a like aggregate principal amount.

The Trustee may require the payment by the Bondholder requesting any such transfer or exchange of any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, and may, in connection with any exchange, collect a charge equal to a customary fee charged by the Trustee for such exchange, but any such transfer or exchange shall otherwise be made without charge to the Bondholder requesting the same; provided that any Bond containing provisions relating to a Weekly Rate or a Reset Rate which are no longer applicable shall, on or after any Reset Date, any Weekly Rate Adjustment Date or the Conversion Date, be surrendered in exchange for a Bond or Bonds of the same series, for a like aggregate principal amount, stating interest at the Reset Rate, Weekly Rate or Fixed Rate, as applicable, and any such exchange shall be without charge to the holder of such Bond.

No transfer or exchange shall be required to be made of any Bonds called for redemption or of any Bonds during the ten (10) days next preceding the giving of any notice of redemption. The cost of printing any new Bonds and any services rendered or any expenses incurred by the Trustee in connection with the printing of any new Bonds shall be paid by the Borrower.

Section 2.06. Bond Register. The Issuer hereby appoints the Trustee as registrar and authenticating agent and the Tender Agent as co-registrar and co-authenticating agent for the Bonds; provided that the Tender Agent shall act as registrar and authenticating agent only for purposes of demands for purchase or mandatory purchases pursuant to Section 2.03 hereof. The Trustee and the Tender Agent as such registrars will keep or cause to be kept at their respective Principal Offices sufficient books for the transfer of the Bonds, which shall at all times be open to inspection by the Issuer; and, upon presentation for such purpose, the Trustee and the Tender Agent as such registrars shall, under such reasonable regulations as they may prescribe, transfer or cause to be transferred, on said books, Bonds as hereinbefore provided.

Section 2.07. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be in Authorized Denominations and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Issuer and be authenticated and registered by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Issuer issues temporary Bonds, it will execute and furnish without delay definitive Bonds, which may be printed, lithographed or typewritten, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Principal Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Issuer, at the expense of the holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bonds so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the Issuer. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to it and indemnity satisfactory to it shall be given, the Issuer, at the expense of the holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and number in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond, the Trustee on behalf of the Issuer may pay the same without surrender thereof). The Issuer or the Trustee may require from the Bondholder payment of a reasonable fee for each new Bond delivered under this Section and payment of the expenses which may be incurred by the Issuer and the Trustee. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Issuer whether or not the Bond so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.09. Use of Depository. Notwithstanding any provision of this Indenture to the contrary:

(a) As per the direction of the initial purchasers of the Bonds, the ownership of one fully registered Bond for each maturity of the Bonds shall be registered in the name of Cede & Co. ("Cede"), as nominee of The Depository Trust Company ("DTC"), New York, New York. Payments of interest on, principal of and any premium on the Bonds shall be made to the account of Cede on each payment date at the address indicated for Cede in the registration books of the Issuer kept by the Trustee by transfer of immediately available funds, provided. DTC has represented to the Issuer that it will maintain a book-entry system in recording ownership interests of its participants (the "Direct Participants"), and the ownership interests of a purchaser of a beneficial interest in the Bonds (a "Beneficial Owner") will be recorded through book entries on the records of the Direct Participants.

(b) With respect to Bonds registered in the name of Cede, the Issuer, the Trustee and the Tender Agent shall have no responsibility or obligation to any Direct Participant (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 2.03 hereof) or to any Beneficial Owner of such Bonds. Without limiting the immediately preceding sentence, the Issuer, the Trustee and the Tender Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Direct Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Direct Participant, Beneficial Owner or other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Direct Participant, Beneficial Owner or other person, other than DTC, of any amount with respect to the principal or redemption price of, or any interest on, the Bonds or (iv) any consent given or other action taken by DTC as owner of the Bonds. The Issuer, the Trustee and the Tender Agent may treat DTC as, and deem DTC to be, the absolute owner of each Bond for all purposes whatsoever (with the exception of the right of Direct Participants to demand purchase of Bonds pursuant to Section 2.03 hereof) including (but not limited to) (i) payment of the principal or redemption price of, and interest on, each such Bond, (ii) giving notices of purchase or redemption and other matters with respect to such Bonds and (iii) registering transfers with respect to such Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to such principal or redemption price, and interest, to the extent of the sum or sums so paid. No person other than DTC shall receive a Bond evidencing the obligation of the Issuer to make payments of principal or redemption price

of, and interest on, the Bonds pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions hereof, the word "Cede" in this Indenture shall refer to such new nominee of DTC.

(c) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving reasonable written notice to the Issuer, the Trustee and the Tender Agent and discharging its responsibilities with respect thereto under applicable law.

(ii) The Issuer, in its sole discretion and without the consent of any other person, may terminate, upon provision of notice to the Trustee and Tender Agent, the services of DTC with respect to the Bonds if the Issuer determines that the continuation of the system of book-entry-only transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Bonds or is burdensome to the Issuer, and shall terminate the services of DTC with respect to the Bonds upon receipt by the Issuer, the Trustee and the Tender Agent of written notice from DTC to the effect that DTC has received written notice from Direct Participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding Bonds to the effect, that: (A) DTC is unable to discharge its responsibilities with respect to such Bonds; or (B) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, is not in the best interest of the Beneficial Owners of such Bonds.

(d) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(i)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection (c)(i) or subsection (c)(ii)(A) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found or which, in the opinion of the Issuer, is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC. In such event, the Issuer shall issue and the Trustee shall transfer and exchange Bond certificates as requested by DTC or Direct Participants of like principal amount, series and maturity, in Authorized Denominations to the identifiable Beneficial Owners in replacement of such Beneficial Owners' beneficial interests in the Bonds.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to the principal or redemption price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC as provided in the representation letter of the Issuer and the Trustee addressed to DTC with respect to the Bonds.

(f) In connection with any notice or other communication to be provided to Bondowners pursuant to this Indenture by the Issuer, the Tender Agent or the Trustee with respect to any consent or other action to be taken by Bondowners, the Issuer, the Tender Agent or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(g) Notwithstanding any provision herein to the contrary, the Issuer and the Trustee may agree to allow DTC, or its nominee, Cede, to make a notation on any Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.

(h) Notwithstanding any provision herein to the contrary, so long as the Bonds are subject to a system of book-entry-only transfers pursuant to this Section, any requirement for the delivery of Bonds to the Trustee or the Tender Agent in connection with a mandatory tender pursuant to Section 2.03 shall

be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such Bonds tendered for purchase to the account of the Tender Agent, or a Direct Participant acting on behalf of the Tender Agent.

## ARTICLE III

## ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01. Authentication and Delivery of the Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute the Bonds and deliver them to the Trustee. Thereupon, and upon satisfaction of the conditions set forth in this Section, and without any further action on the part of the Issuer, the Trustee shall authenticate the Bonds in an aggregate principal amount not exceeding the Authorized Amount, and shall deliver them to or upon the Written Order of the Issuer hereinafter mentioned. Prior to the authentication and delivery of any of the Bonds by the Trustee, there shall have been delivered to the Trustee each of the following:

(i) a Certified Resolution authorizing issuance and sale of the Bonds and execution and delivery of all related documents required to be executed and delivered by the Issuer;

(ii) original executed counterparts of this Indenture, the Regulatory Agreement and the Loan Agreement;

(iii) the original of the Letter of Credit; and

(iv) a Written Order of the Issuer to the Trustee to authenticate and deliver the Bonds as directed in such Written Order, upon payment to the Trustee, for the account of the Issuer, of the sum specified therein.

Section 3.02. Application of Proceeds of Bonds; Borrower Contribution.

(a) The proceeds received by the Issuer from the sale of the Bonds shall be deposited in trust with the Trustee in the Program Fund created pursuant to Section 3.03, which amount the Trustee shall apply as provided in said Section.

(b) The Issuer shall cause to be delivered to the Trustee from, or at the direction of, the Borrower on or prior to the Closing Date cash in the amount of $_____, and the Trustee shall deposit $_____ of such amount in the Borrower Contribution Account of the Cost of Issuance Fund created pursuant to Section 3.04 hereof, which amount the Trustee shall apply as provided in said Section and $_____ of such amount in the Program Fund created pursuant to Section 3.03, which amount the Trustee shall apply as provided in said Section.

Section 3.03. Program Fund.

(a) There is hereby created and established with the Trustee a separate trust fund which shall be designated the "Program Fund," which shall be applied only as provided in this Section.

(b) Except with respect to the reimbursement of the Credit Bank for drawings under the Letter of Credit as set forth in paragraph (d) below, no moneys shall be disbursed from the Program Fund until the Trustee shall have received evidence of (i) the recordation of the Regulatory Agreement and the Deed of Trust in the office of the County Recorder of the County of Los Angeles and confirmation from a nationally recognized title insurance company selected by the Borrower and not objected to by the Credit Bank that there are no liens or encumbrances on the Project superior to the Regulatory Agreement and

Deed of Trust except for (A) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings, and (B) any other encumbrances approved in writing by the Credit Bank, and (ii) the payment of any other fees and expenses due and payable on the Closing Date which have not been paid from amounts on deposit in the Costs of Issuance Fund on the Closing Date. The Trustee may rely upon telephonic notice from the title insurance company responsible for recording the Regulatory Agreement and the Deed of Trust as evidence of such recordation and to the extent the Trustee has not been notified of the nonpayment of any fees and expenses due and payable on the Closing Date, the Trustee may assume that such fees and expenses have been paid.

(c) The Trustee shall make all disbursements from the Program Fund after compliance with the provisions for disbursement under Section 3.2 of the Loan Agreement and Section 3.03(d) hereof, to pay or reimburse the Borrower for Project Costs, and as otherwise required in connection with the redemption of Bonds pursuant to Section 4.01(a) or (e) hereof. Amounts remaining in the Program Fund on the Completion Date shall be transferred by the Trustee to the Bond Fund and applied as provided in Section 5.02 hereof.

(d) Any provision in this Indenture to the contrary notwithstanding, except in conjunction with a redemption of the Bonds pursuant to Section 4.01, the Trustee shall not disburse any funds from the Program Fund unless it has received a Funding Requisition executed by an Authorized Borrower Representative and approved by an Authorized Bank Representative representing that the full amount of such disbursement will be applied to pay or reimburse the Borrower for the payment of Project Costs and such disbursement, when added to all previous disbursements from the Program Fund, will result in (i) not less than ninety five percent (95%) of all such disbursements having been used to pay or reimburse the Borrower for Qualified Project Costs and (ii) less than twenty five percent (25%) of the original principal amount of the Bonds having been used to pay or reimburse the Borrower for the cost of acquiring land or any interest therein; provided, however, prior to the Completion Date, the Trustee shall disburse, without the requirement of the receipt of a Funding Requisition, from the Program Fund to the Credit Bank after receipt by the Trustee of the proceeds of a draw upon the Letter of Credit representing a payment of interest on the Bonds, an amount equal to the amount drawn for payment of interest on the Bonds.

(e) Neither the Trustee nor the Issuer shall be responsible for the application by the Credit Bank or the Borrower of monies disbursed to the Credit Bank or the Borrower in accordance with this Section 3.03. Upon receipt of a Funding Requisition executed by the Borrower and approved by the Credit Bank pursuant to this Section 3.03, the Trustee is authorized to act thereon without further inquiry and shall not be responsible for the accuracy or representations made in such requisitions and, to the extent permitted by law, and except for the negligence or willful misconduct of the Trustee, the Trustee shall be indemnified and held harmless by the Borrower against any and all losses, claims or liabilities incurred in connection with the Trustee directly making disbursements from the Program Funds.

Section 3.04. Cost of Issuance Fund. There is hereby created and established with the Trustee a separate trust fund which shall be designated the "Cost of Issuance Fund," and within the Cost of Issuance Fund, separate Accounts which shall be designated the "Bond Proceeds Account," the "Borrower Contribution Account" and the "Fees Account," which shall be applied only as provided in this Section.

The amount in the Borrower Contribution Account of the Cost of Issuance Fund shall be used on the Closing Date to pay Issuance Costs. Amounts on deposit in the Bond Proceeds Account of the Cost of Issuance Fund shall be applied to the reimbursement of the Borrower for the payment of Issuance Costs from the amounts on deposit in the Borrower Contribution Account only upon satisfaction of the conditions contained in Section 3.03(b)(i) hereof with respect to disbursement of amounts on deposit in the Program Fund and upon receipt by the Trustee of a Written Requisition of the Issuer and the

Borrower, acknowledged in writing by the Credit Bank. Before each payment is made from the Cost of Issuance Fund (excluding the Fees Account) by the Trustee, there shall be filed with the Trustee a Written Requisition of the Issuer and the Borrower, acknowledged in writing by the Credit Bank, accompanied by copies of appropriate invoices or other evidence of amounts due, and stating with respect to each payment to be made: (i) the requisition number; (ii) the name and address of each person to whom a payment is due (which may be the Issuer if the payment is to reimburse the Issuer for amounts previously paid); (iii) the purpose for which the payment is to be made; (iv) the amount to be paid; (v) that each obligation mentioned therein has been properly incurred and is a proper charge against the Cost of Issuance Fund; (vi) that none of the items for which payment is requested has been previously paid or reimbursed from the Cost of Issuance Fund and (vii) that payments are to be made from the Bond Proceeds Account or the Borrower Contribution Account, as applicable.

Any amounts remaining in the Borrower Contribution Account of the Cost of Issuance Fund on the date three (3) months after the Closing Date and not expected by the Issuer to be required to pay Issuance Costs payable from such Account as certified by the Borrower to the Trustee shall be transferred by the Trustee to the Borrower. Any amounts remaining in the Bond Proceeds Account of the Cost of Issuance Fund on the date three (3) months after the Closing Date shall be transferred by the Trustee to the Program Fund.

All amounts paid to the Trustee by the Borrower for payment of the Issuer's annual administration fee pursuant to Section 4.2(c) of the Loan Agreement shall be deposited by the Trustee into the Fees Account of the Costs of Issuance Fund. Amounts on deposit in the Fees Account of the Costs of Issuance Fund shall be applied to the payment of the Issuer's annual administration fee payable on each August 15 after the Completion Date pursuant to and in accordance with Section 4.2(c) of the Loan Agreement and Section 23 of the Regulatory Agreement.

Section 3.05. Principal Reserve Fund.

(a) There is hereby created and established with the Trustee a separate trust fund which shall be designated the "Principal Reserve Fund," which shall be applied only as provided in this Section.

(b) The Trustee will deposit each of the following amounts into the Principal Reserve Fund:

(i) each monthly payment made by or on account of the Borrower in accordance with the Principal Reserve Schedule, as such schedule may be amended; and

(ii) investment income earned on amounts on deposit in the Principal Reserve Fund.

(c) The Trustee shall make disbursements from the Principal Reserve Fund at the written direction of the Credit Bank so long as the Credit Bank has not failed to honor a conforming draw on the Letter of Credit. Amounts on deposit in the Principal Reserve Fund in excess of the Principal Reserve Amount shall be applied to the redemption of Bonds pursuant to the provisions of Section 4.01(b)(ii) hereof or for the payment of any authorized expenditure of amounts hereunder. In the event the Credit Bank has failed to honor a conforming draw on the Letter of Credit, the Trustee may use amounts on deposit in the Principal Reserve Fund for the redemption of Bonds pursuant to the provision of Section 4.01(b)(ii) hereof or for any purpose authorized for the expenditure of amounts hereunder.

(d) Amounts on deposit in the Principal Reserve Fund shall be invested in Investment Securities meeting the definition of subparagraph (e) thereof, unless the Trustee is directed otherwise by the Borrower which direction is approved in writing by the Credit Bank.

(e) Amounts on deposit in the Principal Reserve Fund will not be credited against the principal amount of the Loan, and the Loan will not be deemed to have been amortized by reason of deposits into the Principal Reserve Fund, unless and until such amounts have been withdrawn from the Principal Reserve Fund and applied to the redemption of the Bonds or to the reimbursement of the Credit Bank for amounts paid under the Letter of Credit to redeem Bonds, such credit and amortization to be in an amount equal to the aggregate principal amount of Bonds redeemed.

## ARTICLE IV

## REDEMPTION OF BONDS

Section 4.01. Circumstances of Redemption. The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bonds shall be subject to redemption in whole or in part on the earlier of the Completion Date or the first Business Day of December, 2005 at a price equal to the principal amount of the Bonds called for redemption, plus interest accrued thereon to the date of redemption, without premium, to the extent of undisbursed funds on deposit in the Program Fund on the Completion Date or November 1, 2005, respectively.

(b) The Bonds shall be subject to redemption in whole or in part on any Interest Payment Date, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, (i) upon prepayment of the Loan in whole or in part, in an amount as nearly equal as possible to, but not exceeding, the amount of any Net Proceeds of insurance or condemnation awards not used to repair or replace the Project pursuant to the Loan Agreement, or (ii) from amounts on deposit in the Principal Reserve Fund in excess of the Principal Reserve Amount.

(c) The Bonds are subject to redemption on the first day for which notice of redemption can timely be given, following the receipt by the Trustee of written notice of the occurrence of an Event of Taxability, at a price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

(d) The Bonds shall be subject to redemption in whole on any date at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, upon acceleration of the Loan in whole following an Acceleration Default or following an Event of Default under Section 7.1(e) of the Loan Agreement.

(e) The Bonds shall be subject to redemption in whole, at a price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium, on the last Business Day which is not less than five (5) days before the date of expiration of any Letter of Credit, unless the Trustee receives a renewal or extension of or replacement for such Letter of Credit meeting the requirements of Section 5.8 of the Loan Agreement not less than ten (10) days before the expiration of the then-existing Letter of Credit, or, in the case of replacement of the Letter of Credit in connection with any Weekly Rate Adjustment Date, Daily Conversion Date, Reset Date or the Conversion Date, unless the Trustee receives a Letter of Credit meeting the requirements of the applicable subsection of Section 5.8 of the Loan Agreement not less than ten (10) days before the Weekly Rate Adjustment Date, Reset Date, Daily Conversion Date or the Conversion Date, as the case may be.

(f) The Bonds are subject to optional redemption in whole or in part, in the event and to the extent there are voluntary prepayments of the Loan (i) on any Business Day (A) during any Weekly Period or Daily Period in the event and to the extent of any voluntary prepayments of principal of the Loan, or (B) in the amount specified for any Interest Payment Date in connection with the establishment

of a Reset Rate or a Fixed Rate pursuant to 2.02(d) or 2.02(e), respectively, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, and (ii) otherwise during the periods set forth below and during any Reset Period or after Conversion, at the respective redemption prices set forth below expressed as percentages of the principal amounts of the Bonds called for redemption, such redemption prices declining one percent (1%) each year until such redemption price equals one hundred percent (100%) of the principal amount of the Bonds to be redeemed.

| Term of Reset Period or from Conversion to Maturity | No-Call Period | Redemption Price | No Premium |
|---|---|---|---|
| 15 or more years | First 7 years after Reset or Conversion Date | 102.0% | 10th year and thereafter |
| 10 or more years | First 7 years after Reset or Conversion Date | 101.0% | 9th year and thereafter |
| 5 years or more years (but less than 10) | First 5 years after Reset or Conversion Date | 100.0% | 6th year and thereafter |

(g) The Bonds shall be subject to redemption in whole at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, which date shall be as soon as practicable but in no event later than seven (7) days from the date of a failure of the Credit Bank to honor a conforming draw on the Letter of Credit or a repudiation of the Letter of Credit, without premium, if the Credit Bank fails to honor a conforming draw on the Letter of Credit or the Letter of Credit is repudiated.

The Trustee is hereby authorized and directed, and hereby agrees, to give notice of the call for redemption of Bonds at the times set forth in this paragraph, to fix the date for any such redemption within the periods prescribed by Section 4.03 hereof, and, if moneys are available, to redeem the Bonds so called on the date so fixed by the Trustee and set forth in such notice. The Trustee shall give such redemption notice (i) in the case of redemption pursuant to (a) and (e) above, at the time required therefore pursuant to Section 4.03, without any further authorization or direction; (ii) in the case of redemption pursuant to (b) and (f) above, at the time required therefore pursuant to Section 4.03, upon receipt of notice that the option is being exercised but only if the Trustee then holds Available Amounts on deposit in the Bond Fund sufficient to pay, or to the extent such redemption is required hereby and funds are set aside for the payment of any premium due upon such redemption, or if the Letter of Credit then in effect may be drawn upon to pay such premium and is in an amount equal to such premium plus the other amounts required by Section 5.8 of the Loan Agreement; (iii) in the case of redemption pursuant to (d) above, not more than five (5) days after receipt of an opinion of Bond Counsel indicating that an Acceleration Default has occurred and upon acceleration of the Loan by the Trustee on behalf of the Issuer or after receipt from the Credit Bank of notice of an Event of Default pursuant to Section 7.1(e) of the Loan Agreement; and (iv) in the case of a redemption pursuant to (c) or (g) above, as soon as practicable, but in no event later than two (2) Business Days subsequent to the date on which the Trustee receives a written notice of the occurrence of an Event of Taxability or a failure by the Credit Bank to honor a conforming drawing on the Letter of Credit or a repudiation of the Letter of Credit occurs, respectively.

Section 4.02. Selection of Bonds for Redemption. When any redemption is made pursuant to any of the provisions of this Indenture and less than all of the outstanding Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed by lot, in any manner the Trustee deems fair, in whole

multiples of minimum Authorized Denominations. In no event shall Bonds be redeemed in amounts other than whole multiples of minimum Authorized Denominations. For purposes of redeeming Bonds in denominations greater than minimum Authorized Denominations, the Trustee shall assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, shall treat such amounts as separate Bonds. The Trustee shall promptly notify the Issuer in writing of the certificate number, amounts and, maturities of the Bonds selected for redemption.

If any Bonds tendered for purchase pursuant to Section 2.03 hereof and delivered pursuant to Section 8.16 hereof shall have been selected for redemption, then the new Bond delivered pursuant to Section 8.16 hereof shall be delivered with notice that it is subject to such redemption and shall be deemed to be the Bond so selected for redemption notwithstanding the notice period stated in Section 4.03 hereof.

Section 4.03. Notice of Redemption. Notice of redemption shall be given by the Trustee for and on behalf of the Issuer, by first class mail, not more than thirty (30) and not less than ten (10) days or, in the case of a redemption pursuant to Sections 4.01(a) or (e), not less than three (3) days nor more than five (5) days prior to the redemption date, or in the case of redemption pursuant to Section 4.01(c) or (g), not less than two (2) days prior to the redemption date, to the Tender Agent and the registered owner of each Bond called for redemption, at its address as it appears on the registration books or at such address as it may have filed with the Trustee for that purpose, but neither failure to mail such notice to any owner of the Bond nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds with respect to which such failure or defect shall have occurred. Each notice of redemption shall state the redemption date, the place of redemption, the source of the funds to be used for such redemption, the principal amount and, if less than all, the distinctive numbers of the Bonds to be redeemed, and shall also state that the interest on the Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed, interest accrued thereon to the redemption date and the premium, if any, thereon (such premium to be specified).

Section 4.04. Partial Redemption of Bonds. Any Bond may be redeemed in whole or in part, but no part of any Bond shall be redeemed in an amount less than a minimum Authorized Denomination. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, without charge to the owner thereof, a new Bond or Bonds of like series and maturity and of authorized denominations designated by such owner equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price being held by the Trustee, the Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article IV shall, upon the Written Order of the Issuer delivered to the Trustee, be destroyed by the Trustee, which shall thereupon deliver to the Issuer a certificate evidencing such destruction.

## ARTICLE V

## REVENUES

Section 5.01. Pledge of Revenues. All of the Revenues are hereby irrevocably pledged to the punctual payment of the principal of, premium, if any, and interest on the Bonds, subject to the provisions of this Indenture permitting the application of such Revenues for the purposes and on the terms and conditions set forth herein.

The Issuer hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holders from time to time of the Bonds, all of its right, title and interest in the Revenues, as further provided in Section 5.04, and the Loan Agreement (except for the right to receive fees, expenses and indemnification and its rights of enforcement with respect to such fees, expenses and indemnification thereunder).

All Revenues shall be held in trust for the benefit of the Holders from time to time of the Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes hereinafter in this Article V set forth.

Neither the Issuer nor any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Issuer and are not a debt, nor a pledge of the faith and credit, of The City of Los Angeles, the State of California or any of its political subdivisions, and neither are they liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those pledged hereunder for the payment thereof. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation. The issuance of the Bonds shall not directly or indirectly or contingently obligate the Issuer, The City of Los Angeles, the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Section 5.02. Bond Fund. There is hereby created and established with the Trustee a separate trust fund which shall be designated the "Bond Fund," which shall be applied only as provided in this Section.

The Trustee shall deposit in the Bond Fund from time to time as provided herein, upon receipt thereof, (i) all amounts drawn by the Trustee under the Letter of Credit as provided in Section 5.05 and Section 5.06 hereof, respectively; (ii) income received from the investment of moneys on deposit in the Bond Fund; and (iii) any other Revenues, including insurance proceeds, condemnation awards and other Loan repayment and prepayment amounts received from or for the account of the Borrower. Amounts drawn under the Letter of Credit and other Available Amounts shall be deposited by the Trustee in separate sub-accounts of the Bond Fund and shall not be commingled with other moneys in the Bond Fund.

Except as provided in Sections 5.06 and 10.03, moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise. In making such payments, the Trustee shall (a) use amounts drawn under the Letter of Credit; (b) then use other Available Amounts held hereunder; and (c) then use any other Revenues received by the Trustee. Any time that this Indenture or the Loan Agreement requires or permits the Trustee to use Available Amounts, the Trustee shall have the right to require the Borrower to deliver to the Trustee, prior to making such use or application, an opinion of Bond Counsel stating in substance that such moneys constitute Available Amounts as defined herein, and the Trustee shall be completely protected in relying upon such opinion.

Section 5.03. Investment of Moneys. Except as otherwise provided in this Section, in Section 6.08 hereof, any moneys in any of the funds and accounts to be established by the Trustee pursuant to this Indenture shall be invested by the Trustee, if and to the extent then permitted by law, in Investment Securities selected and directed in writing by the Borrower signed by an Authorized Borrower Representative and with the written approval of the Credit Bank signed by an Authorized Bank Representative with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date on which it is estimated that such moneys will be required by the Trustee; provided however, that such written direction of the Borrower and such written approval of the Credit Bank shall be received not less than two (2) Business Days prior to the effective date of the investment to be made. In the absence of effective instructions the Trustee shall invest such funds in Investment Securities described in clause (d) or (e) of the definition thereof. Amounts drawn under the Letter of Credit and proceeds received from the remarketing of the Bonds shall not be invested. Available Amounts held in the Bond Fund other than amounts drawn under the Letter of Credit shall be invested only in Investment Securities described in clauses (a) or (c) of the definition thereof in Section 1.01 hereof maturing or subject to payment upon demand of the holder thereof within 30 days after the acquisition of any such investment and in any event not later than the date on which it is estimated that such moneys will be required by the Trustee. The Trustee may rely conclusively upon, and shall be fully protected from all liability in acting in conformity with, a Written Direction approved in writing by an Authorized Bank Representative, except for the negligence or willful misconduct of the Trustee in connection therewith. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with this Section 5.03, except through its negligence or willful misconduct. The Trustee shall be entitled to assume that any investment made hereunder which at the time of purchase is an Investment Security, shall remain an Investment Security thereafter, absent receipt of written notice or information to the contrary.

The Issuer covenants that all investment of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

Any interest, profit or loss on such investment of moneys in any fund or account shall be credited or charged to the respective funds or accounts from which such investments are made. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption, except through its negligence or willful misconduct.

The Trustee may make any and all investments permitted under this Section 5.03 through its own bond department and the counterpart department of the Credit Bank and may pay said bond department reasonable, customary fees for placing such investments.

The Issuer and Borrower acknowledge that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Issuer and Borrower the right to receive brokerage confirmations of the security transactions as they occur, the Issuer and Borrower specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer and Borrower periodic cash transaction statements that include the detail for all investment transactions made by the Trustee hereunder.

Section 5.04. Assignment to Trustee; Enforcement of Obligations. The Issuer hereby transfers, assigns and sets over to the Trustee, for the benefit of the Bondholders, and the Trustee hereby accepts, all of the Revenues, all moneys at any time held in any fund hereunder and any and all rights and privileges the Issuer has under the Agreement (except the Reserved Rights), the Issuer's right to receive payments under Sections 4.2(c) and (e), 7.3, 9.2 and 9.3 of the Agreement, and the right of the Issuer to enforce

certain covenants of the Borrower relating to compliance with the Act and maintenance of the tax-exempt status of the Bonds; and any Revenues or other amounts payable to the Trustee hereunder or under the Agreement which are collected or received by the Issuer shall be deemed to be held, and to have been collected or received, by the Issuer as the agent of the Trustee, and shall forthwith be paid by the Issuer to the Trustee. The Trustee also shall be entitled to take all steps, actions and proceedings reasonably necessary in its judgment (1) to enforce the terms, covenants and conditions of, and preserve and protect the priority of its interest in and under, the Agreement and the Letter of Credit and (2) to assure compliance with all covenants, agreements and conditions on the part of the Issuer contained in this Indenture with respect to the Revenues.

Section 5.05. Letter of Credit. The Issuer hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to draw on the Letter of Credit in accordance with its terms, in order to receive payment thereunder on the following dates in the following amounts:

(a) By 10:30 a.m., California time, on the Business Day prior to each Interest Payment Date, in an amount sufficient to pay the interest due and payable on such Interest Payment Date on all outstanding Bonds;

(b) By 10:30 a.m., California time, on the Business Day prior to any date fixed for redemption of Bonds, in an amount (including amounts drawn pursuant to paragraph (a) above), sufficient to pay the redemption price, including accrued interest on all Bonds redeemed pursuant to Section 4.01 hereof;

(c) By 10:30 a.m., California time, on the Business Day prior to the date fixed for payment of the Bonds in connection with any declaration of the acceleration of the maturity of the Bonds following an Event of Default, as provided in Section 7.01 hereof, in an amount sufficient to pay all principal and interest due on the Bonds as a result of such declaration on the date fixed for such payment;

(d) By 9:00 a.m., California time, on each Demand Date, in an amount sufficient to pay the Purchase Price of any Bonds tendered pursuant to Section 2.03 hereof and not remarketed pursuant to Section 8.14 hereof (including because there has been a failure to receive in a timely manner the Purchase Price thereof), such draw to be in an amount not less than the total Purchase Price of the Bonds so tendered less the amount of the Purchase Price theretofore received by the Tender Agent in connection with the remarketing of the Bonds, as such amounts are identified to the Trustee by the Tender Agent pursuant to the provisions of Section 8.14 hereof; and

(e) By 10:30 a.m., California time, on the Business Day prior to the final maturity date of the Bonds, in an amount (including amounts drawn pursuant to paragraph (a) above) sufficient to pay the principal and interest due on all outstanding Bonds on such final maturity date.

The Trustee shall give notice of each such drawing to the Borrower at the time of each draw. The Trustee shall comply with all provisions of the Letter of Credit in order to realize upon any drawing thereunder, and will not draw upon the Letter of Credit at any time for payment of the principal or Purchase Price of or interest on any Bonds registered in the name of the Credit Bank or its nominee or the Borrower or its nominee or the Issuer or its nominee.

The Trustee agrees to accept any Letter of Credit conforming to the requirements of Section 5.8(a) of the Agreement which is delivered to the Trustee while the Bonds bear interest at a Weekly Rate or Daily Rate in substitution for the then-outstanding Letter of Credit, to accept any Letter of Credit conforming to the requirements of Section 5.8(b) of the Agreement, which is delivered to the Trustee in connection with a Reset Date substitution for the then-outstanding Letter of Credit and to accept any Letter of Credit conforming to the requirements of Section 5.8(c) of the Agreement which is delivered to

the Trustee in connection with Conversion and substitution for the then-outstanding Letter of Credit. Upon acceptance of any such substitute Letter of Credit, the Trustee shall (i) draw, if necessary, under the then-existing Letters of Credit to pay the Purchase Price pursuant to Section 8.15 hereof of the Bonds manditorily tender on such Demand Date pursuant to Section 2.03 hereof, (ii) subsequent to the Credit Bank honoring such draw under the Letters of Credit, if any, surrender the superseded Letter of Credit to the issuer thereof and shall give notice of such substitution to Bondholders in same manner that notices of redemption are given as soon as practicable upon receipt by the Trustee of such substitute Letter of Credit.

The Trustee shall give all required notices to the Credit Bank in accordance with the provisions of the Letter of Credit, including, but not limited to, notice of a substitute Letter of Credit, notice of a successor Trustee, notice of any reduction in the amount of the Letter of Credit because of a retirement of the Bonds with the proceeds of a draw on the Letter of Credit, and notice of discharge or defeasance of this Indenture. The Trustee shall transfer, in a timely manner, to any paying agent, if other than the Trustee, all amounts drawn under the Letter of Credit in order to make payments on the Bonds, or, in the case of a draw on the Letter of Credit to pay the Purchase Price of any Bonds tendered pursuant to Sections 2.02 and 2.03 hereof and not remarketed pursuant to Section 8.14 hereof, the Trustee shall arrange for payments under the Letter of Credit to be made directly to the Tender Agent.

If the Credit Bank honors the Trustee's conforming draw on the Letter of Credit to pay the principal of and interest on the Bonds upon redemption at maturity thereof, the Trustee is hereby directed to assign all of its right, title and interest in the Deed of Trust to the Credit Bank, whereupon neither the Issuer or the Trustee shall have any further interest in the Deed of Trust.

The Trustee may accept, hold and draw upon letters of credit issued by itself of by any of its corporate affiliates to provide security and a source of payment for the Bonds. Further, the Trustee covenants that it shall at all times maintain adequate controls to manage any potential conflicting interest. Notwithstanding any other provision herein to the contrary, while the Credit Bank issuing the Letter of Credit or Substitute Letter of Credit is the Trustee or any affiliate of the Trustee, and such Credit Bank has not failed to honor a properly presented draw on the Letter of Credit or Substitute Letter of Credit, the Trustee shall have no discretion with respect to the acceleration of the Bonds and shall do so only upon written direction of the Credit Bank. If such affiliated bank shall fail at any time to honor a properly presented draw on the Letter of Credit, the Trustee shall immediately tender its resignation and take prompt steps to have a successor trustee appointed satisfying the requirements of Section 8.07 hereof.

Section 5.06. Payment to Credit Bank. When there are no longer any Bonds outstanding, and all fees, charges and expenses of the Trustee, the Tender Agent and any paying agents have been paid or provided for, all expenses of the Issuer relating to the Project and this Indenture have been paid or provided for, all other amounts payable hereunder and under the Agreement have been paid, and this Indenture has been discharged and satisfied, the Trustee shall pay to the Credit Bank by check or wire the amounts in any Fund or Account for necessary application in accordance with the terms of the Credit Agreement.

## ARTICLE VI

## COVENANTS OF THE ISSUER

Section 6.01. Payment of Principal and Interest. The Issuer shall punctually pay, but only out of Revenues as herein provided, the principal and the interest (and premium, if any) to become due in respect of every Bond issued hereunder at the times and places and in the manner provided herein and in the Bonds, according to the true intent and meaning thereof. When and as paid in full, all Bonds shall be delivered to the Trustee and shall forthwith be destroyed.

Section 6.02. Paying Agents. The Issuer, with the written approval of the Trustee and the Credit Bank, may appoint and at all times have one or more paying agents in such place or places as the Issuer may designate, for the payment of the principal of, and the interest (and premium, if any) on, the Bonds. It shall be the duty of the Trustee to make such arrangements with any such paying agent as may be necessary and feasible to assure, to the extent of the moneys held by the Trustee for such payment, the availability of funds for the prompt payment of the principal of and interest and premium, if any, on the Bonds presented at either place of payment. The paying agent initially appointed hereunder is the Trustee.

Section 6.03. Preservation of Revenues; Amendment of Documents. The Issuer shall not take any action to interfere with or impair the pledge and assignment hereunder of Revenues and the assignment to the Trustee of rights of the Issuer under the Agreement, or the Trustee's enforcement of any rights hereunder or thereunder, shall not take any action to impair the validity or enforceability of the Agreement, and shall not waive any of its rights under or any other provision of or permit any amendment of the Agreement, without the prior written consent of the Trustee and the Credit Bank; provided, however, that the consent of the Credit Bank shall not be required if the Credit Bank is in default of its obligations under the Letter of Credit.

The Trustee may give such written consent, and may itself take any such action or consent to a waiver of any provision of or an amendment or modification to or replacement of the Agreement, the Letter of Credit, the Credit Agreement, the Regulatory Agreement or any other document, instrument or agreement relating to the security for the Bonds, only if (i) such action or such waiver, amendment, modification or replacement (a) is authorized or required by the terms of this Indenture or the Agreement, or (b) will not, in the opinion of the Trustee, which shall be based on an Opinion of Counsel, materially adversely affect the interests of the holders of the Bonds or result in any impairment of the security hereby given for the payment of the Bonds, or (c) has first been approved by the written consent of the holders of at least sixty percent (60%) in principal amount of the Bonds then outstanding; (ii) any such action or such waiver, amendment, modification or replacement will not have the effect of extending the time for payment or reducing the amount due and payable of any amount due and payable by the Credit Bank under the Letter of Credit; (iii) the Trustee shall have obtained the prior written approval of the Credit Bank; provided that such approval of the Credit Bank and the Borrower shall not be required (although the Trustee shall give notice to the Credit Bank) if the Trustee shall have received an opinion of Bond Counsel to the effect that such action or such waiver, amendment, modification or replacement is required to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes or compliance by the Bonds and the Project with the Act and the laws of the State of California; and (iv) the Trustee shall have first obtained an opinion of Bond Counsel to the effect that such action or such waiver, amendment, modification or replacement will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or compliance by the Bonds and the Project with the Act or the laws of the State of California relating to the Bonds.

Section 6.04. Compliance with Indenture. The Issuer shall not issue, or permit to be issued, any Bonds secured or payable in any manner out of Revenues in any manner other than in accordance with the provisions of this Indenture; it being understood that the Issuer reserves the right to issue obligations payable from and secured by sources other than the Revenues and the assets assigned herein. The Issuer shall not suffer or permit any default to occur under this Indenture, but shall faithfully observe and perform all the covenants, conditions and requirements hereof. So long as any Bonds are outstanding, the Issuer shall not create or suffer to be created any pledge, lien or charge of any type whatsoever upon all or any part of the Revenues, other than the lien of this Indenture.

Section 6.05. Further Assurances. Whenever and so often as requested so to do by the Trustee, the Issuer shall promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and

further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondholders all of the rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Indenture and to perfect and maintain as perfected such rights, interests, powers, benefits, privileges and advantages.

Section 6.06. Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Computation Date"* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Gross Proceeds"* means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Bonds.

*"Investment"* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Nonpurpose Investment"* means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of the Bonds.

*"Rebate Amount,"* with respect to the Bonds, has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Tax Regulations"* means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

*"Yield"*

(i) of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(ii) with respect to the Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The Issuer shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on the Bonds to fail to be excluded pursuant to section 103 of the Code from the gross income of the owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Issuer receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion of the interest on the Bonds from the gross income of the owner thereof for federal income tax purposes, the Issuer shall comply with each of the specific covenants in this Section.

(c) Not to Invest at Higher Yield. Except as would not cause the Bonds to become "arbitrage bonds" within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Issuer shall not, at any time prior to the final payment of the Bonds, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with

Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(d) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Issuer shall not take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(e) Information Report. The Issuer shall file any information required by section 149(e) of the Code with respect to the Bonds with the Secretary of the Treasury on Form 8038 or such other form and in such place as the Secretary may prescribe.

(f) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The Issuer shall maintain a copy of the Borrower's periodic calculations of the Rebate Amount with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(ii) In order to assure the excludability of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, the Issuer shall pay to the United States (solely out of monies that the Borrower shall provide to the Issuer for such purpose), the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Issuer at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Issuer.

(g) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Issuer shall not, at any time prior to the final payment on the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the Bonds not been relevant to either party.

(h) Bonds Not Hedge Bonds.

(i) The Issuer represents that the Bonds will not be "hedge bonds" within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (1) above: (a) the Issuer (to the best of its knowledge) reasonably believes that at least 85% of the spendable proceeds of the Bonds will be expended within the three-year period commencing on the date of issuance, and (b) no more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(i) Closing Certificate. The Issuer agrees to execute and deliver in connection with the issuance of Bonds a *Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986*, or similar document containing additional representations and covenants

pertaining to the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

Section 6.07. Continuing Disclosure. The Issuer has determined, and the Borrower has acknowledged in the Loan Agreement, that it is not an "obligated person" for purposes of Rule 15c2-12 promulgated and amended by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") and, as such, the Issuer shall have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. Moreover, as of the Closing Date, the Bonds are exempt from the Rule. Pursuant to Section 5.13 of the Loan Agreement, the Borrower has undertaken all responsibility for compliance with any applicable continuing disclosure requirements under the Rule. Notwithstanding any other provision of this Indenture, failure of the Borrower or the Trustee to comply with any continuing disclosure agreement or certificate shall not be considered an Event of Default; however, the Trustee, at the request of any Participating Underwriter (as defined in the Rule) or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds or other indemnity in an amount satisfactory to the Trustee shall have been furnished to it to hold the Trustee harmless from any loss, cost, expense or liability, including, without limitation, fees and expenses of its attorneys and additional fees of the Trustee, take such actions as may be necessary and appropriate to compel performance of this covenant, including seeking mandate or specific performance by court order.

## ARTICLE VII

## DEFAULT

Section 7.01. Events of Default; Acceleration; Waiver of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) failure to pay the principal of or premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) failure to pay any installment of interest on any Bond when such interest installment shall become due and payable;

(c) failure to pay the Purchase Price of any Bond tendered in accordance with the provisions of Section 2.03 hereof when such Purchase Price shall become due and payable; and

(d) failure by the Issuer to perform or observe any other of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and the continuation of such failure for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Borrower and the Credit Bank by the Trustee, or to the Issuer, the Credit Bank and the Trustee by the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding.

No default specified in (d) above shall constitute an Event of Default unless the Issuer, the Borrower and the Credit Bank shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer, the Borrower or the Credit Bank within the applicable period and diligently pursued until the default is corrected. With regard to any alleged default concerning which notice is given to the Borrower or the Credit Bank under the provisions of (d) above, the Issuer hereby grants the Borrower and the Credit Bank full authority for the

account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

During the continuance of an Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Trustee, with the written consent of the Credit Bank, may, and upon the occurrence of any Event of Default specified in (a), (b) or (c) above or upon the written request of the Credit Bank signed by an Authorized Bank Representative or, with the written consent of the Credit Bank, the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time outstanding in the case of any other Event of Default, the Trustee shall, by notice in writing to the Issuer, the Credit Bank and the Remarketing Agent, declare the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration of acceleration the Trustee shall fix a date for payment of the Bonds, which date shall be as soon as practicable after such declaration, and in order to receive payment on such date shall draw upon any then outstanding Letter of Credit in accordance with its terms and apply the amount so drawn to pay on such date the principal of and interest on the Bonds so due and payable.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any drawing is made under the Letter of Credit or any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal, and the reasonable expenses of the Trustee, its agents and counsel, and any and all other defaults known to the Trustee in the manner specified in Section 8.01(c) hereof (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the holders of at least a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Issuer and to the Trustee and with indemnification satisfactory to the Trustee and with the written approval of the Credit Bank, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission, annulment or waiver shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 7.02. Institution of Legal Proceedings by Trustee. Subject to the provisions of Section 5.04 and Section 7.12 hereof, if one or more of the Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding and, in the case of an Event of Default described in Section 7.01(d), upon the written request of the Credit Bank, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Act or under this Indenture, the Agreement and the Letter of Credit, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder; provided that any such request from the Bondholders or the Credit Bank shall not be in conflict with any rule of law or with this Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein. Notwithstanding the above, nothing herein shall cause the Trustee to delay in taking actions expressly required by this Indenture for the protection of the Bondholders.

Section 7.03. Application of Moneys Collected by Trustee. Any moneys then held or thereafter collected by the Trustee pursuant to Section 7.02 shall be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bonds and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

First: For payment of all amounts due to the Trustee under Section 8.06 and any extraordinary fees of the Trustee incurred in exercising remedies under this Article VII; provided, however, that amounts derived from draws on the Letter of Credit may not be used for such purposes.

Second: For deposit in the Bond Fund and applied to payment of the principal of all Bonds then due and unpaid and the premium, if any, and interest thereon, ratably to the persons entitled thereto without discrimination or preference; except that no payment of principal or premium or interest shall be made with respect to any Bonds registered in the name of the Issuer, the Borrower, or any general partner or guarantor of the Borrower, if any, or the Credit Bank, or known by the Trustee to be registered in the name of any general partner, any general partner of a general partner or guarantor of the Borrower or any nominee of the Issuer, the Borrower, the Credit Bank, until all amounts due on all Bonds not so registered have been paid and the items set forth as Third and Fourth below have been paid (provided that the Trustee shall be under no duty to investigate whether Bonds are registered in the name of such persons).

Third: To the Credit Bank to the extent of any amounts due it under the Credit Agreement.

Fourth: For payment of all other amounts due to any person hereunder or under the Loan Agreement.

Fifth: To the Borrower the balance, if any.

Section 7.04. Effect of Delay or Omission to Pursue Remedy. No delay or omission of the Trustee, of the Credit Bank or of any holder of Bonds to exercise any right or power arising from any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every power and remedy given by this Article VII to the Trustee, to the Credit Bank or to the holders of Bonds may be exercised from time to time and as often as shall be deemed expedient. In case the Trustee shall have proceeded to enforce any right under this Indenture, and such proceedings shall have been discontinued or abandoned because of waiver or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Issuer, the Trustee, the Credit Bank and the holders of the Bonds, severally and respectively, shall be restored to their former positions and rights hereunder in respect to the trust estate, and all remedies, rights and powers of the Issuer, the Trustee, the Credit Bank and the holders of the Bonds shall continue as though no such proceedings had been taken.

Section 7.05. Remedies Cumulative. No remedy herein conferred upon or reserved to the Trustee, to the Credit Bank or to any holder of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.06. Covenant to Pay Bonds in Event of Default. The Issuer covenants that, upon the happening of any Event of Default, the Issuer will pay to the Trustee upon demand, but only out of Revenues, for the benefit of the holders of the Bonds, the whole amount then due and payable thereon (by declaration or otherwise) for interest or for principal and premium, or both, as the case may be, and all

other sums which may be due hereunder or secured hereby, including reasonable compensation to the Trustee, its agents and counsel, and any expenses or liabilities incurred by the Trustee hereunder. In case the Issuer shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, and upon being indemnified to its satisfaction shall be entitled to institute proceedings at law or in equity in any court of competent jurisdiction to recover judgment for the whole amount due and unpaid, together with costs and reasonable attorneys' fees, subject, however, to the condition that such judgment, if any, shall be limited to, and payable solely out of, Revenues and any other assets pledged, transferred or assigned to the Trustee under Section 5.04 as herein provided and not otherwise. The Trustee shall be entitled to recover such judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of this Indenture, and the right of the Trustee to recover such judgment shall not be affected by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture.

Section 7.07. Trustee Appointed Agent for Bondholders. The Trustee is hereby appointed the agent and attorney of the holders of all Bonds outstanding hereunder for the purpose of filing any claims relating to the Bonds.

Section 7.08. Power of Trustee to Control Proceedings. Subject to the provisions of Section 5.04 and Section 7.12 hereof, in the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the written request of the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding or, in the case of an Event of Default described in Section 7.01(d), upon the written request of the Credit Bank, it shall have full power, in the exercise of its discretion for the best interests of the holders of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Credit Bank and by the owners or not less than twenty-five percent (25%) in aggregate principal amount of the Bonds outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 7.09. Limitation on Bondholders' Right to Sue. No holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the owners of not less than twenty-five percent (25%) in aggregate principal amount of all the Bonds then outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of thirty (30) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any holder of Bonds of any remedy hereunder; it being understood and intended that no one or more holders of Bonds shall have any right in any manner whatever by its or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all holders of the outstanding Bonds.

The right of any holder of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond out of Revenues, as herein and therein provided, on and after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder, notwithstanding the foregoing provisions of this Section or Section 7.08 or any other provision of this Indenture.

Section 7.10. Limitation of Liability to Revenues. Notwithstanding anything in this Indenture contained, the Issuer shall not be required to advance any moneys derived from the proceeds of taxes collected by the Issuer, by the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Revenues, for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. The Bonds are limited obligations of the Issuer and are payable from and secured by the Revenues only.

Section 7.11. Notice of Default. If a default occurs of which the Trustee is by Section 8.01(c) hereof required to take notice or if notice of default be given as in said Section 8.01(c) provided, the Trustee shall (i) unless the Trustee received notice thereof from the Credit Bank, immediately give telephonic notice thereof to the Borrower, and the Tender Agent and the Credit Bank, with written confirmation of such notice to follow within three (3) Business Days thereafter, and (ii) within fifteen (15) days thereafter (unless such default is cured or waived), give notice of such default to the Tender Agent and each registered owner of Bonds then outstanding; provided that, except in the case of a default in the payment of the principal of, premium, if any, or interest on any Bond, the Trustee may withhold such notice to the Bondholders if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders; and provided further that, in the case of any default of the character specified in Section 7.01(d), no such notice to the Bondholders shall be given until at least thirty (30) days after notice thereof is received by the Trustee.

Section 7.12.. Limitation. Notwithstanding anything to the contrary, the Trustee shall not be required to foreclose the Deed of Trust or to bid at any foreclosure sale if, in the Trustee's reasonable judgment, such action would subject the Trustee to personal liability, expense, or loss, including the cost of investigation, removal, or other remedial action with respect to the environmental condition of the Project; the Trustee shall not be required to take any action with respect to the Project which could cause it to be considered an "owner" or "operator" within the meaning of the CERCLA, as amended, or any other statute dealing with hazardous substances; and the Trustee shall have no authority to manage or operate the Project, except as necessary to exercise remedies upon default.

## ARTICLE VIII

## THE TRUSTEE AND AGENTS

Section 8.01. Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture, including the duty to draw on the Letter of Credit as required by Section 5.05 hereof, and no additional covenants or duties of the Trustee shall be implied in this Indenture, the Loan Agreement, the Regulatory Agreement, the Letter of Credit, or any other document relating to the Bonds, or by any course of conduct or otherwise. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as prudent trustees familiar with such matters would exercise or use under similar circumstances in the conduct of their own affairs.

No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action or its own negligent failure to act, except that:

(a) Prior to such an Event of Default hereunder and after the curing of all Events of Default which may have occurred, (1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations, other than the implied covenant of good faith and fair dealing, shall be read into this Indenture against the Trustee; and (2) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture;

(b) At all times, regardless of whether or not any Event of Default shall exist, (1) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers or by any agent or attorney of the Trustee appointed with due care unless the Trustee was negligent in ascertaining the pertinent facts; and (2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Credit Bank, as to matters over which the Credit Bank has the power and authority to act, accompanied by an opinion of Bond Counsel as provided herein or in accordance with the directions of the holders of not less than a majority, or such other percentage as may be required hereunder, in aggregate principal amount of the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture;

(c) The Trustee shall not be required to take notice or be deemed to have notice of (i) any default hereunder or under the Loan Agreement, except defaults under Section 7.01(a), (b) or (c) hereof, unless a responsible officer of the Trustee shall be specifically notified in writing of such default by the Issuer, the Credit Bank, the Borrower or the owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then outstanding, or (ii) any default under the Regulatory Agreement, including an Acceleration Default, unless a responsible officer of the Trustee shall be specifically notified in writing of such default by the Issuer, the Credit Bank or the Borrower;

(d) Before taking any action under Article VII hereof or this Section at the request or direction of the Bondholders or the Credit Bank, the Trustee may require that a satisfactory indemnity bond be furnished by the Bondholders or the Credit Bank, as the case may be, for the reimbursement of all expenses to which it (or its agents or attorneys) may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken; provided, however, the Trustee shall not require any indemnity bond prior to the payment of the principal and Purchase Price of, premium, if any, and interest on the Bonds or prior to the date on which the Trustee is required to draw on the Letter of Credit to effect a tender redemption or acceleration of the Bonds.

(e) Upon any application or request by the Issuer to the Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Trustee a Certificate of the Issuer stating that all conditions precedent, if any, provided for in this Indenture or the Loan Agreement relating to the proposed action have been complied with, and an Opinion of Counsel stating that in the opinion of such Counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished;

(f) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder or under the Loan Agreement or the Regulatory Agreement or any other document relating to the Bonds either directly or through agents or attorneys;

(g) Neither the Credit Bank, the Remarketing Agent, the Issuer, the Tender Agent nor the Borrower shall be deemed to be agents of the Trustee for any purpose, and the Trustee shall not be liable for any noncompliance of any of them in connection with their respective duties hereunder or in connection with the Bonds or the transactions contemplated hereby;

(h) The Trustee shall be entitled to rely upon telephonic notice for all purposes whatsoever so long as the Trustee reasonably believes such telephonic notice has been given by a person authorized to give such notice;

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents; and

(j) Notwithstanding anything to the contrary herein, neither the Trustee nor the Tender Agent shall have any liability hereunder as a result of the purchase of any Bond registered in the name of any general partner, general partner of a general partner or guarantor of the Borrower, or any nominee of the Issuer, the Borrower or the Credit Bank if the Trustee or the Tender Agent, as appropriate, had no knowledge that such bond was purchase by such person. Neither the Tender Agent nor the Trustee shall have any duty to perform independent investigations to identify such Bond was purchased by such person. Neither the Tender Agent nor the Trustee shall have any duty to perform independent investigations to identify such persons;

(k) Under no circumstances shall the Trustee be responsible in its individual capacity for the obligations evidenced by the Bonds, it being the sole obligation of the Trustee to administer for the benefit of the Bondholders, the various funds and accounts established hereunder; and

(l) No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(m) Whether or not expressly so provided, every provision in this Indenture relating to the conduct of affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. Whether or not therein expressly so provided, every provision of this Indenture, the Loan Agreement, the Regulatory Agreement, the Letter of Credit or any other document relating to the powers, duties or conduct of or affecting the liability of, or affecting protection to, the Trustee shall be subject to the provisions of this Article VIII.

Section 8.02. Right of Trustee to Rely Upon Documents, Etc.. Except as otherwise provided in Section 8.01:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any consent, demand, direction, election, notice, order or request of the Issuer mentioned herein shall be sufficiently evidenced by a Written Consent, Written Demand, Written Direction, Written Election, Written Notice, Written Order or Written Request of the Issuer, and any resolution of the Issuer may be evidenced to the Trustee by a Certified Resolution;

(c) The Trustee may consult with counsel (who may be counsel for the Issuer, counsel for the Trustee or Bond Counsel) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel;

(d) Whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Issuer; and such Certificate of the Issuer shall, in the absence of negligence or bad faith on the part of the Trustee, be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof;

(e) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, the Borrower and the Remarketing Agent, personally or by agent or attorney; and

(f) In determining whether a petition in bankruptcy has been filed against the Issuer, the Borrower, or any general partner, any general partner of a general partner or guarantor of the Borrower, the Trustee may rely conclusively upon a Certificate of the Issuer or a certificate of the Borrower.

Section 8.03. Trustee Not Responsible for Recitals. The recitals contained herein, in the Loan Agreement, in the Regulatory Agreement, the Official Statement with respect to the Bonds and in the Bonds shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the value or condition of any assets pledged or assigned as security for the Bonds, or as to the right, title or interest of the Issuer therein, or as to the security provided thereby or by this Indenture, the Loan Agreement, the Letter of Credit, or as to the compliance of the Project with the Act, or as to the tax-exempt status of the Bonds, or as to the technical or financial feasibility of the Project, or as to the validity, sufficiency or priority of this Indenture, including any security interest held hereunder the Loan Agreement or the Regulatory Agreement as instruments of the other parties thereto or of the Bonds as obligations of the Issuer. The Trustee shall not be accountable for the use or application by the Issuer or the Remarketing Agent of any of the Bonds authenticated or delivered hereunder or of the use or application of the proceeds of such Bonds by the Issuer or the Borrower or for the recording, rerecording, filing or refiling of any financing or continuation statement or other document or instrument, or otherwise as to the maintenance of the security hereof.

Section 8.04. Intervention by Trustee. The Trustee may intervene on behalf of the Bondholders in any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Bondholders and, subject to the provisions of Section 8.01(d), shall do so if requested in writing by the owners of a majority in aggregate principal amount of all Bonds then outstanding.

Section 8.05. Moneys Received by Trustee to be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by law or as otherwise provided herein. Amounts drawn under the Letter of Credit and proceeds of any remarketing of Bonds shall not be commingled with any other funds held by the Trustee hereunder. The Trustee shall be under no liability for interest on any moneys received by it hereunder except such as it may agree with the Issuer to pay thereon. Any moneys held by the Trustee may be deposited by it in its banking department and (excluding any moneys derived from a drawing on the Letter of Credit) invested in Investment Securities.

Section 8.06. Compensation and Indemnification of Trustee and Agents. The Borrower is required under the Loan Agreement: (1) to pay, pursuant to Section 4.2(b) of the Loan Agreement, to the Trustee from time to time reasonable compensation for all services rendered by it (including the reasonable compensation and the reasonable expenses and disbursement of its agents and counsel) hereunder and under the other agreements related to the Bonds to which it is a party (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust); (2) except as otherwise expressly provided herein, to reimburse each of the Trustee and the Tender Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee or the Tender Agent in accordance with any provision of this Indenture or other agreement related to the Bonds to which the Trustee is a party or incurred in complying with any request made by the Issuer or Rating Agency with respect to the Bonds (including the reasonable compensation and the reasonable expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance (including reasonable counsel fees) as may be attributable in whole or in part to its negligence or bad faith; (3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, or out of such other matters as set forth in the Loan Agreement including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or other agreement to which the Trustee is a party; and (4) to indemnify the Trustee for any reasonable fees (including the reasonable compensation and the expenses and disbursements of its agents and counsel) incurred during a period of default hereunder. The Agents shall be entitled to reasonable compensation for all services rendered by them as such Agents, and the Borrower is required under the Loan Agreement to provide for payment or reimbursement of the Agents upon request for all reasonable expenses, disbursements and advances incurred or made by the Agents in accordance with any of the provisions of this Indenture (including the reasonable compensation and the reasonable expenses and disbursements of their counsel and of all persons not regularly in their employ) except any such expense, disbursement or advance as may arise from their negligence or bad faith. The Issuer shall not be liable for any compensation, reimbursement or indemnification required under this Section 8.06.

If any property, other than cash, shall at any time be held by the Trustee subject to this Indenture, or any supplemental indenture, as security for the Bonds, the Trustee, if and to the extent authorized by a receivership, bankruptcy or other court of competent jurisdiction or by the instrument subjecting such property to the provisions of this Indenture as such security for the Bonds, shall be entitled but not obligated to make advances for the purpose of preserving such property or of discharging tax liens or other prior liens or encumbrances thereon. The rights of the Trustee and the Agents to compensation for services and to payment or reimbursement for expenses, disbursements, liabilities and advances shall have a lien prior to the Bonds in respect of all property and funds held or collected by the Trustee as such other than funds held in trust by the Trustee for the benefit of the holders of particular Bonds, proceeds of any drawing on the Letter of Credit and proceeds received from the remarketing of the Bonds, and other Available Amounts held by the Trustee in the Bond Fund, all of which amounts shall be held solely for the benefit of the Bondholders and used only for the payment of principal of and premium, if any, and interest on the Bonds. The Trustee's rights to immunities, indemnities and protection from liability

hereunder and its right to payment of its fees and expenses shall survive its resignation or removal and final payment of the Bonds.

Section 8.07. Qualifications of Trustee. There shall at all times be a trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States or of a state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars ($50,000,000), including, for such purpose, the combined capital and surplus of any parent bank holding company of such corporation or banking association, and subject to supervision or examination by federal or state authorities. If such corporation or banking association or parent bank holding company publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining Issuer above referred to, then for the purposes of this Section the combined capital and surplus of such corporation or banking association or parent bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.08.

Section 8.08. Resignation and Removal of Trustee and Appointment of Successor Trustee.

(a) The Trustee may at any time resign by giving written notice delivered to the Issuer, the Credit Bank and the Borrower and by giving written notice to the Bondholders by first class mail. Upon receiving such notice of resignation, the Issuer, with the consent of the Credit Bank (provided the Credit Bank is not in default in its obligations under the Letter of Credit), shall promptly appoint a successor trustee by an instrument in writing. If no successor trustee shall have been so appointed and have accepted appointment within forty-five (45) days after the giving of such notice of resignation, the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any owner of the Bond who has been a bona fide holder of a Bond for at least six (6) months may, on behalf of itself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, appoint a successor trustee.

(b) In case at any time either (1) the Trustee shall cease to be eligible in accordance with the provisions of Section 8.07 and shall fail to resign after written request therefor by the Issuer or by any owner of the Bond who has been a bona fide holder of a Bond for at least six (6) months, or (2) the Trustee shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Issuer shall remove the Trustee and, upon such removal or upon any removal pursuant to paragraph (c) of this Section 8.08, except as otherwise provided in said paragraph (c), shall appoint a successor trustee by an instrument in writing, or any such owner of the Bond may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and may prescribe, remove the Trustee and appoint a successor trustee.

(c) The Issuer, or if an Event of Default has occurred and is continuing, the holders of a majority in aggregate principal amount of the Bonds at the time outstanding may at any time remove the Trustee and may appoint a successor trustee eligible under Section 8.07 hereof, in each case by an instrument or concurrent instruments in writing signed by the Issuer or such Bondholders, as the case may be, and delivered to the Trustee, the Issuer, the Credit Bank, the Borrower and the Remarketing Agent.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section shall become effective only upon acceptance of

appointment and assumption of duties by the successor trustee as provided in Section 8.09, and upon transfer of the Letter of Credit to the successor Trustee.

Section 8.09. Acceptance of Trust by Successor Trustee. Any successor trustee appointed as provided in Section 8.08 shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without any further act, deed or conveyance, shall become vested with and shall assume all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the Written Request of the Issuer or the request of the successor trustee, the trustee ceasing to act shall execute and deliver an instrument transferring to such successor trustee, upon the trusts herein expressed, all the rights, powers and trusts of the trustee so ceasing to act. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing necessary or desirable for more fully and certainly vesting in and confirming to such successor trustee all such rights, powers and duties. Any trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such trustee to secure the amounts due it as compensation, reimbursement, expenses and indemnity afforded to it by Section 8.06.

No successor trustee shall accept appointment as provided in this Section 8.09 unless at the time of such acceptance such successor trustee shall be eligible under the provisions of Section 8.07.

Upon acceptance of appointment by a successor trustee as provided in this Section, the Issuer or such successor trustee shall give Bondholders notice by first class mail of the succession of such trustee to the trusts hereunder.

In the event of the appointment of a successor Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee of the funds hereunder and bond registrar and paying agent for the Bonds, and the successor Trustee shall become such trustee and shall accept such other appointments as the trustee may hold, including the offices of bond registrar and paying agent hereunder.

Section 8.10. Merger or Consolidation of Trustee. Any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to the business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor trustee shall be eligible under the provisions of Section 8.07.

Section 8.11. Accounting Records and Reports. The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, disbursement, allocation and application of the Revenues and the proceeds of the Bonds. Such records and other information shall be open to inspection by the Issuer, by the Borrower, by the Credit Bank and by any owner of the Bond at any reasonable time on reasonable notice. The Trustee shall furnish to the Issuer regular reports on such dates and containing such information as the Issuer shall reasonably require, covering the activities and responsibilities of the Trustee.

Section 8.12. Remarketing Agent. The Borrower, with notice to the Trustee and the prior written consent of the Credit Bank and the Issuer, shall appoint a Remarketing Agent for the Bonds, subject to the conditions set forth in Section 8.13 hereof. The Remarketing Agent initially appointed hereunder is Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. The Remarketing Agent shall designate to the Trustee its Principal Office and signify its acceptance of the

duties and obligations imposed upon it hereunder by execution of the Remarketing Agreement. The Remarketing Agent shall, and shall agree in the Remarketing Agreement to, do each of the following:

(a) act as agent for the Issuer in determining the Weekly Rate and the Daily Rate, and, if and as necessary, the Reset Rate or the Fixed Rate;

(b) notify the Trustee, the Credit Bank, the Borrower and the Tender Agent of the Weekly Rate determined in accordance with Section 2.02(b), the Daily Rate determined in accordance with Section 2.02(c), the Reset Rate determined in accordance with Section 2.02(d), and the Fixed Rate determined in accordance with Section 2.02(e), on any date required for such determination, each such notification to be in writing or by telex or telecopier or other communication device which produces a written record thereof, or by telephone confirmed within one Business Day by any such written communication; and upon request by the Issuer, submit copies of any such notices to the Issuer;

(c) hold all moneys delivered to it hereunder for the purchase of Bonds in trust for the benefit of the person which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person, and not commingle such moneys with other funds of the Remarketing Agent;

(d) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Trustee and the Credit Bank at all reasonable times; and

(e) perform the duties and comply with the provisions set forth in Sections 8.13 through 8.16 hereof, inclusive; provided, however, the Remarketing Agent shall not incur any liability hereunder in the event Bonds are remarketed to the Issuer, the Borrower or any general partner, general partner of a general partner or guarantor of the Borrower if such person was not know to the Remarketing Agent to be the Issuer, the Borrower or a general partner, a general partner of a general partner or guarantor of the Borrower.

Section 8.13. Qualifications of Remarketing Agent.

(a) The Remarketing Agent shall be a national banking association or a member of the National Association of Securities Dealers, Inc., and authorized by law to perform all the duties imposed upon it by this Indenture and the Remarketing Agreement.

(b) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least thirty (30) days written notice to the Issuer, the Borrower, the Credit Bank, the Tender Agent and the Trustee, but any such resignation shall not be effective until a successor is appointed in accordance with Section 8.12 and has accepted such appointment, except as otherwise provided in the Remarketing Agreement.

(c) The Remarketing Agent may be removed at any time, and a successor Remarketing Agent appointed at the direction of the Borrower with the written consent of the Credit Bank and the Issuer (with notice to the Trustee), upon receipt by the Trustee of an instrument directing such removal and appointment, signed by the Borrower and filed with the Issuer, the Remarketing Agent and the Trustee. Within thirty (30) days after the effective date of the appointment of the successor Remarketing Agent, the Trustee shall confirm in writing to the successor Remarketing Agent, the Credit Bank, the Borrower and the Issuer that such removal has been directed and the successor Remarketing Agent has been appointed. No removal of the Remarketing Agent shall be effective until a successor is appointed and has accepted such appointment.

(d) In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor.

Section 8.14. Remarketing of Bonds. Upon the receipt by the Remarketing Agent of any notice from the Tender Agent that any Bondholder has delivered a Tender Notice pursuant to Section 2.03 (a) hereof, or upon Bonds being deemed tendered or tendered in accordance with the provisions of Section 2.03 (b), the Remarketing Agent shall offer for sale and use its best efforts to market the Bonds referred to in such Tender Notice or such notice from the Trustee (which shall be deemed to be a Tender Notice as provided in Section 2.03 (a)) at a price of par plus accrued interest to the Demand Date, in accordance with the Remarketing Agreement and this Indenture; provided, however, that the Remarketing Agent shall not offer for sale or sell such Bonds to the Issuer, the Borrower or any general partner or any guarantor of the Borrower under the Loan Agreement or the Credit Agreement or nominee of the Borrower, if any. The Remarketing Agent shall give telephonic notice, promptly confirmed in writing, to the Trustee, the Tender Agent and the Credit Bank by 1:00 p.m., New York City time, not less than three Business Days (or such lesser period of time as to which the Trustee, the Credit Bank and the Tender Agent shall agree) prior to each Demand Date specifying the names, addresses, and taxpayer identification numbers of the purchasers of, and the principal amount and denominations of, such Bonds, if any, for which it has found purchasers as of such date, the Purchase Price at which the Bonds are to be sold (which shall be par plus accrued interest to the Demand Date), the remarketing proceeds on deposit with the Remarketing Agent at the time such notice is given and the Demand Date. The Remarketing Agent shall instruct such purchasers to deliver to it, no later than 10:00 a.m., New York City time, on the Demand Date, in same day funds, the amount required to purchase such Bonds. Upon receipt by the Remarketing Agent of such amount from such purchasers and receipt of notice that the Tender Agent, pursuant to Section 2.03 hereof, has received the Bonds tendered for purchase and due-bills, if any, at or prior to 9:30 a.m., New York City time, on such Demand Date in good form for delivery, the Remarketing Agent will give written instructions to the Tender Agent, as bond co-registrar and co-authenticating agent, to transfer the registered ownership of the Bonds to the respective purchasers, and will make available such Bonds, if any, to such purchasers. The Remarketing Agent shall remit the amount representing the Purchase Price of such Bonds to the Tender Agent, no later than 10:30 a.m., New York City time, on the Demand Date, and the Tender Agent shall remit the amount representing the Purchase Price of such Bonds to the tendering Bondholder or Bondholders entitled to the same as provided in Section 2.03; provided, however, in the event that the Trustee has drawn on the Letter of Credit in an amount equal to the Purchase Price of such Bonds and such amounts have been made available to the Tender Agent for the payment of the Purchase Price of such Bonds, upon payment of the proceeds of such draw to the tendering Bondholder or Bondholders, the Tender Agent shall remit remarketing proceeds representing the Purchase Price received by it from the Remarketing Agent to the Credit Bank. In the event that any purchaser which shall have been identified by the Remarketing Agent to the Trustee and the Tender Agent shall fail to pay the Purchase Price for any Bonds prior to 10:00 a.m., New York City time, on the Demand Date, the Remarketing Agent shall not be obligated to accept delivery of such amount after such time. The Remarketing Agent shall, prior to 10:15 a.m., New York City time, on the Demand Date, notify the Trustee, the Credit Bank and the Tender Agent of any such failure to receive the Purchase Price for such Bonds and the amount of any deficiency in the payment of the Purchase Price. On the Demand Date, the Tender Agent shall notify the Trustee, the Credit Bank and the Remarketing Agent of the amount of funds held by the Tender Agent as of 10:30 a.m., New York City time, on the Demand Date constituting the Purchase Price of the Bonds remarketed by the Remarketing Agent.

The Issuer hereby agrees that it will not purchase any Bonds from the Remarketing Agent or otherwise. The Remarketing Agent shall not remarket Bonds to the Issuer, the Borrower or any guarantor of the Borrower or any affiliates or insiders of such entities.

Section 8.15. Purchase of Bonds Not Remarketed. If the Trustee receives from the Remarketing Agent, on or before 1:00 p.m., New York City time, on the second Business Day immediately preceding the Remarketing Date, written notice that any of the Bonds identified in the Tender Notice have not been remarketed, the Trustee shall promptly thereafter give the Credit Bank telephonic notice of the receipt of such notice from the Remarketing Agent; provided, however, that such notice from the Trustee to the Credit Bank shall have been given no later than 11:30 a.m., New York City time, on the date on which a drawing under the Letter of Credit is to be made with respect to such Bonds. In the event that any Bond in respect of which a Tender Notice has been given or in respect of which a mandatory tender is applicable shall not be remarketed or for which proceeds have not been received by the Tender Agent on or prior to 10:15 a.m., New York City time, on the Demand Date, the Trustee shall, within the time required by Section 5.05 hereof, draw on the Letter of Credit in an amount sufficient to enable the Tender Agent to pay the Purchase Price of such Bond. On each Demand Date, the Trustee shall pay to the Tender Agent, all amounts drawn under the Letter of Credit to pay the Purchase Price of the Bonds to be purchased on the Demand Date or arrange to have such amounts drawn under the Letter of Credit to be paid directly to the Tender Agent. Upon receipt of such Purchase Price and upon receipt of the Bonds tendered for purchase pursuant to Section 2.03 hereof, the Tender Agent shall pay such Purchase Price to the registered owners thereof and notify the Trustee of such payment. In the event that the Tender Agent shall fail to pay such Purchase Price, the Tender Agent shall notify the Trustee of such failure. Any amounts drawn under the Letter of Credit to purchase Bonds shall be used solely for such purpose. Any Bonds so purchased with amounts drawn under the Letter of Credit by the Trustee shall be purchased for the account of the Borrower, subject to the security interest of the Bank created under the Pledge and Security Agreement (as defined in the Credit Agreement) and registered in accordance with the provisions of Section 8.16 hereof. Amounts drawn under the Letter of Credit which are not used to purchase Bonds pursuant to this Section 8.15, shall be remitted by the Trustee or the Tender Agent to the Credit Bank as soon as possible on each Demand Date.

Section 8.16. Delivery of Purchased Bonds.

(a) Bonds remarketed by the Remarketing Agent pursuant to Section 8.14 hereof shall be cancelled by the Tender Agent and new Bonds in a like aggregate principal amount shall be registered by the Tender Agent in the names and shall be in the denominations set forth in the written notice given to the Trustee and the Tender Agent by the Remarketing Agent pursuant to Section 8.14 hereof, and the Tender Agent shall deliver such Bonds and due-bill, if any, simultaneously with the receipt of the Purchase Price of such Bonds from the Remarketing Agent, to the purchasers thereof at the written direction of the Remarketing Agent and shall promptly notify the Trustee in writing of such cancellation and registration.

(b) Bonds purchased for the account of the Borrower pursuant to Section 8.15 hereof (together with any due-bill) shall be registered by the Tender Agent in the name of the Credit Bank and shall be delivered by the Tender Agent to the Credit Bank as required by the Credit Agreement. So long as any Bonds are registered in the name of the Credit Bank or its nominee or the Borrower or its nominee or the Issuer or its nominee, such Bonds shall be subordinate as to principal to all other Bonds outstanding hereunder and may not be tendered for purchase pursuant to Section 2.03 hereof. Neither the Trustee nor the Tender Agent shall transfer Bonds registered in the name of the Credit Bank or Borrower until the Letter of Credit has been, or will simultaneously be, reinstated in the amount of the proceeds of the Letter of Credit used to pay the Purchase Price of such Bonds and written notice thereof has been received by the Trustee and the Tender Agent. Proceeds of the remarketing of Bonds which have been purchased with the proceeds of a drawing on the Letter of Credit and are then registered in the name of the Credit Bank or the Borrower shall be paid to the Credit Bank upon reinstatement of the Letter of Credit as hereinabove provided.

Section 8.17. Tender Agent. The Trustee on behalf of the Issuer shall appoint the Tender Agent for the Bonds, subject to the conditions set forth in Section 8.18 hereof. During any period the Bonds are subject to the provisions of Section 2.09 hereof, the Trustee shall act as Tender Agent. The Tender Agent shall designate to the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the Trustee and the Remarketing Agent under which the Tender Agent acknowledges its qualifications and Issuer to act as Tender Agent under this Indenture and agrees, particularly, as follows:

(a) The Tender Agent shall, upon receipt of a Tender Notice from any Bondholder, give prompt telephonic notice thereof to the Trustee, the Credit Bank and the Remarketing Agent, specifying the principal amount of Bonds to be purchased and the Demand Date, and shall, not later than the following Business Day, confirm such telephonic notice in writing and deliver to the Remarketing Agent, the Trustee and the Credit Bank a copy of such Tender Notice.

(b) On each Demand Date, the Tender Agent shall give the Remarketing Agent and the Trustee telephonic notice, confirmed in writing by the following Business Day, of the amount of Bonds delivered pursuant to Section 2.03.

(c) The Tender Agent shall hold all Bonds delivered to it pursuant to Section 2.03 in trust for the benefit of the respective Bondholders which shall have so delivered such Bonds until such Bonds are required by this Indenture to be delivered to the respective purchasers thereof or have been redeemed.

(d) The Tender Agent shall cancel all Bonds for which it has received written notice of remarketing from the Remarketing Agent and shall register and authenticate new Bonds in a like aggregate principal amount in the names and in the denominations set forth in the written notice given to the Tender Agent by the Remarketing Agent pursuant to Section 8.14 hereof.

(e) The Tender Agent shall deliver Bonds and due-bills, if any, to the purchasers thereof in accordance with Section 8.16 hereof. The Tender Agent shall remit the Purchase Price of tendered Bonds to the tendering Bondholders in accordance with Section 8.14 hereof.

(f) The Tender Agent shall deliver to the Trustee all tendered Bonds cancelled.

(g) The Tender Agent shall keep such books and records as shall be consistent with industry practice and shall make such books and records available for inspection by the Issuer, the Trustee and the Credit Bank at all reasonable times.

(h) The Tender Agent shall send to the Trustee a copy of its transfer journal evidencing all changes in registration of the Bonds within two (2) days of making such changes.

Section 8.18. Qualifications of Tender Agent. Subject to the provisions of Section 8.17 hereof, the Tender Agent shall be a commercial bank or trust company or corporation with a principal office in New York, New York, having a capitalization of at least Ten Million Dollars ($10,000,000), including, for such purpose, the capitalization of any parent bank holding company of such commercial bank or trust company or corporation, and authorized by law to perform all the duties imposed upon it by this Indenture. The Tender Agent shall be an affiliate of the Trustee unless the Trustee has no affiliate willing to serve in such capacity and meeting the requirements of the first sentence of this Section, in which case the selection of the Tender Agent shall be subject to the approval of the Credit Bank.

The Tender Agent may at any time resign and be discharged by giving at least sixty (60) days notice to the Trustee, the Issuer, the Remarketing Agent and the Credit Bank. The Tender Agent may be

removed at any time, with the approval of the Credit Bank, by an instrument signed by the Trustee and filed with the Tender Agent, the Remarketing Agent and the Issuer.

In the event of the resignation or removal of the Tender Agent, the Tender Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity, and shall deliver all books and records relating thereto, to its successor or, if there be no successor, to the Trustee.

In the event that the Trustee on behalf of the Issuer shall fail to appoint a Tender Agent hereunder, or in the event that the Tender Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Tender Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Trustee shall not have appointed its successor as Tender Agent, the Trustee, notwithstanding the provisions of the first paragraph of this Section 8.18, shall be deemed to be the Tender Agent for all purposes of this Indenture until the appointment by the Trustee of the Tender Agent or a successor Tender Agent, as the case may be, notwithstanding the fact that the Trustee may not meet the qualifications set forth in the first paragraph of this Section 8.18. The Tender Agent shall pay to tendering Bondholders the Purchase Price of any Bonds for which it has received a Tender Notice and which have not been remarketed pursuant to Section 8.15 hereof, but solely from amounts received from the Trustee pursuant to a draw under the Letter of Credit; and the Tender Agent shall pay to tendering Bondholders the Purchase Price of any Bonds for which it has received a Tender Notice and which have been remarketed pursuant to Section 8.14 hereof, but solely from amounts received from the Remarketing Agent.

Insofar as such provisions may be applicable, the Tender Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in Sections 8.01(a), (b), (f) and (h), 8.02, 8.03 and 8.06, with respect to the Trustee. The Tender Agent shall perform such duties, and only such duties, as are specifically set forth in this Indenture and the Agreement and no implied covenants shall be read into this Indenture or the Agreement against the Tender Agent.

Section 8.19. Dealing in Bonds. The Credit Bank, the Trustee, the Tender Agent or the Remarketing Agent, in its individual capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, the Tender Agent, the Credit Bank or the Remarketing Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer or the Credit Bank, and may act as depository, trustee or agent for any committee or body of Bondholders secured hereby or other obligations of the Issuer as freely as if it did not act in any capacity hereunder. It is expressly understood that the Trustee and the Tender Agent in carrying out their respective duties hereunder shall each be acting as a conduit with respect to deliveries of Bonds for purchase and purchases pursuant to Section 2.03 hereof.

## ARTICLE IX

## MODIFICATION OF INDENTURE

Section 9.01. Modification of Indenture without Consent of Bondholders. The Issuer and the Trustee, from time to time and at any time, subject to the conditions and restrictions in this Indenture contained, may enter into an indenture or indentures supplemental hereto, which indenture or indentures thereafter shall form a part hereof, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer in this Indenture contained, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the Issuer; provided that

no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the holders of the Bonds;

(b) to evidence the succession of a new Trustee hereunder, or to provide for the appointment of a co-trustee or for a paying agent in addition to the Trustee;

(c) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Issuer may deem necessary or desirable and not inconsistent with this Indenture and which shall not materially adversely affect the interests of the holders of the Bonds;

(d) to provide for the issuance of coupon bonds or to provide for the use of a book-entry system; provided, however, that the Issuer and the Trustee shall have received an opinion of Bond Counsel to the effect that issuance of the Bonds in coupon form or the use of a book-entry system, respectively, complies with all applicable laws and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(e) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof or thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, and which shall not materially adversely affect the interests of the holders of the Bonds;

(f) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with the Code, or otherwise to assure the exclusion from gross income under federal tax law of interest on the Bonds; or

(g) to make such additions, deletions or modifications as may be required by the Rating Agency to retain the rating on the Bonds and which shall not materially adversely affect the interests of the holders of the Bonds; or

(h) to modify, alter, amend or supplement this Indenture in any other respect, including amendments which would otherwise be described in Section 9.02 hereof, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least thirty (30) days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to Section 2.03 hereof.

Any supplemental indenture authorized by the provisions of this Section may be executed by the Issuer and the Trustee without the consent of or, except in the case of clause (h) above, notice to the holders of any of the Bonds at the time outstanding, notwithstanding any of the provisions of Section 9.02, but (i) the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise; (ii) the Trustee shall not enter into any such supplemental indenture without first obtaining the written consent of the Credit Bank and the Borrower, except as required in the opinion of Bond Counsel to maintain the tax-exempt status of interest on the Bonds, in which case the Trustee shall give notice thereof to the Credit Bank and the Borrower; and (iii) the Trustee shall have first obtained an opinion of Bond Counsel to the effect that such action or such waiver, amendment, modification or replacement will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or compliance by the Bonds and the Project with the Act or the laws of the State of California relating to the Bonds.

Section 9.02. Modification of Indenture with Consent of Bondholders. With the prior written consent of the Credit Bank (and with notice to the Borrower) and the consent of the holders of not less than sixty percent (60%) in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in Section 11.08, and provided that the Trustee shall have first obtained an opinion of Bond Counsel to the effect that such action or such waiver, amendment, modification or replacement will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or compliance by the Bonds and the Project with the Act or the laws of the State of California relating to the Bonds, the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture; provided, however, that, except to the extent permitted by Section 9.01, no such supplemental indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal or Purchase Price thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of this Indenture, except as permitted herein, or permit the creation of any preference of any Bondholder over any other Bondholder or deprive the holders of the Bonds of the lien created by this Indenture upon the Revenues, or impair the right of the owners of Bonds to demand purchase thereof pursuant to Section 2.03 hereof, without in each case the consent of the holders of all the Bonds then outstanding. Nothing in this paragraph shall be construed as making necessary the approval of any Bondholder of any supplemental indenture permitted by the provisions of Section 9.01. Upon receipt by the Trustee of a Certified Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Issuer in the execution of such supplemental indenture, unless (i) such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture; (ii) such supplemental indenture affects the rights or obligations of the Borrower hereunder or under the Loan Agreement, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Borrower's and the Credit Bank's prior written consent thereto; or (iii) such supplemental Indenture affects the rights or obligations of the Tender Agent hereunder, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Tender Agent's written consent thereto.

It shall not be necessary for the consent of the Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Trustee shall give Bondholders, by first class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.03. Effect of Supplemental Indenture. Upon the execution of any supplemental indenture pursuant to the provisions of this Article IX, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all holders of outstanding Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.04. Opinion of Counsel as to Supplemental Indenture. Subject to the provisions of Section 8.01, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant to the provisions of this Article IX is authorized and permitted by this Indenture.

Section 9.05. Notation of Modification on Bonds; Preparation of New Bonds. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article IX may bear a notation, in form approved by the Trustee and the Issuer as to any matter provided for in such supplemental indenture, and if such supplemental indenture shall so provide, new Bonds, so modified as to conform, in the opinion of the Trustee and the Issuer, to any modification of this Indenture contained in any such supplemental indenture, may be prepared by the Issuer, authenticated by the Trustee and delivered without cost to the holders of the Bonds then outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Section 9.06. Supplemental Indentures to Tender Agent. The Trustee shall send to the Tender Agent a copy of any Supplemental Indenture entered into by the Trustee hereunder.

Section 9.07. Notice to Rating Agency. The Trustee shall give to each Rating Agency notice of any amendment made to this Indenture, the Letter of Credit, notice of the termination, expiration, renewal or substitution of the Letter of Credit, notice of any amendment made to the Loan Agreement or the Credit Agreement with the knowledge of the Trustee, notice of any pledge of additional collateral to the Credit Bank known to the Trustee, notice of any extraordinary redemptions or any redemption or defeasance of all of the Bonds, notice of any Daily Period, Weekly Period, Reset Period or Conversion, and notice of any successor Trustee or Tender Agent hereunder or any successor Remarketing Agent.

## ARTICLE X

## DEFEASANCE

Section 10.01. Discharge of Indenture. If the entire indebtedness on all Bonds outstanding shall be paid and discharged in any one or more of the following ways:

(a) by the payment of the principal of (including redemption premium, if any) and interest on all Bonds outstanding; or

(b) by the deposit or credit to the account of the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.04) to pay or redeem Bonds outstanding, whether by redemption or otherwise; or

(c) by the delivery to the Trustee, for cancellation by it, of all Bonds outstanding;

and if all other sums payable hereunder by the Issuer shall be paid and discharged, then and in that case this Indenture shall cease, terminate and become null and void, except only as provided in Sections 2.04, 2.05, 5.06, 8.06 and 10.02 hereof, and thereupon the Trustee shall, upon Written Request of the Issuer, and upon receipt by the Trustee of (i) a Certificate of the Issuer and an Opinion of Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, and (ii) with respect to a discharge pursuant to Section 10.01(b), an Opinion of Counsel to the effect that the deposit of money or securities to discharge the Indenture will not adversely affect the exclusion of interest on the bonds from gross income for federal income tax purposes, forthwith execute proper instruments acknowledging satisfaction of and discharging this Indenture. The fees and charges of the Trustee and the Tender Agent (including reasonable counsel fees) must be paid in order to effect such discharge. The satisfaction and discharge of this Indenture shall be without prejudice

to the rights of the Trustee to charge and be reimbursed by the Borrower for any expenditures which it may thereafter incur in connection herewith.

The Issuer, the Credit Bank or the Borrower may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered which the Issuer, the Credit Bank or the Borrower lawfully may have acquired in any manner whatsoever, and such Bonds upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.04) to pay or redeem outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds) provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Issuer in respect of such Bonds shall cease, terminate and be completely discharged, except only that thereafter the holders thereof shall be entitled to payment by the Issuer, and the Issuer shall remain liable for such payment, but only out of the money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.03.

Section 10.03. Payment of Bonds after Discharge of Indenture. Notwithstanding any provisions of this Indenture, any moneys deposited with the Trustee or any paying agent in trust for the payment of the principal of, or interest or premium on, any Bonds remaining unclaimed for two years after the principal of all the outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in this Indenture), shall then be paid to the Issuer, and the holders of such Bonds shall thereafter be entitled to look only to the Issuer for payment thereof, and only to the extent of the amount so paid to the Issuer, and all liability of the Trustee or any paying agent with respect to such moneys shall thereupon cease. In the event of the payment of any such moneys to the Issuer as aforesaid, the holders of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Issuer for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so paid to the Issuer (without interest thereon).

Section 10.04. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or credited to the account of or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held shall be Available Amounts constituting:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which there shall have been furnished to the Trustee proof satisfactory to it that notice of such redemption on a specified redemption date has been duly given or provision satisfactory to the Trustee shall be made for such notice, the amount so to be deposited or held shall be the principal amount of such Bonds and interest thereon to the redemption date, together with the redemption premium, if any; or

(b) noncallable direct obligations of the United States of America or obligations which as to principal and interest constitute full faith and credit obligations of the United States of America, in such amounts and maturing at such times that the proceeds of said obligations received upon their respective maturities and interest payment dates, without further reinvestment, will provide funds sufficient, in the opinion of a nationally recognized firm of certified public accountants, to pay the principal, premium, if any, and interest to maturity, or to the redemption date, as the case may be, with respect to all of the Bonds to be paid or redeemed, as such principal, premium and interest become due; provided that the

Trustee shall have been irrevocably instructed by the Issuer to apply the proceeds of said obligations to the payment of said principal, premium, if any, and interest with respect to such Bonds.

## ARTICLE XI

## MISCELLANEOUS

Section 11.01. Successors of Issuer. All the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of the Issuer, shall bind and inure to the benefit of its successors and assigns, whether so expressed or not. If any of the powers or duties of the Issuer shall hereafter be transferred by any law of the State of California, and if such transfer shall relate to any matter or thing permitted or required to be done under this Indenture by the Issuer, then the body or official who shall succeed to such powers or duties shall act and be obligated in the place and stead of the Issuer as in this Indenture provided.

Section 11.02. Limitation of Rights to Parties and Holders of the Bonds. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Issuer, the Trustee, the Borrower, the Credit Bank, the Agents and the holders of the Bonds issued hereunder any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Issuer, the Trustee, the Borrower, the Credit Bank, the Agents and the holders of the Bonds issued hereunder.

Section 11.03. Waiver of Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 11.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Issuer of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds and deliver a certificate of such destruction to the Issuer.

Section 11.05. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, but this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 11.06. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper on the Issuer, the Trustee, the Tender Agent, the Credit Bank, the Remarketing Agent or the Borrower if the same shall, except as otherwise provided herein, be duly mailed by first class mail, postage prepaid, or given by telephone or telecopier and confirmed by such mail, and to the other parties as follows:

The Issuer:

The Community Redevelopment Agency of the City of Los Angeles, California
354 South Spring Street, Suite 800
Los Angeles, CA 90013
Attention: Mr. Mike Cracraft/Metro Lofts
Telephone: (213) 977-1826
Facsimile: (213) 977-2664

| | |
|---|---|
| The Trustee: | U.S. Bank, N.A.<br>550 South Hope Street, Suite 500<br>Los Angeles, CA 90071<br>Attention: Mr. Gonzalo Urey<br>Telephone: (213) 533-8707<br>Facsimile: (213) 533-8729 |
| The Credit Bank: | Bank of America, N.A.<br>Community Development Banking Group<br>[10 Light Street, 19th Floor]<br>[Baltimore, MD 21202]<br>Attention: _____<br>Telephone: _____<br>Facsimile: _____ |
| The Remarketing Agent: | Newman & Associates<br>1801 California Street, Suite 3700<br>Denver, CO 80202<br>Attention: Remarketing Desk<br>Telephone: (303) 293-8500<br>Facsimile: (303) 296-6804 |
| The Paying Agent and Tender Agent: | U.S. Bank, N.A.<br>550 South Hope Street, Suite 500<br>Los Angeles, CA 90071<br>Attention: Mr. Gonzalo Urey<br>Telephone: (213) 533-8707<br>Facsimile: (213) 533-8729 |
| The Borrower: | FC Metropolitan Lofts Associates L.P.<br>c/o Forest City Development<br>949 South Hope Street, Suite 100<br>Attention: Mr. Gregory M. Vilkin<br>Los Angeles, CA 90015<br>Telephone: (213) 488-0010<br>Facsimile: (213) 488-0039 |
| with a copy to (which copy shall not constitute notice to the Borrower): | Bret H. Reed, Jr. , A Law Corporation<br>200 Garnet Avenue<br>Balboa Island, CA 92662<br>Attention: Bret H. Reed, Jr., Esq.<br>Telephone: (949) 955-9150<br>Facsimile: (949) 673-9265 |

A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or the Trustee to the other shall be given to the Tender Agent, the Remarketing Agent and the Credit Bank. The Issuer, the Administrator, the Trustee, the Tender Agent, the Credit Bank, the Remarketing Agent and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Notwithstanding the foregoing provisions of this Section 11.06, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.07. Authorized Representatives; Credit Bank May Act as Attorney-In-Fact for Borrower. Whenever under the provisions of this Indenture the approval of the Issuer, the Credit Bank or the Borrower is required for any action, and whenever the Issuer, the Credit Bank or the Borrower is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Issuer by the Authorized Issuer Representative or on behalf of the Credit Bank by the Authorized Bank Representative or on behalf of the Borrower by the Authorized Borrower Representative, and the Issuer, the Trustee, the Credit Bank and the Borrower shall be authorized to act on any such approval or notice or other writing and neither party hereto nor the Credit Bank nor the Borrower shall have any complaint against the others as a result of any such action taken. In designating its Authorized Bank Representative, the Credit Bank shall have the right to provide specific instructions to the Trustee in relation to the action which any of such Authorized Bank Representatives is authorized to take as a representative of the Credit Bank under this Indenture.

Upon the occurrence of an event of default under the Credit Agreement and following receipt by the Trustee of a notice from the Credit Bank of its election to treat such event of default as an event of default under the Loan Agreement and directing a redemption of the Bonds, and provided that the Letter of Credit is in full force and effect, the Trustee shall recognize any request notice, approval or other action of the Credit Bank instead of the request, notice, approval or other action of the Borrower relating to requests, notices, approvals or other actions which the Borrower is entitled to take under this Indenture. All of such rights of the Borrower hereunder may be exercised by the Credit Bank upon receipt of such notice by the Trustee; provided, however, the Credit Bank shall not be deemed to have assumed the obligations of the Borrower under this Indenture, the Loan Agreement, the Regulatory Agreement or any other document, certification or other instrument relating to the Bonds by reason of such notice or the exercise of such rights.

Section 11.08. Evidence of Rights of Bondholders.

(a) Any request, consent or other instrument required by this Indenture to be signed and executed by Bondholders may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the ownership of any Bonds, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Issuer if made in the manner provided in this Section.

(b) The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

(c) The ownership of Bonds shall be proved by the Bond register maintained pursuant to Section 2.06 hereof. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The Trustee may nevertheless, in its discretion, require further proof in cases where it may deem further proof desirable.

(d) Any request, consent or vote of the holder of any Bond shall bind every future holder of the same Bond and the holder of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in pursuance of such request, consent or vote.

(e) In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned by the Issuer or by any other direct or indirect obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or any other direct or indirect obligor on the Bonds, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that, for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this subsection (e) if the pledgee shall establish to the satisfaction of the Trustee and the Issuer the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Issuer or any other direct or indirect obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Solely for purposes of the limitation expressed in this paragraph (e), the Credit Bank and the Borrower shall be deemed to be indirect obligors on the Bonds.

(f) In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bondholders upon such notice and in accordance with such rules and regulations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 11.09. Waiver of Personal Liability. No officer, agent or employee of the Issuer, and no officer, official, agent or employee of the State of California or any department, board or agency of any of the foregoing, shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such person from the performance of any official duty provided by law or by this Indenture.

Section 11.10. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the date provided therefor in this Indenture and, in the case of any payment, no interest shall accrue for the period after such date.

Section 11.11. CUSIP Numbers. Neither the Trustee, the Tender Agent nor Issuer shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Bondholders and that neither Issuer nor the Trustee shall be liable for any inaccuracies in such numbers.

Section 11.12. Execution in Several Counterparts. This Indenture 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 11.13. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

Section 11.14. Consents or Approvals of Credit Bank. No provisions of this Indenture requiring the consent or approval of the Credit Bank, or requiring any person to act in accordance with the directions of the Credit Bank, shall be deemed to be effective if (i) the Credit Bank is in default of its obligations to make payment with respect to any Bonds in accordance with the terms of the Letter of Credit, or (ii) the Letter of Credit has been surrendered or terminated in accordance with its terms and no amounts are owing to the Credit Bank with respect to reimbursement of draws on the Letter of Credit.

IN WITNESS WHEREOF, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA has caused this Indenture to be signed in its name by its duly authorized officer and U.S. BANK, N.A., in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its name by its duly authorized officer, all as of the day and year first above written.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Title: _____

U.S. BANK, N.A., as Trustee

By _____
Authorized Officer

[Execution Page of Indenture of Trust dated as of December 1, 2002]

EXHIBIT A

FORM OF WEEKLY RATE BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

No. R-1 ***$53,000,000.00***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF LOS ANGELES, CALIFORNIA

VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BOND
(METROPOLITAN LOFTS APARTMENTS)
2002 SERIES A

| INTEREST RATE | MATURITY DATE | ISSUE DATE | CUSIP |
|---|---|---|---|
| Weekly Rate as described below | December 1, 2052 | December __, 2002 | |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***FIFTY-THREE MILLION DOLLARS***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, a redevelopment agency and public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called the "Issuer"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the registered owner identified above or registered assigns, on December 1, 2052 (subject to any right of prior redemption hereinafter mentioned), the principal sum identified above in lawful money of the United States of America; and to pay interest thereon in like money, until payment of such principal sum, at the rates and at the times as hereinafter provided. The principal or redemption price hereof is payable only upon presentation and surrender hereof at the corporate trust office of U.S. Bank, N.A. (herein called the "Trustee"), in Los Angeles, California, and interest shall be paid by check mailed, first class mail, postage prepaid each Interest Payment Date, to the person in whose name this Bond is registered on the applicable Record Date (as hereinafter defined), at the address of such registered owner shown on the books of the Trustee, except that such interest payments may be made by wire transfer to an account in the United States to any registered owner of $1,000,000 or more in aggregate principal amount of the Bonds who shall have designated to the Trustee an account for such payments at least fifteen days before the Record Date therefor.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as "The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A" (herein called the "Bonds"), in the initial aggregate principal amount of $53,000,000, authorized to be issued pursuant to Sections 33750 et seq. of the Health and Safety Code of the State of California (herein called the "Act"), and issued under and secured by an Indenture of Trust, dated as of December 1, 2002 (herein called the "Indenture"), between the Issuer and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

This Bond shall bear interest from the date to which interest has been paid next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date, as defined below, for which interest has been paid, or after the Record Date in respect thereof, in which event it shall bear interest from such Interest Payment Date, or unless it is registered on or before the Record Date for the first Interest Payment Date, in which event it shall bear interest from the date of the first authentication and delivery of the Bonds), at the rate determined as provided herein, payable on each Interest Payment Date. The term "Interest Payment Date" means, during each period the Bonds bear interest at a Weekly Rate (as hereinafter defined) the first Business Day of each month commencing January 1 , 2003. The term "Record Date" means, during any Weekly Period, as defined in the Indenture, the close of business on the Business Day immediately preceding the Interest Payment Date.

The Bonds are limited obligations of the Issuer and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues, as that term is defined in the Indenture, consisting primarily of amounts drawn under an irrevocable direct-pay letter of credit issued by Bank of America, N.A. (the "Credit Bank"). The Letter of Credit is issued for the account of the Borrower identified in the Indenture (the "Borrower") in favor of the Trustee concurrently with the issuance of the Bonds, which, together with any qualified letter of credit or other credit instrument issued in substitution therefor is referred to herein as the "Letter of Credit." The Bonds are being issued in order to provide funds to make a loan (the "Loan") to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2002 (the "Loan Agreement"), among the Issuer, the Trustee and the Borrower, to finance a multifamily rental housing development (the "Project") in The City of Los Angeles, California.

Until the rate of interest on the Bonds is converted to a Daily Rate, Reset Rate or to a Fixed Rate, each as defined in the Indenture, during any Weekly Period (as defined in the Indenture) the rate of interest hereon shall be calculated on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, and shall be a rate (the "Weekly Rate"), determined by the remarketing agent appointed pursuant to the Indenture (the "Remarketing Agent"), on the Business Day immediately preceding the Thursday of each week (a "Weekly Interest Computation Date"), for the period beginning on such Thursday and ending on the next succeeding Wednesday (a "Weekly Interest Accrual Period"). The Weekly Rate Accrual Period and the Weekly Rate Computation Date may be changed pursuant to the Indenture. The Weekly Rate determined by the Remarketing Agent on each Weekly Interest Computation Date shall be that rate of interest which, if borne by the Bonds, would, in its judgment having due regard to prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Weekly Interest Computation Date, subject to the limitations on such rate set forth in the Indenture, including the limitations that the maximum Weekly Rate on this Bond shall never exceed the Maximum Rate (as defined in the Indenture). The determination of the Weekly Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Trustee, the Credit Bank, the Borrower and the Remarketing Agent. Any Bondholder may obtain information on the Weekly Rate by request to the Trustee.

Any Bond or any units of principal amount thereof in Authorized Denominations (as hereinafter defined) shall be purchased on any Business Day during a Weekly Period on demand of the registered owner of such Bond, or upon being deemed tendered as described below, at a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations (as hereinafter defined), plus interest accrued thereon, if any, to the date of purchase, upon (a) delivery to U.S. Bank, N.A., or its successor as Tender Agent (the "Tender Agent"), at its office in Los Angeles, California, with a copy to the Trustee at its principal corporate trust office in Los Angeles, California, and the Remarketing Agent at its Principal Office, as defined in the Indenture, of an irrevocable written notice in the form set forth in the Indenture (a "Tender Notice") which states (i) the principal amount of such Bond and the certificate number of such Bond for which payment is demanded, and (ii) the date on which such Bond or units of principal amount thereof in Authorized Denominations (as hereinafter defined) shall be purchased (the "Demand Date"), which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of the receipt of the Tender Notice by the Tender Agent; and (b) delivery to the Tender Agent, at or prior to 9:30 a.m., New York City time, on the Demand Date, of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) and, in the case of a Bond or units of principal amount thereof to be purchased prior to any Interest Payment Date and after the Record Date in respect thereof, a due-bill, in form satisfactory to the Tender Agent, for interest due on such Interest Payment Date. Payment of the Purchase Price of any Bond so delivered shall be made by check or by wire transfer, as designated in the Tender Notice, but only upon delivery and surrender of such Bond and due-bill, if any, to the Tender Agent on the Demand Date. No Bonds shall be so purchased or remarketed if an Event of Default under the Indenture, other than certain specified covenant defaults as described in the Indenture, shall have occurred and be continuing, or if all of the Bonds shall have been called for redemption, and no Bonds shall be so purchased or remarketed while the Bonds bear interest at a Reset Rate or a Fixed Rate (each as defined in the Indenture).

The Bonds shall be subject to mandatory tender for purchase at a Purchase Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date of purchase (i) on the effective date of a substitute Letter of Credit, or (iii) on any Interest Rate Conversion Date (as defined below) unless the registered Bondholder elects to retain the Bonds registered in their name pursuant to and as restricted by the provision of the Indenture.

The Trustee shall give notice to the registered owners of the Bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Demand Date, specifying: (i) that the Letter of Credit is expiring or terminating, or that a substitute Letter of Credit is being delivered or that an Interest Rate Conversion Date is to occur; (ii) that all outstanding Bonds not tendered for purchase at least seven (7) days before the Demand Date will be deemed to have been so tendered and shall be purchased on the Demand Date at a price equal to the principal amount thereof plus interest accrued to such date; and (iii) that all Bonds must be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Demand Date. The Trustee shall provide a copy of such notice by overnight mail to the Remarketing Agent.

The rate of interest on the Bonds may be established at a Reset Rate, Fixed Rate, or Daily Rate, in each case, on any Interest Payment Date during the Weekly Period (each an "Interest Rate Conversion Date") in accordance with the procedures set forth in the Indenture. The Trustee shall give to the owners of the Bonds, in the same manner that notices of redemption are given of the establishment of a Reset Rate, Fixed Rate or Daily Rate, not less than fifteen (15) days before any Interest Rate Conversion Date, specifying the information set forth in the Indenture. If this Bond is not tendered for purchase at least seven (7) days before such Interest Rate Conversion Date it will be deemed to have been so tendered and shall be purchased on such Interest Rate Conversion Date, at a price equal to the principal amount hereof plus interest accrued to such date.

The Bonds shall be subject to redemption prior to maturity, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, (a) in whole or in part on any Interest Payment Date upon prepayment of the Loan (i) if insurance or condemnation awards are received with respect to the Project and are not applied to repair or replace the Project; or (ii) during any Weekly Period or Daily Period, or on any Reset Date or on the Conversion Date, if in the event and to the extent the Loan is voluntarily prepaid in whole or in part; or (b) in whole on any date, if the Loan is accelerated following a default by the Borrower under the Loan Agreement; or (c) in whole on the Business Day which is not less than five days before any date on which any Letter of Credit expires unless the Trustee receives a renewal or extension of or replacement for such Letter of Credit, not less than fifteen (15) days prior to the expiration of the then-existing Letter of Credit, or, in the case of replacement in connection with any Interest Rate Conversion Date, unless the Trustee receives a replacement Letter of Credit meeting the requirements of the Loan Agreement not less than fifteen (15) days prior to the Interest Rate Conversion Date, (d) in whole or in part on the earlier of the first Business Day of December, 2005 or the Completion Date (as defined in the Indenture) in the event and to the extent that the Loan is prepaid from undisbursed funds remaining on deposit under the Indenture; or (e) in whole if the Credit Bank fails to honor a conforming draw on the Letter of Credit or the Letter of Credit is repudiated; or (f) upon receipt of written notice by the Trustee of an Event of Taxability (as defined in the Indenture). During any Reset Period, as defined in the Indenture, or after the Conversion Date, the Bonds shall be subject to optional redemption in whole or in part only as set forth in the Indenture.

Notice of redemption of Bonds shall be given to the registered owners thereof by mail, as provided in the Indenture, not more than thirty (30) days and not less than ten (10) days or, in the case of redemptions described in (b) or (c) above, not less than five (5) days before the date fixed for redemption, or in the case of redemption described in (e) and (f) above, not less than two (2) days prior to the date fixed for redemption. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon shall cease to accrue from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of at least a majority in aggregate principal amount of the Bonds then outstanding.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of $100,000 or any integral multiple thereof during any Weekly Period or Daily Period, and $5,000 or any integral multiple thereof during any Reset Period or after the Conversion Date (the "Authorized Denominations"). Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same series of other Authorized Denominations.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same series and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The Issuer and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Issuer and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

No officer, agent or employee of the Issuer, and no officer, official, agent or employee of The City of Los Angeles or the State of California, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds. The Bonds are not a debt, nor a pledge of the faith and credit, of the Issuer, The City of Los Angeles, the State of California or any of its political subdivisions and neither are they liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those pledged under the Indenture for the payment thereof. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ISSUER, THE CITY OF LOS ANGELES OR THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND PURCHASE PRICE OF OR PREMIUM, IF ANY, OR INTEREST ON THIS BOND. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, THE CITY OF LOS ANGELES OR THE STATE OF CALIFORNIA.

The Issuer hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act) and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the Certificate of Authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA has caused this Bond to be executed in its name by the manual or facsimile signature of a duly authorized officer, all as of the Issue Date set forth above.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Title: _____

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date:

U.S. BANK, N.A., as Trustee

By _____
Authorized Officer

## ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with _____ right of survivorship _____ and not as tenants in _____ common

UNIF GIFT MIN ACT ____ Custodian

(Cust) _____ (Minor) _____
Under Uniform Gifts to Minors
Act _____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

## ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

_____

_____

_____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____

_____

attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stock brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program).

NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Note: Transfer fees must be paid to the Trustee in order to transfer or exchange this bond as provided in the within-mentioned Indenture.

EXHIBIT B

FORM OF DAILY RATE BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

No. ***$53,000,000.00***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF LOS ANGELES, CALIFORNIA

VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BOND
(METROPOLITAN LOFTS APARTMENTS)
2002 SERIES A

| INTEREST RATE | MATURITY DATE | ISSUE DATE | CUSIP |
|---|---|---|---|
| Daily Rate as described below | December 1, 2052 | December __, 2002 | |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***FIFTY-THREE MILLION DOLLARS***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, a redevelopment agency and public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called the "Issuer"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the registered owner identified above or registered assigns, on December 1, 2052 (subject to any right of prior redemption hereinafter mentioned), the principal sum identified above in lawful money of the United States of America; and to pay interest thereon in like money, until payment of such principal sum, at the rates and at the times as hereinafter provided. The principal or redemption price hereof is payable only upon presentation and surrender hereof at the corporate trust office of U.S. Bank, N.A. (herein called the "Trustee"), in Los Angeles, California, and interest shall be paid by check mailed, first class mail, postage prepaid each Interest Payment Date, to the person in whose name this Bond is registered on the applicable Record Date (as hereinafter defined), at the address of such registered owner shown on the books of the Trustee, except that such interest payments may be made by wire transfer to an account in the United States to any registered owner of $1,000,000 or more in aggregate principal amount of the Bonds who shall have designated to the Trustee an account for such payments at least fifteen days before the Record Date therefor.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as "The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A" (herein called the "Bonds"), in the initial aggregate principal amount of $53,000,000, authorized to be issued pursuant to Sections 33750 et seq. of the Health and Safety Code of the State of California (herein called the "Act"), and issued under and secured by an Indenture of Trust, dated as of December 1, 2002 (herein called the "Indenture"), between the Issuer and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

This Bond shall bear interest from the date to which interest has been paid next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date, as defined below, for which interest has been paid, or after the Record Date in respect thereof, in which event it shall bear interest from such Interest Payment Date, or unless it is registered on or before the Record Date for the first Interest Payment Date, in which event it shall bear interest from the date of the first authentication and delivery of the Bonds), at the rate determined as provided herein, payable on each Interest Payment Date. The term "Interest Payment Date" means, during each period the Bonds bear interest at a Daily Rate (as hereinafter defined) the first Business Day of each month commencing January 1, 2003. The term "Record Date" means, during any Daily Period, as defined in the Indenture, the close of business on the Business Day immediately preceding the Interest Payment Date.

The Bonds are limited obligations of the Issuer and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues, as that term is defined in the Indenture, consisting primarily of amounts drawn under an irrevocable direct-pay letter of credit issued by Bank of America, N.A. (the "Credit Bank"). The Letter of Credit is issued for the account of the Borrower identified in the Indenture (the "Borrower") in favor of the Trustee concurrently with the issuance of the Bonds, which, together with any qualified letter of credit or other credit instrument issued in substitution therefor is referred to herein as the "Letter of Credit." The Bonds are being issued in order to provide funds to make a loan (the "Loan") to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2002 (the "Loan Agreement"), among the Issuer, the Trustee and the Borrower, to finance a multifamily rental housing development (the "Project") in The City of Los Angeles, California.

Until the rate of interest on the Bonds is converted to a Weekly Rate, Reset Rate or to a Fixed Rate, each as defined in the Indenture, during any Daily Period (as defined in the Indenture) the rate of interest hereon shall be calculated on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed, and shall be a rate (the "Daily Rate"), determined by the remarketing agent appointed pursuant to the Indenture (the "Remarketing Agent"), on or before 10:30 a.m., New York City time, each Business Day for the Business Day. The Daily Rate for any non-Business Day shall be the Daily Rate for the last day on which a Daily Rate was set. The Daily Rate determined by the Remarketing Agent on each Business Day shall be that rate of interest which, if borne by the Bonds, would, in its judgment having due regard to prevailing financial market conditions, be the interest rate necessary, but which would not exceed the interest rate necessary, to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Business Day, subject to the limitations on such rate set forth in the Indenture, including the limitations that the maximum Daily Rate on this Bond shall never exceed the Maximum Rate (as defined in the Indenture). The determination of the Daily Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the holders of the Bonds, the Issuer, the Trustee, the Credit Bank, the Borrower and the Remarketing Agent. Any Bondholder may obtain information on the Daily Rate by request to the Trustee.

Any Bond or any units of principal amount thereof in Authorized Denominations (as hereinafter defined) shall be purchased on any Business Day during a Daily Period on demand of the registered owner of such Bond, or upon being deemed tendered as described below, at a Purchase Price equal to the principal amount thereof, or of any units thereof purchased in Authorized Denominations (as hereinafter defined), plus interest accrued thereon, if any, to the date of purchase, upon (a) delivery to Bank of America, N.A., or its successor as Tender Agent (the "Tender Agent"), at its office in Los Angeles, California, with a copy to the Trustee at its principal corporate trust office in Los Angeles, California, and the Remarketing Agent at its Principal Office, as defined in the Indenture, of an irrevocable written notice in the form set forth in the Indenture (a "Tender Notice") which states (i) the principal amount of such Bond and the certificate number of such Bond for which payment is demanded, and (ii) the date on which such Bond or units of principal amount thereof in Authorized Denominations (as hereinafter defined) shall be purchased (the "Demand Date"), which date shall be a Business Day not prior to the seventh (7th) day next succeeding the date of the receipt of the Tender Notice by the Tender Agent; and (b) delivery to the Tender Agent, at or prior to 9:30 a.m., New York City time, on the Demand Date, of such Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent) and, in the case of a Bond or units of principal amount thereof to be purchased prior to any Interest Payment Date and after the Record Date in respect thereof, a due-bill, in form satisfactory to the Tender Agent, for interest due on such Interest Payment Date. Payment of the Purchase Price of any Bond so delivered shall be made by check or by wire transfer, as designated in the Tender Notice, but only upon delivery and surrender of such Bond and due-bill, if any, to the Tender Agent on the Demand Date. No Bonds shall be so purchased or remarketed if an Event of Default under the Indenture, other than certain specified covenant defaults as described in the Indenture, shall have occurred and be continuing, or if all of the Bonds shall have been called for redemption, and no Bonds shall be so purchased or remarketed while the Bonds bear interest at a Reset Rate or a Fixed Rate (each as defined in the Indenture).

The Bonds shall be subject to mandatory tender for purchase at a Purchase Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date of purchase (i) on the effective date of a substitute Letter of Credit, or (ii) on any Interest Rate Conversion Date (as defined herein) unless the registered Bondholder elects to retain the Bonds registered in their name pursuant to and as restricted by the provisions of the Indenture.

The Trustee shall give notice to the registered owners of the Bonds, in the same manner that notices of redemption are given, not less than fifteen (15) days before the Demand Date, specifying: (i) that the Letter of Credit is expiring or terminating, that a substitute Letter of Credit is being delivered or that an Interest Rate Conversion Date is to occur; (ii) that all outstanding Bonds not tendered for purchase at least seven (7) days before the Demand Date will be deemed to have been so tendered and shall be purchased on the Demand Date at a price equal to the principal amount thereof plus interest accrued to such date; and (iii) that all Bonds must either be surrendered to the Tender Agent for purchase not later than 9:30 a.m., New York City time, on the Demand Date. The Trustee shall provide a copy of such notice by overnight mail to the Remarketing Agent.

The rate of interest on the Bonds may be established at a Reset Rate, Fixed Rate, or Weekly Rate, in each case, on any Interest Payment Date during the Daily Period (each an "Interest Rate Conversion Date") in accordance with the procedures set forth in the Indenture. The Trustee shall give to the owners of the Bonds, in the same manner that notices of redemption are given of the establishment of a Reset Rate, Fixed Rate or Daily Rate, not less than fifteen (15) days before any Interest Rate Conversion Date, specifying the information set forth in the Indenture. If this Bond is not tendered for purchase at least seven (7) days before such Interest Rate Conversion Date it will be deemed to have been so tendered and shall be purchased on such Interest Rate Conversion Date, at a price equal to the principal amount hereof plus interest accrued to such date.

The Bonds shall be subject to redemption prior to maturity, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, (a) in whole or in part on any Interest Payment Date upon prepayment of the Loan (i) if insurance or condemnation awards are received with respect to the Project and are not applied to repair or replace the Project; or (ii) during any Weekly Period or Daily Period, or on any Reset Date or on the Conversion Date, if in the event and to the extent the Loan is voluntarily prepaid in whole or in part; or (b) in whole on any date, if the Loan is accelerated following a default by the Borrower under the Loan Agreement; or (c) in whole on the Business Day which is not less than five days before any date on which any Letter of Credit expires unless the Trustee receives a renewal or extension of or replacement for such Letter of Credit, not less than fifteen (15) days prior to the expiration of the then-existing Letter of Credit, or, in the case of replacement in connection with any Interest Rate Conversion Date, unless the Trustee receives a replacement Letter of Credit meeting the requirements of the Loan Agreement not less than fifteen (15) days prior to the Interest Rate Conversion Date, (d) in whole or in part on the first Business Day of December, 2005 or the Completion Date (as defined in the Indenture) in the event and to the extent that the Loan is prepaid from undisbursed funds remaining on deposit under the Indenture; or (e) in whole if the Credit Bank fails to honor a conforming draw on the Letter of Credit or the Letter of Credit is repudiated; or (f) upon receipt of written notice by the Trustee of an Event of Taxability (as defined in the Indenture). During any Reset Period, as defined in the Indenture, or after the Conversion Date, the Bonds shall be subject to optional redemption in whole or in part only as set forth in the Indenture.

Notice of redemption of Bonds shall be given to the registered owners thereof by mail, as provided in the Indenture, not more than thirty (30) days and not less than ten (10) days or, in the case of redemptions described in (b) or (c) above, not less than five (5) days before the date fixed for redemption, or in the case of redemption described in (e) above, not less than two (2) days prior to the date fixed for redemption. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon shall cease to accrue from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of at least a majority in aggregate principal amount of the Bonds then outstanding.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of $100,000 or any integral multiple thereof during any Weekly Period or Daily Period, and $5,000 or any integral multiple thereof during any Reset Period or after the Conversion Date (the "Authorized Denominations"). Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same series of other Authorized Denominations.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same series and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The Issuer and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Issuer and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

No officer, agent or employee of the Issuer, and no officer, official, agent or employee of The City of Los Angeles or the State of California, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds. The Bonds are not a debt, nor a pledge of the faith and credit, of the Issuer, The City of Los Angeles, the State of California or any of its political subdivisions and neither are they liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those pledged under the Indenture for the payment thereof. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE CITY OF LOS ANGELES OR THE STATE OF CALIFORNIA IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND PURCHASE PRICE OF OR PREMIUM, IF ANY, OR INTEREST ON THIS BOND. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, THE CITY OF LOS ANGELES OR THE STATE OF CALIFORNIA.

The Issuer hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act) and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the Certificate of Authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA has caused this Bond to be executed in its name by the manual or facsimile signature of a duly authorized officer, all as of the Issue Date set forth above.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Title: _____

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date:

U.S. BANK, N.A., as Trustee

By _____
Authorized Officer

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with _____ right of survivorship _____ and not as tenants in _____ common

UNIF GIFT MIN ACT ____ Custodian

(Cust) _____ (Minor) _____
Under Uniform Gifts to Minors
Act _____
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED THOUGH NOT IN THE LIST ABOVE

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

_____

_____

_____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____

_____

attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stock brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program).

NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Note: Transfer fees must be paid to the Trustee in order to transfer or exchange this bond as provided in the within-mentioned Indenture.

EXHIBIT C

FORM OF RESET RATE BOND

[FORM OF FACE OF BOND]

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

No. ***$53,000,000.00***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF LOS ANGELES, CALIFORNIA

VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BOND
(METROPOLITAN LOFTS APARTMENTS)
2002 SERIES A

| INTEREST RATE | LAST DAY OF RESET PERIOD | ISSUE DATE | MATURITY DATE | CUSIP |
|---|---|---|---|---|
| | | | December 1, 2052 | |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***FIFTY-THREE MILLION DOLLARS***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, a redevelopment agency and public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called the "Issuer"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the registered owner identified above or registered assigns, on December 1, 2052 (subject to any right of prior redemption hereinafter mentioned), the principal sum identified above in lawful money of the United States of America; and to pay interest thereon in like money, until payment of such principal sum, at the rate of _____ percent (___%) per annum, on _____ and _____ of each year, commencing _____ 1, ____ (each such date herein called an "Interest Payment Date") to and including _____, ____ and thereafter at the rate and times as provided in the Indenture referred to herein. The principal or redemption price hereof is payable only upon presentation and surrender hereof at the corporate trust office of U.S. Bank, N.A. (herein called the "Trustee"), in Los Angeles, California, and interest shall be paid by check mailed on the Interest Payment Date, first class mail, postage prepaid to the person in whose name this Bond is registered on the applicable Record Date (as hereinafter defined), at the address of such registered owner shown on the books of the Trustee, except that such interest payments may be made by wire transfer to

any registered owner of $1,000,000 or more in aggregate principal amount of the Bonds who shall have designated to the Trustee an account for such payments at least fifteen days before the Record Date therefor.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as "The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A" (herein called the "Bonds"), in the initial aggregate principal amount of $53,000,000 authorized to be issued pursuant to Sections 33750 et seq. of the Health and Safety Code of the State of California (herein called the "Act"), and issued under and secured by an Indenture of Trust, dated as of December 1, 2002 (herein called the "Indenture"), between the Issuer and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

This Bond shall bear interest from the date to which interest has been paid next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date for which interest has been paid, or after the Record Date in respect thereof, in which event it shall bear interest from such Interest Payment Date, or unless it is registered on or before the Record Date for the first Interest Payment Date, in which event it shall bear interest from the date of the first authentication and delivery of the Bonds). The term "Record Date" means the fifteenth (15th) day of the month before an Interest Payment Date.

THE FULL FAITH AND CREDIT OF THE ISSUER IS NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE BACK HEREOF AND SUCH FURTHER PROVISIONS ARE HEREBY INCORPORATED BY REFERENCE AS IF FULLY SET FORTH HERE.

The Issuer hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act) and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA has caused this Bond to be executed in its name by the manual or facsimile signature of a duly authorized officer, all as of the Issue Date set forth above.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Title: _____

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date:

U.S. BANK, N.A., as Trustee

By _____
Authorized Officer

[FORM OF BACK OF BOND]

The Bonds are limited obligations of the Issuer and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the Indenture), consisting primarily of amounts drawn under an irrevocable direct-pay letter of credit issued by Bank of America, N.A. (the "Credit Bank"), for the account of the Borrower identified in the Indenture (the "Borrower") in favor of the Trustee concurrently with the issuance of the Bonds, or any qualified letter of credit or other credit instrument issued in substitution therefor (such letter of credit or substitute being referred to herein as the "Letter of Credit"). The Bonds are being issued in order to provide funds to make a loan (the "Loan"), to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2002 (the "Loan Agreement"), among the Issuer, the Trustee and the Borrower, to finance a multifamily rental housing development (the "Project") in The City of Los Angeles, California.

The Bonds shall be purchased on the day after the last day of a Reset Period, at a Purchase Price equal to the principal amount thereof, plus interest accrued thereon, if any, to the date of purchase. Payment of the purchase price of the Bonds so subject to mandatory tender for purchase shall be made by check or wire transfer, but only upon delivery and surrender of such Bond to the Tender Agent on the Demand Date. No Bonds shall be so purchased or remarketed if a Event of Default under the Indenture (other than certain specified covenant defaults as described in the Indenture) shall have occurred be continuing, or if all of the Bonds shall have been called for redemption.

At the end of the Reset Period, the rate of interest on the Bonds will be established at a new Reset Rate for a new Reset Period or at a Weekly Rate, Daily Rate or Fixed Rate.

The Trustee shall give to the owners of the Bonds, in the same manner that notices of redemption are given, notice of any Interest Rate Conversion Date not less than ten (10) days before any Interest Rate Conversion Date, specifying the information set forth in the Indenture. If this Bond is not tendered for purchase at least seven (7) days before the Interest Rate Conversion Date it will be deemed to have been so tendered and shall be purchased on the Reset Date or Conversion Date, at a price equal to the principal amount hereof plus interest accrued to such date.

The Bonds shall be subject to redemption prior to maturity, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, (a) in whole or in part on any Interest Payment Date (i) if insurance or condemnation awards are received with respect to the Project and are not applied to repair or replace the Project; or (ii) on any Reset Date or the Conversion Date if the Loan is voluntarily prepaid in whole or in part; or (b) in whole on any date, if the Loan is accelerated following a default by the Borrower under the Loan Agreement; or (c) in whole five (5) days before any date on which any Letter of Credit expires, unless the Trustee receives a renewal or extension of or replacement for such Letter of Credit meeting the requirements of the Loan Agreement not less than fifteen (15) days before the expiration of such Letter of Credit at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date of redemption, or (d) in whole or in part on July 1, 2004 in the event and to the extent that the Loan is prepaid from certain undisbursed funds remaining on deposit under the Indenture.

The Bonds shall also be subject to redemption in whole on any date or in part on any Interest Payment Date, in an amount equal to any voluntary prepayments of the Loan, at a redemption price equal to the principal amount of Bonds redeemed, plus interest accrued thereon to the date of redemption, plus the applicable premium (expressed as a percentage of the principal amount of Bonds redeemed) set forth below, as follows:

| Term of Reset Period of from Conversion to Maturity | No-Call Period | Redemption Price | No Premium |
|---|---|---|---|

Notice of Redemption of Bonds shall be given to the registered owners thereof by mail, as provided in the Indenture, not more than thirty (30) days and not less than ten (10) days or, in the case of redemption following an acceleration of the Loan, not more nor less than five (5) days before the date fixed for redemption. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon shall cease to accrue from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of at least a majority in aggregate principal amount of the Bonds then outstanding.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same series of other authorized denominations.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same series and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The Issuer and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Issuer and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture. Additional bonds on a parity with the Bonds may be issued pursuant to the terms of the Indenture.

No officer, agent or employee of the Issuer, and no officer, official, agent or employee of The City of Los Angeles or the State of California, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds. The Bonds are not a debt, nor a pledge of the faith and credit, of The City of Los Angeles, the State of California or any of its political subdivisions and neither are they liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those pledged under the Indenture for the payment thereof. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation.

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

_____

_____

_____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____

_____

attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stock brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program).

NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT D

FORM OF FIXED RATE BOND

[FORM OF FACE OF BOND]

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

No. ***$53,000,000.00***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE
CITY OF LOS ANGELES, CALIFORNIA

MULTIFAMILY HOUSING REVENUE BOND
(METROPOLITAN LOFTS APARTMENTS)
2002 SERIES A

| MATURITY DATE | CONVERSION DATE | CUSIP |
|---|---|---|
| December 1, 2052 | | |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: ***FIFTY-THREE MILLION DOLLARS***

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, a redevelopment agency and public body, corporate and politic, duly organized and existing under the laws of the State of California (herein called the "Issuer"), for value received, hereby promises to pay (but only out of Revenues as hereinafter provided) to the registered owner identified above or registered assigns, on December 1, 2052 (subject to any right of prior redemption hereinafter mentioned), the principal sum identified above in lawful money of the United States of America; and to pay interest thereon in like money, until payment of such principal sum, at the rate of _____ percent (____%) per annum, on _____ 1 and _____ 1, of each year, commencing _____, ____ (each such date herein called an "Interest Payment Date"). The principal or redemption price hereof is payable only upon presentation and surrender hereof at the corporate trust office of U.S. Bank, N.A. (herein called the "Trustee"), in Los Angeles, California, and interest shall be paid by check mailed on the Interest Payment Date, first class mail, postage prepaid to the person in whose name this Bond is registered on or before the Record Date (as hereinafter defined), at the address of such registered owner shown on the books of the Trustee, except that such interest payments may be made by wire transfer to any registered owner of $1,000,000 or more in aggregate principal amount of the Bonds who shall have designated to the Trustee an account for such payments at least fifteen days before the Record Date therefor.

This Bond is one of a duly authorized issue of bonds of the Issuer designated as "The Community Redevelopment Agency of the City of Los Angeles, California Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A" (herein called the "Bonds"), in the initial aggregate principal amount of $53,000,000, authorized to be issued pursuant to Sections 33750 et seq. of the Health and Safety Code of the State of California (herein called the "Act"), and issued under and secured by an Indenture of Trust, dated as of December 1, 2002 (herein called the "Indenture"), between the Issuer and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Issuer thereunder, to all of the provisions of which Indenture the holder of this Bond, by acceptance hereof, assents and agrees.

This Bond shall bear interest from the date to which interest has been paid next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date for which interest has been paid, or after the Record Date in respect thereof, in which event it shall bear interest from such Interest Payment Date, or unless it is registered on or before the Record Date for the first Interest Payment Date, in which event it shall bear interest from the date of the first authentication and delivery of the Bonds). The term "Record Date" means the fifteenth (15th) day of the month before an Interest Payment Date.

THE FULL FAITH AND CREDIT OF THE ISSUER IS NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE BACK HEREOF AND SUCH FURTHER PROVISIONS ARE HEREBY INCORPORATED BY REFERENCE AS IF FULLY SET FORTH HERE.

The Issuer hereby certifies that all of the conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California (including the Act) and that the amount of this Bond, together with all other indebtedness of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA has caused this Bond to be executed in its name by the manual or facsimile signature of a duly authorized officer, all as of the Conversion Date set forth above.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Title: _____

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date:

U.S. BANK, N.A., as Trustee

By _____
Authorized Officer

[FORM OF BACK OF BOND]

The Bonds are limited obligations of the Issuer and, as and to the extent set forth in the Indenture, are payable solely from, and secured by a pledge of and lien on, the Revenues (as that term is defined in the Indenture), consisting primarily of amounts drawn under an irrevocable direct-pay letter of credit issued by Bank of America, N.A. (the "Credit Bank"), for the account of the Borrower identified in the Indenture (the "Borrower") in favor of the Trustee concurrently with the issuance of the Bonds, or any qualified letter of credit or other credit instrument issued in substitution therefor (such letter of credit or substitute being referred to herein as the "Letter of Credit"). The Bonds are being issued in order to provide funds to make a loan (the "Loan") to the Borrower pursuant to a Loan Agreement, dated as of December 1, 2002 (the "Loan Agreement"), among the Issuer, the Trustee and the Borrower, to finance a multifamily rental housing development (the "Project") in The City of Los Angeles, California.

The Bonds shall be subject to redemption prior to maturity, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, (a)(i) in whole or in part on any Interest Payment Date if insurance or condemnation awards are received with respect to the Project and are not applied to repair or replace the Project, (ii) in whole on any date if the Loan is accelerated following a default by the Borrower under the Loan Agreement; or (b) in whole five days before any date on which any Letter of Credit expires, unless the Trustee receives a renewal or extension of or replacement for such Letter of Credit meeting the requirements of the Loan Agreement not less than thirty (30) days before the expiration of such Letter of Credit at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date of redemption.

The Bonds shall also be subject to redemption in whole on any date or in part on any Interest Payment Date, in an amount equal to any voluntary prepayments of the Loan, at a redemption price equal to the principal amount of Bonds redeemed, plus interest accrued thereon to the date of redemption, plus the applicable premium (expressed as a percentage of the principal amount of Bonds redeemed) set forth below, as follows:

| Term of Reset Period of from Conversion to Maturity | No-Call Period | Redemption Price |
|---|---|---|

Notice of Redemption of Bonds shall be given to the registered owners thereof by mail, as provided in the Indenture, not more than thirty (30) days and not less than ten (10) days or, in the case of redemption following an acceleration of the Loan, not more nor less than five (5) days before the date fixed for redemption. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon shall cease to accrue from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of at least a majority in aggregate principal amount of the Bonds then outstanding.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same series of other authorized denominations.

This Bond is transferable by the registered owner hereof, in person, or by its attorney duly authorized in writing, at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same series and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The Issuer and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, and the Issuer and the Trustee shall not be affected by any notice to the contrary.

The Indenture contains provisions permitting the Issuer and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture. Additional bonds on a parity with the Bonds may be issued pursuant to the terms of the Indenture.

No officer, agent or employee of the Issuer, and no officer, official, agent or employee of The City of Los Angeles or the State of California, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds. The Bonds are not a debt, nor a pledge of the faith and credit, of The City of Los Angeles, the State of California or any of its political subdivisions and neither are they liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those pledged under the Indenture for the payment thereof. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation.

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

_____

_____

_____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____

_____

attorney, to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stock brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program).

NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT E

**FORM OF TENDER NOTICE**

NOTICE OF DEMAND FOR PURCHASE

To: U.S. Bank, N.A.
550 South Hope Street, Suite 500
Los Angeles, CA 90071
Attention: Gonzalo Urey

The undersigned is the registered owner of The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bond(s) (Metropolitan Lofts Apartments) 2002 Series A, No(s)._____ (the "Bonds"). The undersigned hereby irrevocably demands payment of $ aggregate principal amount of the Bonds (which amount is an integral multiple of $100,000) and accrued interest thereon to the date of payment (the "Purchase Price").

Payment of the Purchase Price shall be made in the following manner:

Check and complete (a) or (b):

____ (a) By check mailed to the undersigned at the following address: _____; or

____ (b) By wire transfer of immediately available funds to Account No. _____ at the following bank: _____.

Payment shall occur on _____, ____ (the "Demand Date"), which during a Weekly Period shall be not prior to the seventh (7th) calendar day after (but not including) the date of receipt of this notice by the addressee hereof, as Tender Agent (the "Tender Agent") or, if such seventh calendar day is not a Business Day (as defined in the Indenture pursuant to which the Bonds were issued), the Business Day next succeeding such day or during a Daily Period shall be the date of receipt of this notice by the addressee hereof, as Tender Agent; provided with respect to demand tender during the Daily Period this notice is received prior to 9:30 a.m., New York City time, on the Demand Date. Delivery hereof shall be made in person or by registered mail, return receipt requested, to the address set forth above and shall occur upon receipt hereof by the Tender Agent on a Business Day. The Bonds shall be tendered to the Tender Agent, at its address set forth above, with a duly executed instrument of transfer in the form set forth on the Bonds, with signature guaranteed in a manner satisfactory to the Tender Agent, at or prior to 9:30 a.m., New York time, on the Demand Date, and if the Bonds are not delivered by such time, the undersigned shall not be entitled to payment of the Purchase Price therefor. The Bonds shall conform in all respects to the description thereof in this Notice.

The undersigned hereby authorizes and directs _____, as Remarketing Agent, to arrange for the sale of all or any part of the Bonds at not less than par plus accrued interest to the Demand Date. In the event of such a sale, payment of the Purchase Price of the Bonds shall be made on the Demand Date as hereinabove provided.

If the Demand Date is within seven (7) days before any Interest Payment Date, as defined in the Indenture, accompanying this notice is a due-bill check for interest due on the Bonds on such date.

This notice shall not be effective unless, simultaneously with the delivery hereof to the Tender Agent, a copy hereof is sent to the Trustee at the address set forth below.

Date: _____

(Name of Registered Owner)

_____

Authorized Signature

cc: U.S. Bank, N.A.
550 South Hope Street, Suite 500
Los Angeles, CA 90071
Attention: Gonzalo Urey

Bank of America, N.A.
Community Development Banking Group
[10 Light Street, 19th Floor]
[Baltimore, MD 21202]
Attention: _____

EXHIBIT F

PRINCIPAL RESERVE SCHEDULE

# LOAN AGREEMENT

**among**

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, as Issuer**

**and**

**U.S. BANK, N.A., as Trustee**

**and**

**FC METROPOLITAN LOFTS ASSOCIATES L.P., as Borrower**

**Dated as of December 1, 2002**

**relating to**

**$53,000,000**
**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**
**VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (METROPOLITAN LOFTS APARTMENTS) 2002 SERIES A**

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EXHIBIT A – FORM OF FUNDING REQUISITION

# LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of December 1, 2002, by and among THE COMMUNITY REDEVELOPMENT AGENCY OF LOS ANGELES, CALIFORNIA, a redevelopment agency and public body, corporate and public, duly organized and existing under the laws of the State of California (the "Issuer"), U.S. BANK, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee under that certain Indenture of Trust, dated as of December 1, 2002, by and between the Issuer and said trustee (the "Trustee"), and FC METROPOLITAN LOFTS ASSOCIATES L.P., a California limited partnership (the "Borrower").

W I T N E S S E T H :

## RECITALS

WHEREAS, the Issuer has determined to adopt and implement a program to finance the acquisition, rehabilitation and development of multifamily rental housing pursuant to Sections 33750 et seq. of the Health and Safety Code of the State of California (the "Act"), and has determined to issue revenue bonds for such purpose as authorized by the Act;

WHEREAS, the Borrower has requested the assistance of the Issuer in financing a multifamily rental housing development to be known as Metropolitan Lofts Apartments and located in the City of Los Angeles, California (the "Project"), and as a condition to such financial assistance the Borrower has agreed to enter into a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2002 (the "Regulatory Agreement"), by and between the Issuer and the Borrower, setting forth certain restrictions with respect to the Project; and

WHEREAS, after due investigation and deliberation, the Issuer has determined to assist in the financing of the Project by issuing The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A (the "Bonds"), in the principal amount of $53,000,000 and making a loan to the Borrower of such principal amount (the "Loan"), upon the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the premises and the respective representations and covenants herein contained, the parties hereto agree as follows:

## ARTICLE I

## DEFINITIONS AND CONSTRUCTION

Section 1.1 **Definition of Terms.** Unless the context otherwise requires, the capitalized terms used in this Agreement shall have the meanings specified in the Regulatory Agreement or in Section 1.01 of the Indenture of Trust, dated as of December 1, 2002 (the "Indenture"), by and between the Issuer and the Trustee, providing for the issuance of the Bonds, as such Indenture is originally executed or as it may from time to time be supplemented or amended as provided therein.

Section 1.2 **Rules of Construction.**

(a) The singular form of any word used herein, including the terms defined in Section 1.01 of the Indenture, shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(b) Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivisions of this Agreement as originally executed. The words "hereof," "herein," "hereunder" and words of similar import refer to this Agreement as a whole.

(c) The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

## ARTICLE II

## GENERAL REPRESENTATIONS AND AGREEMENTS

Section 2.1 **Representations and Agreements of the Issuer.** The Issuer makes the following representations and agreements as the basis for its undertakings herein contained:

(a) The Issuer is a redevelopment agency and public body, corporate and public, duly organized and existing under the laws of the State of California. By proper action, the Issuer has authorized the execution, delivery and due performance by it of this Agreement.

(b) To finance the Project, the Issuer will issue the Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, pursuant to which the Issuer's interest in this Agreement (except certain rights of the Issuer to payment for fees, expenses and indemnification and certain rights of enforcement) will be pledged to the Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds.

(d) The Issuer has not pledged and will not pledge its interest in this Agreement for any purpose other than to secure the Bonds under the Indenture.

(e) The Issuer is not in violation under any of the provisions of the laws of the State of California which violation would affect its existence or its powers referred to in this Section 2.1.

(f) No officer or other official of the Issuer has any personal interest whatsoever in the Project or the Borrower or in the transactions contemplated by this Agreement.

Section 2.2 **Representations and Agreements of the Trustee.** The Trustee makes the following representations and agreements as the basis for its undertakings herein contained:

(a) The Trustee has been duly organized under the laws of the United States of America and is validly existing as a national banking association in good standing under the laws governing its creation with full corporate power to own its properties and conduct its business.

(b) All corporate proceedings legally required to be taken by the Trustee in connection with the authorization and execution of this Agreement, and all such approvals, authorizations, consents, licenses or other orders of state or federal regulatory agencies, public boards or bodies with respect to the regulation of banking or trust activities, if any, as may be legally required to be obtained by the Trustee prior to the date of this Agreement with respect to all or any of such matters, have been taken or obtained.

(c) This Agreement has been duly authorized, executed and delivered by the Trustee and when duly executed and delivered by the Borrower and the Issuer, will constitute the legal, valid and binding obligation of the Trustee enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, reorganization, or other laws or equitable principles limiting creditors' rights generally. The Trustee makes no representation as to the availability of specific performance or other equitable remedies.

(d) The Trustee has all necessary corporate power and authority to enter into and perform its obligations under this Agreement, and the execution and delivery of this Agreement and compliance with its terms, conditions and provisions will not conflict with or result in a breach of any of the terms, conditions or provisions of the charter or bylaws of the Trustee or to the best of its knowledge any agreement or instrument to which it is a party or by which it is bound or any law or regulation or any administrative decree or order to which it is subject or constitute a default thereunder.

Section 2.3 **Representations and Agreements of the Borrower.** The Borrower makes the following representations and agreements as the basis for its undertakings herein contained:

(a) The Borrower is a limited partnership organized and existing under and pursuant to the laws of the State of California with the requisite power to operate its business within the State of California.

(b) The Borrower has the power and authority to lease or own its properties and assets and to carry on its business as now conducted and as contemplated to be conducted hereunder and under the Regulatory Agreement, and has the power to enter into and has duly authorized the execution and delivery of this Agreement and all other documents contemplated hereby to be executed by the Borrower, including, without limitation, the Regulatory Agreement.

(c) Neither the execution and delivery of this Agreement or any other document in connection with the financing of the Project, the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof and thereof, conflicts with or results in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Borrower is now a party or by which the Borrower is bound, or constitutes a default (with due notice or the passage of time or both) under any of the foregoing, or results in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of the Borrower under the terms of any instrument or agreement to which the Borrower is now a party or by which it is bound.

(d) The Project is located wholly within The City of Los Angeles, California.

(e) The Borrower shall make no changes to the Project or to the operation thereof which would adversely affect the qualification of the Project under the Act or impair the exclusion from gross income under federal tax law of interest on the Bonds. The Borrower intends to utilize the Project as multifamily rental housing during the term of the Qualified Project Period.

(f) The aggregate amount of the proceeds of the Bonds used to pay Issuance Costs shall not exceed two percent (2%) of the face amount of the Bonds.

(g) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Borrower threatened against or affecting the Borrower or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted or as now contemplated to be conducted, or would materially adversely affect its financial condition. After consummation of the financing transaction, the Borrower will not be in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party.

(h) The acquisition, construction and operation of the Project in the manner presently contemplated and as described herein and in the Regulatory Agreement will not conflict with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto. The Borrower will cause the Project to be designed and built in accordance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(i) The Borrower has filed or caused to be filed all federal, state and local tax returns which are required to be filed, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

(j) No officer or other official of the Issuer has any personal interest whatsoever in the Project, the Borrower or in the transactions contemplated by this Agreement.

(k) The Borrower has obtained or will timely obtain all necessary certificates, approvals, permits and authorizations with respect to the acquisition, rehabilitation and operation of the Project from applicable local governmental agencies and agencies of the State of California and the federal government.

(l) The information contained in the Official Statement of the Issuer with respect to the Bonds, insofar as such information relates to the Borrower and the Project, is accurate in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(m) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the Project, and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds for the Loan.

(n) The Borrower intends to hold the Project for its own account, has no current plans to sell and has not entered into any agreement to sell the Project.

(o) The Borrower has contacted all "related persons" thereof (within the meaning of section 147(a) of the Code); and it shall not, at any time, pursuant to any arrangement, formal or informal, acquire any Bond, except as may be required under the Credit Agreement.

amount equal to $30,000 annually, payable to the Trustee for deposit in the Fees Account of the Cost of Issuance Fund to be transferred to the Issuer on each August 15 after the Completion Date in accordance with the provisions of the Indenture, and (iii) to the Trustee reasonable compensation for any services rendered by it under the Regulatory Agreement and reimbursement for all expenses (including fees of its attorneys) reasonably incurred by it in connection therewith.

(d) The Borrower also agrees to pay any fees and other costs required to be incurred by the Issuer and/or the Trustee to comply with the provisions of Section 6.06 of the Indenture, including, but not limited to, any expenses related to computations to determine if moneys are required to be rebated to the United States and any payment thereof.

(e) The Borrower also agrees to pay, on the Closing Date, the fees and expenses of the Issuer incurred in connection with the issuance and delivery of the Bonds, including but not limited to a financing fee of the Issuer in an amount equal to $50,000 in accordance with the provisions of Section 23 of the Regulatory Agreement.

(f) The Issuer, the Trustee and the Borrower acknowledge that the Credit Bank is not liable for the payment of amounts due under the preceding paragraphs (a) through (e).

Section 4.3 **Unconditional Obligation.** Subject to the recourse limiting provisions in the following paragraph, the obligations of the Borrower to make the payments required by Section 4.2 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, the Credit Bank, Trustee or any other person, and during the term of this Agreement, the Borrower shall pay absolutely net the payments required hereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of, premium, if any, and interest on the Bonds shall have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Borrower (i) will not suspend or discontinue any payments provided for in Section 4.2 hereof; (ii) will perform and observe all of its other covenants contained in this Agreement; and (iii) except as provided in Article VIII hereof, will not terminate this Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision or either of these, or any failure of the Issuer or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture, except to the extent permitted by this Agreement.

Notwithstanding any provision of this Agreement, the Regulatory Agreement or the Deed of Trust (collectively, the "Project Loan Documents") to the contrary, neither the Borrower nor any of its partners shall be personally liable for the amounts owing hereunder or under the Project Loan Documents; and the Issuer's and the Trustee's remedies in the event of a default hereunder or under the Project Loan Documents shall be limited to those remedies set forth in Section 7.2 and under the Regulatory Agreement. In the event of a default hereunder or under the Deed of Trust, except to the extent provided in the preceding sentence, neither the Issuer nor the Trustee shall have the right to proceed directly against the Borrower or any of its partners (rather than the Project), or the right to obtain a deficiency judgment after foreclosure.

Section 4.4 **Assignment of Issuer's Rights.** As security for the payment of the Bonds, the Issuer in the Indenture assigns to the Trustee certain of the Issuer's rights under this Agreement, including the right to receive payments hereunder (except for the right of the Issuer to receive certain payments, if any, with respect to fees, expenses and indemnification under Sections 4.2(c), (d) and (e), 7.3, 9.2 and 9.3

hereof) but excluding the Reserved Rights, and the Issuer hereby directs the Borrower to make the payments required hereunder (except such payments for Issuer fees, expenses and indemnification) directly to the Trustee. The Borrower hereby assents to such assignment and agrees to make payments directly to the Trustee without defense or set-off by reason of any dispute between the Borrower and the Issuer or the Trustee. By virtue of such assignment, the Trustee shall have the right to enforce the obligations of the Borrower hereunder.

In consideration for the undertaking by the Borrower to reimburse the Credit Bank for amounts drawn under the Letter of Credit to purchase Bonds which are tendered for purchase and not remarketed pursuant to Section 8.14 of the Indenture by causing the Bonds so purchased to be held for the account of and registered in the name of the Credit Bank, the Issuer hereby assigns to the Credit Bank, as assignee of the Borrower, all of the Issuer's right, title and interest in and to any and all proceeds of any subsequent remarketing of any such Bonds so purchased, and hereby agrees to direct the Remarketing Agent to pay any such proceeds to the Credit Bank.

Section 4.5 **Amounts Remaining in Bond Fund.** It is agreed by the parties hereto that after (i) payment in full of the Bonds, or provision for such payment having been made as provided in the Indenture, (ii) payment of all fees, charges and expenses of the Trustee and any paying agents in accordance with the terms of the Indenture, and (iii) payment of all other amounts required to be paid under this Agreement and the Indenture, any amounts remaining in the Bond Fund held by the Trustee under the Indenture, subject to the application of amounts in the Bond Fund to the payment of particular Bonds, shall be paid by the Trustee to the Credit Bank for disbursement to the Borrower in accordance with the Credit Agreement, as provided in Section 5.06 of the Indenture, and the Issuer shall have no claim to such amounts.

## ARTICLE V

## SPECIAL COVENANTS AND AGREEMENTS

Section 5.1 **Right of Access to the Project and Records.** The Borrower agrees that during the term of this Agreement the Issuer, the Trustee and the duly authorized agents of either of them shall have the right at all reasonable times and upon reasonable notice during normal business hours to enter upon the site of the Project to examine and inspect the Project and to have access to the books and records of the Borrower with respect to the Project.

Section 5.2 **Maintenance of Existence; Assignments.**

(a) Except as otherwise permitted by this Section 5.2, the Borrower agrees that during the term of this Agreement the Borrower will not dispose of all or substantially all of the Borrower's assets. The Borrower may sell or otherwise transfer to another entity all or substantially all of the Borrower's assets as an entirety, provided that (i) the surviving, resulting or transferee entity, as the case may be, (1) assumes and agrees in writing to pay and perform all of the obligations of the Borrower hereunder and under the Regulatory Agreement, (2) qualifies to do business in the State of California and (ii) the Borrower shall have obtained the prior written approval of the Credit Bank in accordance with the terms hereof and all other agreements between the Borrower and the Credit Bank relating to or in respect of the Letter of Credit and (iii) the Borrower shall have complied with the provisions of Section 10 of the Regulatory Agreement.

(b) The rights and obligations of the Borrower under this Agreement may be assigned by the Borrower to any person in whole or in part, in connection with and in proportion to, any conveyance of all or part of the Project permitted by Section 10 of the Regulatory Agreement; provided that (i) the assignee shall assume in writing the obligations of the Borrower hereunder to the extent of the interest assigned, and a copy of such instrument of assumption shall be delivered to the Issuer and the Trustee on or prior to the effective date of such assignment; (ii) the Borrower shall remain liable for the Borrower's obligations hereunder to the extent of any interest not so assigned, and the owner shall have obtained the prior written approval of the Credit Bank in accordance with the terms hereof and all other agreements between the Borrower and the Credit Bank relating to or in respect of the Letter of Credit.

(c) The rights and obligations of the Borrower under this Agreement may also be assigned by the Borrower to any person in whole or in part, subject, however, to each of the following conditions:

(i) No assignment other than pursuant to subsection (a) or (b) of this Section shall relieve the Borrower from primary liability for any of its obligations hereunder, and in the event of any assignment not pursuant to subsection (a) or (b) of this Section the Borrower shall continue to remain primarily liable for the payments specified in Section 4.2 hereof and for performance and observance of the other agreements on the Borrower's part herein provided to be performed and observed by the Borrower.

(ii) Any assignment from the Borrower shall retain for the Borrower such rights and interests as will permit it to perform its obligations under this Agreement and the Regulatory Agreement, and any assignee from the Borrower shall assume the obligations of the Borrower hereunder and under the Regulatory Agreement to the extent of the interest assigned.

(iii) The Borrower shall, within thirty days after delivery thereof, furnish or cause to be furnished to the Issuer and the Trustee a true and complete copy of each such

assignment together with an instrument of assumption and the written consent of the Credit Bank to such assignment.

(iv) The Borrower shall have obtained the prior written consent of the Credit Bank to such assignment in accordance with the terms hereof and all other agreements between the Borrower and the Credit Bank to or in respect of the Letter of Credit.

Section 5.3 **Statement of Compliance; Notice of Certain Events.**

(a) The Borrower will deliver to the Issuer and the Trustee, within 120 days after the end of each calendar year, a written statement signed by an Authorized Borrower Representative stating, as to the signer thereof, that (1) a review of the activities of the Borrower during such year and of performance under this Agreement and under the Regulatory Agreement has been made under their supervision, and (2) to the best of the knowledge of such Authorized Borrower Representative, based on such review, the Borrower has fulfilled all its obligations under such documents throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to such Representative and the nature and status thereof.

(b) The Borrower hereby covenants to notify the Issuer and the Trustee in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. Such notice shall be given promptly, and in no event less than ten (10) Business Days after the Borrower receives notice or knowledge of the occurrence of any such event. The Borrower further agrees that it will give prompt written notice to the Trustee if insurance proceeds or condemnation awards are received with respect to the Project and are not used to repair or replace the Project, which notice shall state the amount of such proceeds or award.

Section 5.4 **Insurance; Maintenance and Repair.** The Borrower agrees to insure the Project or cause the Project to be insured during the term of this Agreement for such amounts and for such occurrences as are required under the Deed of Trust. The Borrower further agrees to provide the Issuer and the Trustee with evidence of such insurance and to certify compliance with the insurance requirements by not later than 120 days after the end of each calendar year. The Trustee and Issuer are entitled to conclusively rely on such certificate and shall be under no duty to investigate the underlying facts or sufficiency of the insurance.

The Borrower further agrees to maintain the Project, or cause the Project to be maintained, during the term of this Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 5.5 **Additional Instruments.** The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the opinion of the Issuer or the Trustee, to carry out the intent hereof or to perfect or give further assurances of any of the rights granted or provided for herein or contemplated hereby.

Section 5.6 **Tax Covenants.**

(a) **Special Definitions.** When used in this Section, the following terms have the following meanings:

*"Adjusted Income"*, in respect of a Tenant in a unit of the Project, means the adjusted income of that person together with the adjusted income of all other persons (except children under the age of 18 years) who intend to reside with such person in the unit, as calculated in the manner prescribed in the Code.

*"Area"* means the Primary Metropolitan Statistical Area in which the Project is located, as promulgated by HUD.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Computation Date"* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Gross Proceeds"* means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Bonds.

*"Investment"* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Issuance Costs"* means all costs and expenses of issuance of the Bonds, including, but not limited to:

(i) Underwriters' discount and fees;

(ii) counsel fees, including bond counsel, Underwriters' counsel, Borrower's counsel, Credit Bank's counsel and Issuer's counsel fees, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds;

(iii) the Issuer fees and expenses incurred in connection with the issuance of the Bonds, including financial advisor's fees and expenses, and the Issuer's administrative fee for processing the request of the Borrower to issue the Bonds;

(iv) Rating Agency fees;

(v) Trustee's fees and Trustee's counsel fees, and initial fees of the Tender Agent;

(vi) paying agent and certifying and authenticating agent fees related to issuance of the Bonds;

(vii) accountant fees related to issuance of the Bonds;

(viii) printing costs of the Bonds and of the final official statement;

(ix) publication costs associated with the financing proceedings;

(x) costs of engineering and feasibility studies necessary to the issuance of the Bonds; and

(xi) Letter of Credit fees payable to the Credit Bank on the Closing Date.

*"Median Income for the Area"* means the median income for the Area as most recently determined by the Secretary of the Treasury (which determination is required by section 142(d)(2)(B) of the Code to be consistent with determinations of area median gross income under Section 8 of the United States Housing Act of 1937, or, if such program is terminated, under such program as in effect immediately before such termination).

*"Nonpurpose Investment"* means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of the Bonds.

*"Person"* means an individual, a corporation, a partnership, a trust, an unincorporated organization, limited liability company or other legal entity, or a government or any agency or political subdivision thereof.

*"Qualified Project Costs"* means Project Costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) of land or of property of a character subject to depreciation in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that (a) only such portion of interest otherwise a Qualified Project Cost and accruing during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs, (b) interest accruing in respect of any portion of the Project after the date such portion is placed in service (as such term is used in section 167 of the Code) shall not be a Qualified Project Cost, (c) Qualified Project costs shall not include any Issuance Costs, and (d) if any portion of the Project is being constructed or rehabilitated by a Related Person (within the meaning of section 1.150-1(b) of the Treasury Regulations) to the Borrower or the Issuer (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Related Person in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Related Person, and (C) any overhead expenses incurred by the Related Person which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Related Person due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of section 142(d) of the Code, (iii) the costs either (A) are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid), or (B) were preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed in the aggregate twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1).

*"Qualified Project Period"* means the period beginning on the date on which 10% of the units in the Project are first occupied and ending on the later of (a) the date that is fifty-five (55) years after the Completion Date or (b) the date on which any tax-exempt bond (including any refunding bonds) used to finance or refinance the Project is finally retired.

*"Rebate Amount,"* with respect to the Bonds, has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Related Person"* means, with respect to a specified Person, each Person that is a "related person" within the meaning of section 1.150-1(b) of the Treasury Regulations, to the Person specified.

*"Tax Regulations"* means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

*"Very Low Income Tenant"* means a person whose Adjusted Income, which when combined with the Adjusted Income of all other persons (other than children under the age of 18 years) residing in the same unit, does not exceed the lesser of: (a) 50 percent of the Median Income for the Area, or (b) the maximum income at which a household of like size is deemed to be a "very low income" household in the Area for purposes of Section 8 of the United States Housing Act of 1937, as amended. In no event will the occupants of a unit be considered to be Very Low Income Tenants if all of such occupants are students (as defined in section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under section 6013 of the Code.

*"Yield"*

(i) of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(ii) with respect to the Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) **Not to Cause Interest to Become Taxable.** The Borrower shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on the Bonds to fail to be excluded pursuant to section 103 of the Code from the gross income of the owners thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Borrower receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, the Borrower shall comply with each of the specific covenants in this Section.

(c) **Not to Invest at Higher Yield.** Except as would not cause the Bonds to become "arbitrage bonds" within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Borrower shall not, at any time prior to the final payment of the Bonds, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(d) **Not Federally Guaranteed.** Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Borrower shall not take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(e) **Information Report.** The Borrower shall assist the Issuer in filing any information required by section 149(e) of the Code with respect to the Bonds with the Secretary of the Treasury on Form 8038 or such other form and in such place as the Secretary may prescribe.

(f) **Rebate of Arbitrage Profits.** Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The Borrower shall account for all Gross Proceeds of the Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart

from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the Bonds are fully paid. However, to the extent permitted by law, the Borrower may commingle Gross Proceeds of the Bonds with its other monies, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Borrower shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Borrower promptly shall report to the Issuer and the Trustee the results of such calculation, including the basis therefor, in sufficient detail and on a timely basis in order that the Issuer be able to comply with its covenants herein. The Borrower shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, the Borrower shall pay to the Issuer, for payment to the United States (solely out of monies that the Borrower shall provide to the Issuer for such purpose), the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Borrower at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Issuer.

(iv) The Borrower shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (ii) and (iii) above, and if an error is made, to discover, report to the Issuer and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(g) **Not to Divert Arbitrage Profits.** Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Borrower shall not, at any time prior to the final payment on the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the Bonds not been relevant to either party.

(h) **Bonds Not Hedge Bonds.**

(i) The Borrower represents that the Bonds will not be "hedge bonds" within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (1) above: (a) the Borrower reasonably believes that at least 85% of the spendable proceeds of the Bonds will be expended within the three-year period commencing on the date of issuance, and (b) no more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(i) **Use of Proceeds: Weighted Average Maturity.** The Borrower hereby represents and covenants that it will apply the proceeds of the Bonds in a manner so that the weighted average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the facilities financed (all determined in accordance with the provisions of section 147(b) of the Code).

(j) **Use of Proceeds: Prohibited Facilities.** The Borrower hereby covenants that:

(i) No portion of the proceeds of the Bonds will be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(ii) Less than 25% of the net proceeds of the Bonds will be used (directly or indirectly) for the acquisition of land or an interest therein;

(iii) None of the proceeds of the Bonds will be used, directly or indirectly, for the acquisition of land or an interest therein to be used for farming purposes;

(iv) None of the proceeds of the Bonds will be used (directly or indirectly) for the acquisition of property the first use of which is other than pursuant to such acquisition; and

(v) No more than 2% of the sale proceeds of the Bonds will be applied to the payment of Issuance Costs.

(k) **Use of Proceeds: Provision of Project.**

(i) The Borrower will submit, or cause to be submitted, to the Issuer and the Trustee, on or before the date of each disbursement of Bond proceeds from the Project Fund, a certificate certifying that the full amount of such disbursement will be applied to reimburse the Borrower for the payment of costs of the Project and that, after taking into account the proposed disbursement, the aggregate of such disbursements will have been applied to reimburse the Borrower for the payment of Qualified Project Costs in an amount equal to 95% or more of the aggregate disbursements of Bond proceeds.

(ii) All of the amounts received by the Borrower from the proceeds of the Bonds and earnings from the investment of such proceeds will be used to pay costs of the Project; at least 95% of such amounts will be used to pay or reimburse the Borrower for payment of Qualified Project Costs as certified by the Borrower in Funding Requisitions in the form required by this Agreement and the Indenture.

(l) **Project Covenants and Representations.**

The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a "qualified residential rental project" (within the meaning of section 142(d) of the Code) for a term not shorter than the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees as follows:

(i) The Project will be acquired for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and

no other facilities, in accordance with section 142(d) of the Code and section 1.103-8(b) of the Regulations and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. The Property consists of a parcel or parcels that are contiguous, or would be contiguous, except for the interposition of a road, street or stream, and all of the Project Facilities constitute a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project;

(ii) All of the dwelling units in the Project will be similarly constructed units, and each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink;

(iii) None of the dwelling units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park;

(iv) All of the dwelling units in the Project will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low Income Tenants;

(v) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than obtaining a Final Subdivision Public Report from the California Department of Real Estate and filing and recording a Final Tract Map, the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period;

(vi) No dwelling unit in the Project will be occupied by the Borrower; provided, however, that, if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit each by one or more resident managers or maintenance personnel, any of whom may be the Borrower; and

(vii) For the Qualified Project Period, the Borrower shall not grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project except by foreclosure, deed in lieu of foreclosure or comparable enforcement of the Deed of Trust.

(m) **Very Low Income Tenants; Records and Reports.** Pursuant to the requirements of the Code and the Issuer, the Borrower hereby represents, warrants and covenants as follows:

(i) Commencing on the date on which at least 10% of the units are first occupied, and continuing throughout the remainder of the Qualified Project Period, no less than 20% of the total number of units of the Project shall at all times be rented to and occupied by Very Low Income Tenants. For the purposes of this subsection, a vacant unit that was most recently occupied by a Very Low Income Tenant will be treated as rented and occupied by a Very Low Income Tenant until reoccupied for other than a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined;

(ii) No tenant qualifying as a Very Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants; provided, however, that, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Very Low Income Tenant of the same family size and the unit occupied by such Very Low Income Tenant constitutes a portion of the 20% requirement of paragraph (i) above, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant and such unit so rented will then constitute a portion of the 20% requirement of the preceding subparagraph; and provided, further, that, until such next available unit is rented to a tenant who is a Very Low Income Tenant, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the 20% requirement of the preceding subparagraph; and provided, further, that such unit is occupied by such new Very Low Income Tenant prior to the date the next annual determination of compliance hereunder occurs (as described below).

Without limitation of the foregoing, the Borrower further covenants that:

(iii) Within 60 days of the commencement of the Qualified Project Period, it will obtain, complete and maintain on file Income Certifications from each tenant in the Project, including (i) an Income Certification dated immediately prior to the initial occupancy of such tenant in the Project and (ii) thereafter annual Income Certifications of each tenant. The Borrower will obtain such additional information as may be required by section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations described in section 142(d) of the Code;

(iv) A copy of the most recent Income Certifications for Very Low Income Tenants residing in the Project shall be attached to each report to be filed with the Issuer pursuant hereto. The Borrower shall make a diligent and good faith effort to determine that the income information provided by an applicant in an Income Certification is accurate by taking one or more of the following steps, as a part of the verification process: (1) obtain pay stubs for the most recent one-month period; (2) obtain income tax returns for the most recent two tax years; (3) conduct a consumer credit search; (4) obtain an income verification from the applicant's current employer; (5) obtain an income verification from the Social Security Administration; or (6) if the applicant is unemployed, does not have income tax returns or is otherwise unable to provide other forms of verification as required above, obtain another form of independent verification as would, in the Borrower's reasonable commercial judgment, be satisfactory;

(v) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units and will permit, at all reasonable times and upon reasonable notice during normal business hours, any duly authorized representative of the Issuer, the Program Administrator, the Trustee, the Department of the Treasury or the Internal Revenue Service to enter upon the Property to examine and inspect the Project and to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units;

(vi) The Borrower will prepare and submit to the Issuer no later than the last day of the first month of the Qualified Project Period, and thereafter annually until the end of the Qualified Project Period, a Continuing Program Compliance Certificate in substantially the form attached to the Regulatory Agreement. Such Certificates will be provided to the Trustee upon request. A copy of

the most recent Income Certification for Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit (and not previously filed) shall be attached to the Continuing Program Compliance Certificate;

(vii) On or before each February 15 during the Qualified Project Period, the Borrower will submit to the Issuer a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of section 142(d) of the Code, and on or before each March 31 during the Qualified Project Period, the Borrower will submit such completed form to the Secretary of the Treasury;

(viii) Each lease or rental agreement pertaining to a Very Low Income Unit shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very Low Income Unit and that any material misstatement in such certification (whether or not intentional) may be cause for immediate termination of such lease or rental agreement. Each such lease or rental agreement shall also provide (and shall so disclose to the tenant) that the tenant's income is subject to annual certification;

(ix) For the Qualified Project Period, all new tenant leases or rental agreements, and any renewals or extensions of existing tenant leases and rental agreements, shall be subordinate to the Regulatory Agreement and shall contain clauses, among others, wherein each tenant who occupies a Very Low Income Unit: (i) certifies the accuracy of the statements made in the Income Certification and (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Issuer or the Trustee, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant.

(n) **Public Approval.** The Borrower hereby covenants that no portion of the proceeds of the Bonds will be used to provide any facility not reasonably within the scope of facilities approved pursuant to section 147(f) of the Code and section 5f.103-2 of the Temporary Income Tax Regulations (or succeeding authoritative guidance promulgated by the Internal Revenue Service pursuant to said section 147(f) of the Code) in respect of the Bonds.

(o) **Elections.** The Borrower hereby directs and authorizes any Authorized Issuer Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Issuer Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Bonds.

(p) **Closing Certificate.** The Borrower agrees to execute and deliver in connection with the issuance of Bonds a *Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986*, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

Notwithstanding the foregoing, the Borrower agrees to comply with all obligations to be performed on its part under the Regulatory Agreement, regardless of whether such obligations are more stringent than similar provisions contained in this Section 5.6.

Section 5.7 **Regulatory Agreement.** In order to maintain the exclusion from gross income under federal tax law of interest on the Bonds and to assure compliance with the laws of the State of California, the Act and certain additional requirements of the Issuer, the Borrower hereby agrees that it shall, concurrently with or before the execution and delivery of the Bonds, execute and deliver and, prior to disbursement of any Bond proceeds, cause to be recorded the Regulatory Agreement and comply with the provisions thereof.

The Borrower hereby acknowledges that in the event of a default under the Regulatory Agreement which is not cured within the period set forth in the Regulatory Agreement, the Loan may be accelerated by the Issuer, in its sole discretion. The Borrower agrees to cause any amendments to the Regulatory Agreement to be recorded in the appropriate official public records. The books and records of the Borrower pertaining to the incomes of Very Low Income Tenants residing in the Project shall be open to inspection by any authorized representative of the Issuer, the Program Administrator and the Trustee. In any event, however, the Trustee may rely, without further investigation or review, upon such books and records and all certificates and statements in connection therewith. The Trustee and the Credit Bank shall not be responsible for monitoring the Borrower's compliance with the Regulatory Agreement.

Section 5.8 **Letter of Credit.** There shall be continuously available to the Trustee, as beneficiary, an irrevocable direct-pay Letter of Credit meeting the requirements of subsection (a) of this Section while the Bonds bear interest at a Weekly Rate or Daily Rate; meeting the requirements of subsection (b) of this Section while the Bonds bear interest at a Reset Rate; and meeting the requirements of subsection (c) of this Section from and after the Conversion Date. The Borrower shall have the right at any time during the Weekly Period or a Daily Period or in connection with an Interest Rate Conversion Date, to provide to the Trustee a substitute Letter of Credit which meets the requirements of this Section, and the Trustee has been directed pursuant to Section 5.05 of the Indenture to accept any such substitute Letter of Credit.

(a) The following requirements shall apply to any Letter of Credit provided while the Bonds bear interest at a Weekly Rate or a Daily Rate:

(1) The Letter of Credit initially provided shall be effective from no later than the Closing Date, and any Letter of Credit provided in substitution for any then-outstanding Letter of Credit, shall be for a term commencing not later than the expiration date of the term of the prior Letter of Credit.

(2) The Letter of Credit initially provided shall be for a term expiring not earlier than thirty-nine (39) months after the Closing Date, and any Letter of Credit provided in substitution for any then-outstanding Letter of Credit shall be for a term of not less than one year; provided that any Letter of Credit may provide that it shall terminate prior to its stated expiration date upon a Reset Date or the Conversion Date or upon receipt by the Credit Bank of notice from the Trustee that no Bonds remain outstanding or upon the date of issuance and delivery of a substitute Letter of Credit.

(3) Each Letter of Credit shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds for a period of forty-five (45) days (or such greater or lesser period as may be required to receive a rating on the Bonds) calculated at an assumed maximum rate of twelve percent (12%) per annum.

(4) Except for its term, each Letter of Credit shall have substantially the same provisions as the Letter of Credit delivered on the Closing Date, including, without

limitation, provisions permitting drawings thereunder to pay amounts due on the Bonds on the scheduled dates for payment of such amounts or upon redemption or acceleration and to pay the Purchase Price of Bonds tendered for purchase as provided in Section 2.03 of the Indenture, and providing for automatic and irrevocable reinstatement of the amount thereof upon any drawing thereunder to pay interest on the Bonds as set forth therein and shall be in a form acceptable to the Trustee.

(5) Each Letter of Credit shall be issued by a national banking association organized under the National Banking Act, or any successor law, or a banking corporation organized under the laws of any state of the United States, or a savings and loan association or corporation or savings bank organized under the laws of the United States or any state thereof, or a branch or agency of a foreign banking corporation or association licensed in one of the States of the United States, or any other issuer acceptable to the Issuer and the Borrower.

(6) Each Letter of Credit delivered to the Trustee following the Closing Date must be accompanied by (i) an opinion of Bond Counsel addressed to the Trustee to the effect that delivery of the Letter of Credit complies with the provisions of this Agreement and the Indenture and will not cause interest on the Bonds to become includable in gross income for federal income tax purposes; and (ii) one or more Opinions of Counsel, if necessary, addressed to the Trustee to the effect, singly or together, that:

(A) The Letter of Credit is a legal, valid and binding obligation of the Credit Bank, enforceable against the Credit Bank in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to the Credit Bank and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and

(B) Payments made by the Credit Bank under the Letter of Credit would not violate Section 362(a) of the Federal Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from a bankruptcy court, or will not be voidable under Section 547 or recoverable under Section 550 of the Federal Bankruptcy Code in the context of a case or proceeding by or against the Borrower or by the Issuer under the Federal Bankruptcy Code.

(7) Each Letter of Credit delivered to the Trustee in substitution for the then-outstanding Letter of Credit shall be delivered not less than fifteen (15) days prior to such substitution date, be effective on such substitution date and shall be accompanied by a written statement, signed by an officer of each Rating Agency which then maintains a rating on the Bonds, to the effect that the proposed substitution will not cause a withdrawal of the rating on the Bonds or a reduction below the rating of "VMIG-1" or "A-1" (or its equivalent).

(8) Any deed of trust on the Project securing the Borrower's reimbursement obligation with respect to the Letter of Credit shall be subordinate to the Regulatory Agreement subject to the provisions of such deed of trust or other agreements executed by the Issuer.

(b) The following requirements shall apply to any Letter of Credit provided in connection with a Reset Date:

(1) The Letter of Credit provided in connection with a Reset Date shall be delivered not less than fifteen (15) days before the Reset Date and shall be effective from no later than the Reset Date.

(2) Each Letter of Credit shall be for a term expiring not earlier than one year from its effective date; provided that any Letter of Credit may provide that it shall terminate prior to its stated expiration date upon receipt by the Credit Bank of notice from the Trustee that no Bonds remain outstanding.

(3) Each Letter of Credit shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds for a period of at least 210 days (or such greater or lesser period as may be required to receive a rating on the Bonds).

(4) Each Letter of Credit shall contain provisions permitting drawings thereunder to pay amounts due on the Bonds on the scheduled dates for payment of such amounts or upon redemption or acceleration and to pay the Purchase Price of Bonds tendered for purchase as provided in Section 2.03 of the Indenture, and providing for automatic and irrevocable reinstatement of the amount thereof upon any drawing thereunder to pay interest on the Bonds.

(5) Each Letter of Credit shall be issued by an entity described in subsection (a)(5) of this Section.

(6) The Letter of Credit to be delivered to the Trustee in connection with a Reset Date must be accompanied by an opinion of Bond Counsel and one or more Opinions of Counsel, each addressed to the Trustee, to the effect set forth in subsection (a)(6) of this Section and such consents, if any, required by subsection (a)(6) of this Section.

(7) The Letter of Credit to be delivered to the Trustee in connection with a Reset Date shall be accompanied by a written statement, signed by an officer of each Rating Agency which then maintains a rating on the Bonds, to the effect that any rating on the Bonds will not be reduced or withdrawn, or, if reduced, will be maintained at a long term rating of "A" or such lesser rating as may be approved in writing by the Issuer, solely as a result of the delivery of such Letter of Credit.

(8) Any deed of trust on the Project securing the Borrower's reimbursement obligation with respect to the Letter of Credit shall be subordinate to the Regulatory Agreement subject to the provisions of such deed of trust or other agreement executed by the Issuer.

(c) The following requirements shall apply to any Letter of Credit provided in connection with Conversion:

(1) The Letter of Credit provided in connection with Conversion shall be delivered not less than fifteen (15) days before the Conversion Date and shall be effective from no later than the Conversion Date

(2) Each Letter of Credit shall be for a term expiring not earlier than one year from its effective date; provided that any Letter of Credit may provide that it shall terminate prior to its stated expiration date upon receipt by the Credit Bank of notice from the Trustee that no Bonds remain outstanding.

(3) Each Letter of Credit shall be in an amount at any date not less than the sum of the aggregate principal amount of the Bonds then outstanding, plus an amount equal to interest on the Bonds for a period of at least 210 days (or such greater or lesser period as may be required to receive a rating on the Bonds).

(4) Each Letter of Credit shall contain provisions permitting drawings thereunder to pay amounts due on the Bonds on the scheduled dates for payment of such amounts or upon redemption or acceleration, and providing for automatic and irrevocable reinstatement of the amount thereof upon any drawing thereunder to pay interest on the Bonds and shall be in a form acceptable to the Trustee.

(5) Each Letter of Credit shall be issued by an entity described in subsection (a)(5) of this Section.

(6) The Letter of Credit to be delivered to the Trustee in connection with Conversion must be accompanied by an opinion of Bond Counsel and one or more Opinions of Counsel, each addressed to the Trustee, to the effect set forth in subsection (a)(6) of this Section and such consents, if any, required by subsection (a)(6) of this Section.

(7) The Letter of Credit to be delivered to the Trustee in connection with Conversion, as provided in Section 2.02(e) of the Indenture, shall be accompanied by a written statement, signed by an officer of each Rating Agency which then maintains a rating on the Bonds, to the effect that the long-term rating on the Bonds will not be reduced or withdrawn, or, if reduced, will be maintained at a long term rating of "A" or such lesser rating approved in writing by the Issuer, solely as a result of the delivery of such Letter of Credit.

(8) Any deed of trust on the Project securing the Borrower's reimbursement obligation with respect to the Letter of Credit shall be subordinate to the Regulatory Agreement subject to the provisions of such deed of trust or other agreement executed by the Issuer.

Section 5.9 **Indenture.** The Borrower hereby agrees to all of the terms and provisions of the Indenture and accepts each of its obligations expressed or implied thereunder. The Borrower hereby approves the initial appointment under the Indenture of the Trustee, the Remarketing Agent and the Tender Agent for the Bonds. The Borrower hereby agrees that it will not, and will not permit any general partner, any general partner of a general partner or guarantor of the Borrower, to purchase any Bonds from the Remarketing Agent.

Section 5.10 **Title to and Completion of the Project.** At the time of the Borrower's acquisition of the Project and prior to any disbursement of amounts on deposit in the Program Fund, the Borrower shall have a leasehold interest in the Property and fee title to the Project free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the right, title and interest of the Issuer in and to the Property and the Project; and (iii) any other encumbrances approved by the Credit Bank.

The Borrower covenants to complete the acquisition and construction of the Project with due diligence and in any event no later than December, 2005. Upon completion of the acquisition and construction of the Project, the Borrower promptly will provide the Issuer and the Trustee with a Completion Certificate (as defined in the Regulatory Agreement). In the event the amount in the Program Fund is insufficient to complete the Project, the Borrower agrees to pay from its own funds such additional amounts as are necessary to complete the Project in accordance with all applicable laws and regulations.

Section 5.11 **Design of the Project.** To the best of the Borrower's knowledge the design, rehabilitation and operation of the Project in the manner presently contemplated and as described herein and in the Regulatory Agreement will not and do not conflict with any zoning, water or air pollution or other resolution, order, law or regulation applicable thereto; the Borrower shall cause the Project to be designed and rehabilitated in accordance with all the applicable federal state and local laws or resolutions (including rules and regulations) relating to zoning, building, safety and environmental quality; and the Borrower has not failed, or will not fail, to obtain and maintain in effect any licenses, permits, franchises or other governmental authorizations necessary for the rehabilitation, operation and conduct of the Project to date.

Section 5.12 **No Untrue Statements.** Neither this Agreement or any other document, certificate or statement furnished to the Trustee, the Credit Bank or the Issuer by the Borrower or any Authorized Borrower Representative, contains, to the best of the Borrower's knowledge, any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading as of the date of submittal thereof, the date of execution hereof and as of the Closing Date. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Issuer as an inducement to make the Loan and that if any such statements, representations and warranties were materially incorrect at the time they were made or as of the Closing Date, the Issuer and the Trustee may consider any such misrepresentation or breach an Event of Default hereunder.

Section 5.13 **Continuing Disclosure.** In the event that the interest rate on the Bonds is converted on an Interest Rate Conversion Date pursuant to the Indenture, such that the Securities and Exchange Commission (the "SEC") applies to the Bonds any of the continuing disclosure provisions set forth in Rule 15c2-12 as promulgated and amended by the SEC under the Securities Exchange Act of 1934 ("Rule 15c2-12"), the Borrower agrees to comply with all applicable provisions of Rule 15c2-12 and to assume on behalf of the Issuer any and all obligations, reasonable costs, reasonable fees or reasonable expenses arising therefrom. The Borrower hereby acknowledges that the Issuer is not an "obligated person" for purposes of Rule 15c2-12. The Issuer shall have no obligation with respect to the payment of any obligations, costs, fees or expenses incurred in connection with meeting any requirements of Rule 15c2-12.

## ARTICLE VI

## DAMAGE, DESTRUCTION AND CONDEMNATION USE OF PROCEEDS

Section 6.1 **Obligation to Continue Payments.** If prior to full payment of the Bonds (or provision for payment thereof in accordance with the provisions of the Indenture) the Project or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or title to, or the temporary use of, the Project or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Borrower shall nevertheless be obligated to continue to pay the amounts specified in Article IV hereof, to the extent not prepaid in accordance with Article VIII hereof.

Section 6.2 **Application of Net Proceeds.** The Net Proceeds, if any, of any insurance or condemnation awards resulting from the damage, destruction or condemnation of the Project or any portion thereof shall be applied in one or more of the following ways at the election of the Borrower, such election to be subject to any conditions set forth or incorporated by reference in the Deed of Trust, by written notice (signed by an Authorized Borrower Representative) to the Issuer, the Credit Bank and the Trustee:

(a) The prompt repair, restoration, relocation, modification or improvement of the stage of completion of rehabilitation of the damaged, destroyed or condemned portion of the Project to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or exercise of such power of eminent domain.

(b) Prepayment of all or a portion of the Loan, subject to and in accordance with Article VIII hereof, and redemption of Bonds; provided that no part of the Net Proceeds may be applied for such purpose unless (1) the entire amount of the Loan is so prepaid and all of the outstanding Bonds are to be redeemed in accordance with the Indenture, or (2) in the event that only a portion of the Loan is so prepaid, the Borrower shall furnish to the Issuer and the Trustee a certificate of the Authorized Borrower Representative acceptable to the Issuer and the Trustee stating (i) that the property forming part of the portion of the Project that was damaged or destroyed by such casualty or was taken by such condemnation proceedings is not essential to the Borrower's use or possession of such portion of the Project or (ii) that such part of the portion of the Project theretofore completed has been repaired, replaced, restored, relocated, modified or improved to enable such portion of the Project to accomplish at least the same function as such portion of the Project was designed to accomplish prior to such damage or destruction or the taking by such condemnation proceedings.

Section 6.3 **Insufficiency of Net Proceeds.** If the Project or a portion thereof is to be repaired, restored, relocated, modified or improved pursuant to Section 6.2 hereof, and if the Net Proceeds are insufficient to pay in full the cost of such repair, restoration, relocation, modification or improvement, the Borrower will nonetheless complete the work or cause the work to be completed and will pay or cause to be paid any cost in excess of the amount of the Net Proceeds.

## ARTICLE VII

## EVENTS OF DEFAULT AND REMEDIES

Section 7.1 **Events of Default.** Any one of the following which occurs and continues shall constitute an Event of Default:

(a) the occurrence of an Event of Default described in Section 7.1(b), (c) or (d) hereof or a default under the Regulatory Agreement if, as set forth in a written opinion of Bond Counsel delivered to the Trustee, such Event of Default or default would be likely to result in interest on the Bonds becoming includable in gross income of a Holder for federal income tax purposes if the Bonds remain outstanding (an "Acceleration Default");

(b) failure by the Borrower to pay any amounts required to be paid under Section 4.2 hereof at the times specified therein;

(c) failure by the Borrower to observe and perform any other covenant, condition or agreement on its part required to be observed or performed by this Agreement, and which continues for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, given to the Borrower by the Issuer or the Trustee, unless the Issuer and the Trustee shall, with the consent of the Credit Bank, agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected;

(d) the making of any representation or warranty by the Borrower in this Agreement or in any document executed in connection with this Agreement (other than the Regulatory Agreement) which is false or misleading in any material respect when made;

(e) the occurrence of any event (including, but not limited to, a nonreinstatement of the stated amount of the Letter of Credit after a drawing thereunder as required and as provided therein) which is an Event of Default under Section 8.1 of the Credit Agreement, and receipt by the Trustee from the Credit Bank of written notice (signed by an Authorized Bank Representative) of such default and a direction that the Bonds be redeemed pursuant to the provisions of the Indenture; or

(f) failure by the Borrower to perform or observe any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement which default remains uncured pursuant to the terms of the Regulatory Agreement resulting in a default thereunder.

The provisions of subsection (c) of this Section, except with respect to defaults under the Regulatory Agreement or under Section 5.6 hereof, are subject to the limitation that the Borrower shall not be deemed in default if and so long as the Borrower is unable to carry out its agreements hereunder by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of California or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such

course is, in the judgment of the Borrower, unfavorable to the Borrower. This limitation shall not apply to any default except under subsection (c) of this Section.

Section 7.2 **Remedies on Default.**

(a) Whenever any Event of Default shall have occurred and shall continue, after giving notice to the Credit Bank and subject to any right of the Credit Bank to cure any such default, the Issuer and the Trustee may take any one or more of the following remedial steps:

(1) The Trustee, upon the occurrence of an Acceleration Default, or at the request or with the direction of the Credit Bank or at the direction of the Issuer with the written consent of the Credit Bank upon the occurrence of any other Event of Default hereunder, by written notice to the Borrower, shall immediately declare to be due and payable immediately the unpaid balance of the Loan.

(2) The Issuer, the Credit Bank and the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower.

(3) Subject to the provisions of subsection (b) of this Section, the Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement.

(4) Subject to the provisions of subsection (b), the Trustee may institute any action or proceeding at law or in equity for the collection of any sums due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable.

(b) In case the Trustee or the Issuer shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Issuer, then, and in every such case, the Borrower, the Trustee, the Credit Bank and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Trustee, the Credit Bank and the Issuer shall continue as though no such action had been taken.

(c) In case proceedings shall be pending for the bankruptcy of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any reasonable amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

Section 7.3 **Agreement to Pay Attorneys.** In the event the Borrower should default under any of the provisions of this Agreement and the Issuer or the Trustee should employ attorneys or incur other expenses and disbursements for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein contained, the Borrower agrees to pay to the Issuer or the Trustee the reasonable fees of such attorneys and such other expenses and disbursements so incurred by the Issuer or the Trustee.

Section 7.4 **No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or required by law to be given. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

Section 7.5 **No Additional Waiver Implied by One Waiver.** In the event any agreement or covenant contained in this Agreement should be breached by the Borrower and thereafter waived by the Issuer or the Trustee with the consent of the Credit Bank, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder including any other breach of the same agreement or covenant.

## ARTICLE VIII

## PREPAYMENT

Section 8.1 **Prepayment of Loan.** The Loan shall not be prepaid except as provided in this Section. No prepayment of the Loan shall relieve the Borrower of its obligations under the Regulatory Agreement during the Qualified Project Period. The Borrower shall be permitted or required to prepay, or shall be deemed to have prepaid, the Loan, in whole or in part, and the principal amount thereof shall be reduced accordingly, in an amount equal to the principal amount of Bonds redeemed and on the date of such redemption, as follows:

(a) The Borrower shall be required to prepay the Loan from the amount of any Net Proceeds of any insurance or condemnation award which are not used to repair or replace the Project pursuant to Section 6.2 hereof.

(b) The Borrower shall be permitted to prepay the Loan on any Business Day (i) while the Bonds bear interest at a Weekly Rate or Daily Rate or on a Reset Date or Conversion Date, (ii) at any time before any date on which the Bonds are subject to redemption pursuant to Section 4.01(f) of the Indenture or (iii) at any other time as may be allowed pursuant to the provisions of the Indenture, provided, that the Borrower provides Available Amounts for the payment of any principal or premium, if any, of and interest on the Bonds due and payable upon the date of such redemption.

(c) The Borrower shall be required to prepay the full remaining balance of the Loan, upon the occurrence of an Acceleration Default and the acceleration of the Loan pursuant to Section 7.2 hereof, or the Credit Bank's request for, or consent to, the acceleration of the Loan following any other Event of Default hereunder pursuant to said Section 7.2.

(d) The Borrower shall be required to prepay the Loan in whole on the date necessary in order for the Bonds to be redeemed as provided in Section 4.01(e) of the Indenture.

(e) The Borrower shall be required to prepay the Loan at the time and to the extent the Bonds are subject to mandatory redemption under any of the provisions of Section 4.01 of the Indenture.

Section 8.2 **Redemption of Bonds Upon Prepayment.** Upon any prepayment of the Loan as provided in Section 8.1, the Trustee is required by the Indenture and in the manner and at the times provided herein to call all or part of the Bonds for redemption and to draw upon the Letter of Credit in the respective amounts set forth in the applicable paragraph of Section 4.01 of the Indenture.

Section 8.3 **Amount of Prepayment.** In the event of any prepayment pursuant to Section 8.1, the amount of the Loan deemed to be prepaid shall be equal to the principal amount of Bonds redeemed as described in Section 8.2. In the case of prepayment of the Loan in full, the Borrower shall pay to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay the accrued interest on the Loan to the date of redemption of the Bonds, all reasonable and necessary fees and expenses of the Issuer, the Trustee and any paying agent accrued and to accrue through final payment of the Bonds and all other liabilities of the Borrower accrued and to accrue under this Agreement. In the case of partial prepayment of the Loan, the Borrower shall pay or cause to be paid to the Trustee an amount sufficient, together with other funds held by the Trustee and available for such purpose, to pay expenses of redemption of the Bonds to be redeemed upon such prepayment.

The Borrower agrees that it will not voluntarily prepay the Loan or any part thereof, except in amounts sufficient to redeem Bonds in whole multiples of $100,000 or any $5,000 integral multiple in excess of $100,000 on or before Conversion or in whole multiples of $5,000, after Conversion, and to pay any applicable redemption premium and accrued interest to the redemption date.

In addition, if the Borrower shall prepay the Loan in whole during the Qualified Project Period as defined in the Regulatory Agreement, the Borrower shall continue to pay to the Issuer the annual administration fee of the Issuer as set forth in Section 23 of the Regulatory Agreement, to compensate the Issuer for its services and expenses (including those of any Program Administrator appointed by it) in monitoring compliance with the Regulatory Agreement for the remaining term of the Qualified Project Period.

## ARTICLE IX

## LIMITATION ON LIABILITY OF ISSUER; EXPENSES; INDEMNIFICATION

Section 9.1 **Limitation on Liability of Issuer.** The Issuer shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, except from Revenues. The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds and to pay expenses related thereto will be provided by the payments made by the Borrower pursuant to this Agreement, together with other Revenues, including any drawings under the Letter of Credit or investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby confirms that amounts available to pay all principal of, and premium, if any, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), have been calculated to be at all times sufficient for such purpose.

Any obligation or liability of the Issuer created by or arising out of this Agreement (including, without limitation, any liability created by or arising out of the representations, warranties or covenants set forth herein or otherwise) shall not impose a debt or pecuniary liability upon the Issuer or a charge upon its general credit, but shall be payable solely out of the Revenues. Neither the issuance of the Bonds nor the delivery of this Agreement shall, directly or indirectly or contingently, obligate the Issuer to make any appropriation for their payment. Nothing in the Bonds or in the Indenture or this Agreement or the proceedings of the Issuer authorizing the Bonds or in the Act or in any other related document shall be construed to authorize the Issuer to create a debt of the Issuer within the meaning of any constitutional or statutory provision of the State of California. No breach of any pledge, obligation or agreement of the Issuer hereunder may impose any pecuniary liability upon the Issuer or any charge upon its general credit.

Section 9.2 **Expenses.** The Borrower covenants and agrees to pay and to indemnify the Issuer and the Trustee against all costs and charges, including reasonable fees and disbursements of agents, attorneys, accountants, consultants and other experts, incurred in good faith in connection with this Agreement, the Bonds or the Indenture.

Section 9.3 **Indemnification.**

(a) The Borrower releases the Issuer and the initial Program Administrator from, and covenants and agrees that neither the Issuer nor the Program Administrator shall be liable for, and covenants and agrees, to the extent permitted by law, to indemnify and hold harmless the Issuer and the Program Administrator and its officers, employees and agents from and against, any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with (i) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or rehabilitation of the Project or any part thereof, including, but not limited to, the use, presence, storage, release or disposal of any hazardous substances on or about the Project, including, but not limited to, any liabilities or responsibilities of the Issuer with respect to the Americans with Disabilities Act of 1990, as amended, insofar as they relate to the Project or arise out of the Issuer's issuance of the Bonds; (ii) the issuance and sale, resale or remarketing of any Bonds and the making of the Loan or any certifications or representations made by anyone other than the Issuer in connection therewith and the carrying out of any of the transactions contemplated by the Bonds and this Agreement; or (iii) any and all claims arising from any act or omission of the Borrower or any Authorized Borrower Representative in connection with the Loan or the Project; (iv) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture; or (v) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the

circumstances under which they were made, not misleading, in any official statement or other offering circular utilized by the Issuer or any underwriter or placement agent in connection with the sale or remarketing of any Bonds; provided that such indemnity shall not be required for damages that result from the willful misconduct on the part of the party seeking such indemnity. The Borrower further covenants and agrees, to the extent permitted by law, to pay or to reimburse the Issuer and the Program Administrator and its officers, employees and agents for any and all costs, reasonable attorneys' fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of the willful misconduct of the party claiming such payment or reimbursement. The provisions of this Section shall survive the retirement of the Bonds and the termination of this Agreement in accordance with its terms.

(b) The Borrower releases the Trustee from, and covenants and agrees that the Trustee shall not be liable for, and covenants and agrees, to the extent permitted by law, to indemnify and hold harmless the Trustee and its officers, employees and agents from and against any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with (i) the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or rehabilitation of the Project or any part thereof, including, but not limited to, the use, storage, release or disposal of any hazardous substances on or about the Project; (ii) the issuance of any Bonds or any certifications or representations made by the Borrower in connection therewith and the carrying out by the Borrower of any of the transactions contemplated by the Bonds and this Agreement; (iii) the Trustee's acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture; or (iv) with respect to the Borrower or the Project, any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering circular utilized by the Issuer or any underwriter or placement agent in connection with the sale or remarketing of any Bonds; provided that such indemnity shall not be required for damages adjudicated to have resulted from the negligence or willful misconduct on the part of the party seeking such indemnity. The Borrower further covenants and agrees, to the extent permitted by law, to pay or to reimburse the Trustee and its officers, employees and agents for any and all costs, reasonable attorneys' fees, liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions, except to the extent that the same arise out of the negligence or willful misconduct of the party claiming such payment or reimbursement. The Trustee shall have the rights to select its own counsel in connection with any such losses, claims, damages and disabilities in connection therewith. The provisions of this Section shall survive the resignation or removal of the Trustee and the final payment of the Bonds.

Nothing contained herein shall in any way be construed to impose any duties upon the Trustee beyond those contained in the Indenture. All immunities, indemnities, exceptions from liability and other provisions of the Indenture insofar as they relate to the Trustee shall apply to this Agreement. The immunities of the Trustee also extend to its directors, officers, employees and agents.

## ARTICLE X

## MISCELLANEOUS

Section 10.1 **Notices.** Except an otherwise provided herein, all notices, certificates or other communications shall be deemed sufficiently given on the third day following the day on which the same have been mailed by first class mail, postage prepaid, addressed to the Issuer, the Borrower, the Trustee or the Credit Bank at the respective addresses set forth in Section 11.06 of the Indenture. A duplicate copy of each notice, certificate or other communication given hereunder by either the Issuer or the Borrower to the other shall also be given to the Trustee and the Credit Bank. The Issuer, the Borrower, the Trustee and the Credit Bank may, by notice given hereunder, designate any different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.2 **Severability.** If any provision of this Agreement shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 10.3 **Execution of Counterparts.** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument; provided, however, that for purposes of perfecting a security interest in this Agreement by the Trustee under Article 9 of the California Uniform Commercial Code, only the counterpart delivered, pledged and assigned to the Trustee shall be deemed the original.

Section 10.4 **Amendments, Changes and Modifications.** Except as otherwise provided in this Agreement or the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Indenture, this Agreement may be effectively amended, changed, modified, altered or terminated only by written instrument executed by the parties hereto and only with the written consent of the Credit Bank.

Section 10.5 **Governing Law.** This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of California.

Section 10.6 **Authorized Representatives.** Whenever under the provisions of this Agreement the approval of the Borrower or the Issuer or the Credit Bank is required for any action, and whenever the Borrower or the Issuer or the Credit Bank is required to deliver any notice or other writing, such approval or such notice or other writing shall be given, respectively, on behalf of the Borrower by the Authorized Borrower Representative and on behalf of the Issuer by the Authorized Issuer Representative and on behalf of the Credit Bank by the Authorized Bank Representative, and the Issuer, the Trustee, the Credit Bank and the Borrower shall be authorized to act on any such approval or notice or other writing and none of the parties hereto nor the Credit Bank shall have any complaint against the other or against the Trustee as a result of any such action taken.

Section 10.7 **Term of the Agreement.** This Agreement shall be in full force and effect from the date hereof and shall continue in effect as long as any of the Bonds are outstanding or the Trustee holds any moneys under the Indenture, whichever is later. The provisions of Section 9.3 and all representations, certifications and covenants by the Borrower as to all matters affecting the tax-exempt status of the Bonds shall survive the termination of this Agreement.

Section 10.8 **Binding Effect; Third Party Beneficiary.** This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Trustee, the Borrower and their respective successors

and assigns; subject, however, to the limitations contained in Section 5.2 hereof. The Credit Bank and the Tender Agent are intended to be a third party beneficiary of this Agreement to the extent the provisions hereof are expressly for the benefit of the Credit Bank or the Tender Agent.

Section 10.9 **Capacity of Trustee.** The Trustee is entering into this Agreement solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of Article VIII thereof.

Section 10.10 **Consents or Approvals of Credit Bank.** No provision of this Agreement requiring the consent or approval of the Credit Bank, or requiring any person to act in accordance with the directions of the Credit Bank, shall be deemed to be effective if (i) the Credit Bank is in default of its obligations to make payment with respect to any Bonds in accordance with the terms of the Letter of Credit, or (ii) the Letter of Credit has been surrendered or terminated in accordance with its terms and no amounts are owing to the Credit Bank with respect to reimbursement of draws on the Letter of Credit.

Section 10.11 **Limitation on Liability.** Notwithstanding the foregoing or any other provision or obligation to the contrary contained in this Agreement (i) except with respect to amounts owed under Section 5.6 and 9.3 of this Agreement, the liability of the Borrower and its partners under this Agreement to any person or entity, including, but not limited to, the Trustee or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts held in the funds and accounts created under the Indenture, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Agreement or any other agreement securing the obligations of the Borrower under this Agreement; and (ii) from and after the date of this Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Agreement, amounts held in the funds and accounts created under the Indenture, any rights of the Borrower under the Indenture or any other documents relating to the Bonds or any rights of the Borrower under any guarantees relating to the Project), its partners, successors, transferees or assigns and each of their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Agreement and the Indenture or any agreement securing the obligations of the Borrower under this Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding.

IN WITNESS WHEREOF, the Issuer has caused this Agreement to be executed in its name by its duly authorized officer, the Trustee has caused this Agreement to be executed in its name by its duly authorized officer, and the Borrower has caused this Agreement to be duly executed by its duly authorized representative, all as of the date first above written.

THE COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Title: _____

U.S. BANK, N.A., as Trustee

By _____
Authorized Officer

FC METROPOLITAN LOFTS ASSOCIATES L.P.,
a California limited partnership

By F.C. Metropolitan Lofts, Inc.,
a California corporation,
Managing General Partner

By _____
Gregory M. Vilkin, President

**EXHIBIT A**

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (METROPOLITAN LOFTS APARTMENTS) 2002 SERIES A**

FORM OF FUNDING REQUISITION

Date: _____, Requisition No. _____

1. We hereby request that the sum of $_____ be disbursed from the Program Fund for the items described on Exhibit A hereto, to be paid to the persons or entities as described on said Exhibit A. Capitalized terms not otherwise defined herein shall have the meaning assigned to them in the Indenture of Trust, dated as of December 1, 2002, by and between The Community Redevelopment Agency of the City of Los Angeles, California and U.S. Bank, N.A., as Trustee.

2. The undersigned hereby represents that:

(a) each obligation to which the amount specified above relates has been properly incurred in connection with the Project being financed with the proceeds of the Loan, and is a reimbursable Project Cost properly chargeable against the Program Fund which has not been the basis of any previous disbursements;

(b) not less than ninety-five percent (95%) of such disbursement will be used to pay or reimburse the Borrower for amounts which are (i) for the acquisition, rehabilitation or improvement of land or property of a character subject to the allowance for depreciation under section 167 of the Code, or (ii) for the payment of amounts which are chargeable to a capital account to increase the federal tax basis of the Project or would be so chargeable either with a proper election by the Borrower to deduct such costs or but for proper election by the Borrower to deduct such costs and in each case which otherwise meet the definition of "Qualified Project Costs";

(c) less than twenty five percent (25%) of the original principal amount of the Bonds, will be used to pay or reimburse the Borrower for the cost of acquiring land or any interest therein;

(d) the Regulatory Agreement is in full force and effect and no event of default has occurred and is continuing thereunder; and

(e) the obligations which are the subject of this disbursement request have been incurred for the items set forth on Exhibit A hereto.

FC METROPOLITAN LOFTS ASSOCIATES L.P.,
a California limited partnership

By F.C. Metropolitan Lofts, Inc.,
a California corporation,
Managing General Partner

By _____
Gregory M. Vilkin, President

DISBURSEMENT CONSENTED TO BY:

BANK OF AMERICA, N.A.

By _____
Authorized Bank Representative

DRAFT OF
11/12/02

RECORDING REQUESTED BY:

ATTACHMENT TO ITEM #3

AND WHEN RECORDED RETURN TO:
Fulbright & Jaworski L.L.P.
865 South Figueroa Street, Suite 2900
Los Angeles, California 90017
Attn: Victor Hsu, Esq.

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**REGULATORY AGREEMENT**
**AND DECLARATION OF RESTRICTIVE COVENANTS**

**by and between**

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**

**and**

**FC METROPOLITAN LOFTS ASSOCIATES L.P.**

**Dated as of December 1, 2002**

**relating to**

**$53,000,000**
**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**
**VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS**
**(METROPOLITAN LOFTS APARTMENTS)**
**2002 SERIES A**

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# REGULATORY AGREEMENT
# AND
# DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the "Regulatory Agreement"), made and entered into as of December 1, 2002, is by and between THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, a redevelopment agency and public body, corporate and politic, organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations hereunder, the "Issuer"), and FC METROPOLITAN LOFTS ASSOCIATES L.P., a limited partnership organized and existing under the laws of the State of California (the "Borrower"), as lessee of the real property described in Exhibit A attached hereto.

WITNESSETH:

WHEREAS, the Issuer is authorized, pursuant to Sections 33750 et seq. of the California Health and Safety Code (the "Act") to finance the acquisition, construction and development of multifamily rental housing for families and individuals of low or moderate income; and

WHEREAS, on November [27], 2002, the Issuer adopted a resolution authorizing the issuance of multifamily housing revenue bonds in the amount of $53,000,000, the proceeds of which are to fund a loan to the Borrower (the "Loan") to finance the acquisition, construction and improvement of a multifamily rental housing development to be known as Metropolitan Lofts Apartments in The City of Los Angeles, California (the "Project"); and

WHEREAS, the Issuer and U.S. Bank, N.A., as trustee (the "Trustee") have entered into an Indenture of Trust, dated the date hereof (the "Indenture"), providing for the issuance of $53,000,000 in principal amount of The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A (the "Bonds"); and

WHEREAS, the Issuer, the Borrower and the Trustee have entered into a Loan Agreement, dated the date hereof (the "Loan Agreement"), providing for the terms and conditions under which the Issuer will apply the proceeds of the Bonds to make the Loan to the Borrower to finance the acquisition and construction of the Project; and

WHEREAS, the Act and the Internal Revenue Code of 1986 (the "Code") require that, in order for the interest on the Bonds to be excluded from gross income for federal income tax purposes and otherwise in connection with the making of the Loan, the use and operation of the Project must be restricted in certain respects and in order to ensure that the Project will be used and operated in accordance with the Act and the Code, the Issuer and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the use and operation of the Project;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and for other consideration the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. When used herein, the following capitalized terms shall have the respective meanings assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

"Act" - As defined in the recitals hereto.

"Adjusted Income" - The adjusted income of a person (together with the adjusted income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) as calculated in the manner prescribed pursuant to Section 8 of the United States Housing Act of 1937, or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under section 142 of the Code and the Act.

"Area" - The Primary Metropolitan Statistical Area in which the Project is located, as promulgated by HUD.

"Bond Counsel" - Fulbright & Jaworski L.L.P., or another attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax status of interest on bonds issued by states and their political subdivisions, who is acceptable to the Issuer.

"Borrower" - FC Metropolitan Lofts Associates L.P., a California limited partnership, or its successors or assigns.

"Closing Date" – December __, 2002

"Code" - The Internal Revenue Code of 1986, as in effect on the date the Loan is made or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date Loan is made, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Completion Certificate" - The certificate of completion of the construction of the Project required to be delivered to the Issuer by the Borrower pursuant to Section 2(l) of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit D.

"Completion Date" - The date of the completion of the acquisition and construction of the Project, as that date is certified by the Borrower under Section 2(l) of this Regulatory Agreement.

"County" - The County of Los Angeles, California.

"Credit Agreement" - The Reimbursement Agreement, of even date herewith, between the Borrower and the Credit Bank, as originally executed or as it may from time to time be supplemented or amended, providing for the issuance of the Letter of Credit, and any subsequent agreement pursuant to which a substitute Letter of Credit is issued.

"Credit Bank" - Bank of America, N.A., as issuer of the Letter of Credit, or any issuer of a substitute Letter of Credit as permitted under Section 5.8 of the Loan Agreement, and the respective successors and assigns of the business thereof and any surviving, resulting or

transferee banking association or corporation with or into which it may be consolidated or merged or to which it may transfer all or substantially all of its banking business.

"Deed of Trust" – Any deed of trust securing the obligations of the Borrower under the Loan Agreement or the Credit Agreement, as such deed of trust may be originally executed or as from time to time supplemented and amended.

"HUD" - The United States Department of Housing and Urban Development.

"Income Computation and Certification" - The form by which tenants for Very Low Income Units certify as to their income and eligibility for status as a Very Low Income Tenant, substantially in the form of Exhibit B hereto.

"Issuance Costs" – All costs and expenses of issuance of the Bonds, including, but not limited to:

(i) Underwriters' discount and fees;

(ii) counsel fees, including bond counsel, Underwriters' counsel, Borrower's counsel, Credit Bank's counsel and Issuer's counsel fees, as well as any other specialized counsel fees incurred in connection with the issuance of the Bonds;

(iii) the Issuer fees and expenses incurred in connection with the issuance of the Bonds, including financial advisor's fees and expenses, and the Issuer's administrative fee for processing the request of the Borrower to issue the Bonds;

(iv) Rating Agency fees;

(v) Trustee's fees and Trustee's counsel fees, and initial fees of the Tender Agent;

(vi) paying agent and certifying and authenticating agent fees related to issuance of the Bonds;

(vii) accountant fees related to issuance of the Bonds;

(viii) printing costs of the Bonds and of the final official statement;

(ix) publication costs associated with the financing proceedings;

(x) costs of engineering and feasibility studies necessary to the issuance of the Bonds; and

(xi) Letter of Credit fees payable to the Credit Bank on the Closing Date.

"Loan Agreement" - The Loan Agreement, dated as of December 1, 2002, by and among the Issuer, the Borrower and the Trustee, pursuant to which the Issuer makes the Loan to the Borrower.

"Median Income for the Area" - The median income for the Area as most recently determined by the Secretary of Treasury (which determination is required by section 142(d)(2)(B) of the Code to be consistent with determinations of area median gross income under Section 8 of the United States Housing Act of 1937, or, if such program is terminated, under such program as in affect immediately before such termination).

"Program Administrator" - A governmental authority, a financial institution, a certified public accountant, an apartment management firm, a mortgage insurance company or other business entity performing similar duties or otherwise experienced in the administration of restrictions on bond-financed multifamily housing projects which shall initially be the Issuer and, at the election of the Issuer, any other person or entity appointed by the Issuer who shall enter into an administration agreement in a form acceptable to the Issuer and the Program Administrator.

"Project" - The buildings, structures and other improvements constructed on the Property and financed in whole or in part with the proceeds of the Loan, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements.

"Project Costs" - To the extent authorized by the Code, the Regulations and the Act, any and all costs incurred by the Borrower with respect to the acquisition, construction and development of the Project, including, without limitation, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and Borrower's overhead and supervisors' fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project), and interest accrued during construction and prior to the Completion Date.

"Property" - The parcel or parcels of real property described in Exhibit A hereto, and all rights and appurtenances thereunto appertaining.

"Qualified Project Costs" – Project Costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) of land or of property of a character subject to depreciation in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that (a) only such portion of interest otherwise a Qualified Project Cost and accruing during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs

bear to all Project Costs, (b) interest accruing in respect of any portion of the Project after the date such portion is placed in service (as such term is used in section 167 of the Code) shall not be a Qualified Project Cost, (c) Qualified Project costs shall not include any Issuance Costs, and (d) if any portion of the Project is being constructed or rehabilitated by a Related Person (within the meaning of section 1.150-1(b) of the Treasury Regulations) to the Borrower or the Issuer (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Related Person in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Related Person, and (C) any overhead expenses incurred by the Related Person which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Related Person due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of section 142(d) of the Code, (iii) the costs either (A) are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid), or (B) were preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed in the aggregate twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1).

"Qualified Project Period" - The period beginning on the date on which ten percent (10%) of the units in the Project are first occupied, and ending on the later of (a) the date that is fifty-five (55) years after the Completion Date or (b) the date on which any tax-exempt bond (including any refunding bonds) used to finance or refinance the Project is finally retired.

"Regulations" - The income tax regulations promulgated by the United States Department of the Treasury pursuant to the Code from time to time.

"Related Person" – With respect to a specified Person, each Person that is a "related person" within the meaning of section 1.150-1(b) of the Treasury Regulations, to the Person specified.

"State" - State of California.

"Very Low Income Tenants" - Individuals or families with an Adjusted Income which does not exceed fifty percent (50%) of the Median Income for the Area, adjusted for household size. In no event, however, will the occupants of a residential unit be considered to be Very Low Income Tenants if all the occupants are students, as defined in section 151(c)(4) of the Code, no one of which is entitled to file a joint federal income tax return.

"Very Low Income Units" - The dwelling units in the Project designated for occupancy by Very Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1 notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

Section 2. Acquisition and Construction of the Project. The Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Borrower has incurred, or will incur within six months after the Closing Date, a substantial binding obligation to commence the acquisition, construction and development of the Project (as evidenced by a signed construction contract or otherwise), pursuant to which the Borrower is or will be obligated to expend at least $2,650,000 of the net proceeds of the Loan.

(b) The Borrower's reasonable expectations respecting the total cost of the acquisition, construction and development of the Project and the disbursement of Loan proceeds are accurately set forth in the Borrower's Certificate Regarding Use of Proceeds, which has been delivered to the Issuer on the Closing Date.

(c) The Borrower will proceed with due diligence to complete the acquisition, construction and development of the Project and expects to expend the full amount of the proceeds of the Loan for Project Costs prior to December 1, 2005.

(d) The statements made in the various certificates delivered by the Borrower to the Issuer on the Closing Date are true and correct.

(e) No portion of the proceeds of the Loan will be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(f) Less than 25% of the net proceeds of the Loan will be used (directly or indirectly) for the acquisition of land or an interest therein.

(g) None of the proceeds of the Loan will be used, directly or indirectly, for the acquisition of land or an interest therein, to be used for farming purposes.

(h) None of the proceeds of the Loan will be used (directly or indirectly) for the acquisition of property the first use of which is other than pursuant to such acquisition.

(i) No more than 2% of the sale proceeds of the Loan will be applied to the payment of Issuance Costs.

(j) The Borrower will submit, or cause to be submitted to the Issuer, on or before the date of each disbursement on the Loan, a certificate certifying that the full amount of such disbursement will be applied to reimburse the Borrower for the payment of Project Costs and that, after taking into account the proposed disbursement, the aggregate of such disbursements will have been applied to reimburse the Borrower for the payment of Qualified Project Costs in an amount equal to 95% or more of the aggregate disbursements on the Loan.

(k) All of the amounts received by the Issuer from the proceeds of the Loan and earnings from the investment of such proceeds will be used to pay Project Costs; at least 95% of such amounts will be used to pay or reimburse the Borrower for payment of Qualified Project Costs as certified by the Borrower on requisitions in the form required by the Loan Agreement.

(l) On the Completion Date, the Borrower will submit to the Issuer and the Program Administrator a duly executed and completed Completion Certificate.

(m) Money on deposit in any fund or account in connection with the Loan, whether or not such money was derived from other sources, shall not be used by or under the direction of the Borrower, in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code, and the Borrower specifically agrees that the investment of any such money shall be restricted as may be necessary to prevent the Bonds from being an "arbitrage bond" under the Code.

(n) The Borrower (and any person related to it within the meaning of section 147(a)(2) of the Code) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds from the Loan to be applied in a manner contrary to the requirements of the Loan Agreement or this Regulatory Agreement.

Section 3. Residential Rental Property. The Borrower hereby acknowledges and agrees that the Project will be owned, managed and operated as a "qualified residential rental project" within the meaning of section 142(d) of the Code until the expiration of the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Project is being acquired, constructed and developed for the purpose of providing multifamily residential rental property, and the Borrower shall own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with applicable provisions of section 142(d) of the Code and Section 1.103-

8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and, to the extent required by the Code and the Regulations, each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower convert the Project to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to a condominium ownership except with the prior written approving opinion of Bond Counsel that the interest on the Bonds will not become taxable thereby under section 103 of the Code.

(e) All of the dwelling units in the Project will be available for rental on a continuous basis to members of the general public and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except as required under this Regulatory Agreement and the regulatory agreements and covenants, conditions and restrictions relating to the Loan.

(f) The Property consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities will comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) The Borrower shall not discriminate on the basis of race, religion, color, sex, source of income (*e.g.*, AFDC, SSI), physical disability, age, national origin, ancestry or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(h) No dwelling unit in the Project shall be occupied by the Borrower. Notwithstanding the foregoing, if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of dwelling units in the Project.

(i) On the date of execution and delivery hereof, the Project is in compliance with the provisions of this Section 3 and Section 4 hereof.

The Issuer hereby elects to have the Project meet the requirements of section 142(d)(1)(A) of the Code.

Section 4. Very Low Income Tenants. Pursuant to the requirements of the Issuer and applicable provisions of the Act, the Code and the Regulations, the Borrower hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) During the Qualified Project Period:

(1) Not less than twenty percent (20%) of the completed units in the Project shall be designated as Very Low Income Units and shall be continuously occupied, or held vacant and available for occupancy, by Very Low Income Tenants, subject to Section 4(c) hereof. The Very Low Income Units shall be of comparable quality to those units which are available to other tenants. Tenants in the Very Low Income Units shall have equal access and enjoyment to all common facilities of the Project.

(2) The monthly rent paid by the persons occupying any Very Low Income Units (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to those persons or on behalf of those units) shall not exceed one-twelfth of the amount obtained by multiplying 30% times 50% of the Median Income for the Area, as adjusted by the assumed household size set forth below of each such unit.

| Size of Units | Assumed Number of Persons in Household for Affordable Units |
|---|---|
| Studio | 1 |
| One bedroom | 2 |
| Two bedrooms | 3 |
| Three bedrooms | 4 |
| Four bedrooms | 5 |
| Five or more bedrooms | As determined by HUD |

(3) Very Low Income Units shall remain available on a priority basis for occupancy by Very Low Income Tenants. A unit occupied by a Very Low Income Tenant who at the commencement of the occupancy is a Very Low Income Tenant shall be treated as occupied by a Very Low Income Tenant until: (A) a recertification of such tenant's income in accordance with Section 4(c) below demonstrates that such tenant no longer qualifies as a Very Low Income Tenant and (B) thereafter any residential unit of comparable or smaller size in the Project is occupied by a new resident other than a Very Low Income Tenant. Moreover, a unit previously occupied by a Very Low Income Tenant and then vacated shall be considered occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed thirty-one (31) days.

(b) Immediately prior to a tenant's occupancy of a Very Low Income Unit, the Borrower will obtain and maintain on file an Income Computation and Certification substantially in the form of Exhibit B hereto from each tenant occupying a Very Low Income Unit, dated immediately prior to the initial occupancy of such tenant in the Project. In addition, the Borrower will provide such further information as may be required in the future by the State of California, the Issuer, the Program Administrator, the Code and by the Act, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures or other official statements now or hereafter promulgated, proposed or made by the State of California or the Internal Revenue Service. An annual summary of the occupancy of the Project shall be prepared by the Borrower and filed with the Issuer and the Program Administrator (as required under Section 4(f) hereof), and the United States Secretary of the Treasury pursuant to section 142(d)(7) of the Code. The Borrower shall verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (1) obtain pay stubs for the most recent one-month period; (2) obtain income tax returns for the most recent two tax years; (3) conduct a consumer credit search; (4) obtain an income verification from the applicant's current employer; (5) obtain an income verification from the Social Security Administration; or (6) if the applicant is unemployed, does not have income tax returns or is otherwise unable to provide other forms of verification as required above, obtain another form of independent verification as would, in the Borrower's reasonable commercial judgment, be satisfactory. The Issuer agrees to consider modifications to the Income Computation and Certification Form proposed by the Borrower from time to time, and the Issuer may approve any such changes following consultation with Bond Counsel.

(c) No tenant qualifying as a Very Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants; provided, however, that, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Very Low Income Tenant of the same family size and the unit occupied by such Very Low Income Tenant constitutes a portion of the 20% requirement of paragraph (a) above, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant and such unit so rented will then constitute a portion of the 20% requirement of the preceding subparagraph; and provided, further, that, until such next available unit is rented to a tenant who is a Very Low Income Tenant, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the 20% requirement of the preceding subparagraph; and provided, further, that such unit is occupied by such new Very Low Income Tenant prior to the date the next annual determination of compliance hereunder occurs (as described below).

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units and will permit, at all reasonable times and upon reasonable notice during normal business hours, any duly authorized representative of the Issuer, the Department of the Treasury or the Internal Revenue Service to enter upon the Property to examine and inspect the Project and to inspect the books and records of the Borrower

pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) Upon the commencement of the Qualified Project Period, and within ten days of the last day of each quarter thereafter until 90% of the units in the Project are first rented, the Borrower shall advise the Issuer and the Program Administrator of the status of the occupancy of the Project by delivering to such parties a Certificate of Continuing Program Compliance substantially in the form of Exhibit C hereto. Copies of the most recent Income Computation and Certifications for Very Low Income Tenants shall be attached to such quarterly and annual reports.

(f) Each lease for the Project shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease. Each such lease shall also provide (and shall so disclose to the tenant) that the tenant's income is subject to annual certification.

(g) On or before each August 15 during the Qualified Project Period, the Borrower will submit to the Issuer a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of section 142(d) of the Code. On or before each September 30 during the Qualified Project Period, the Borrower will submit such completed form to the Secretary of the Treasury.

(h) During the Qualified Project Period, all new leases for the Project, and any renewals or extensions of existing leases for the Project, shall be subordinate to this Regulatory Agreement and shall contain clauses, among others, wherein each tenant: (i) certifies the accuracy of the statements made in the Income Certification and (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower or the Issuer, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant.

Section 5. Filings and Notifications. The Borrower and the Issuer each hereby represents, as of the date hereof, and warrants, covenants and agrees that it will file of record such documents and take such other steps as are necessary, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any document (other than the Deed of Trust and the regulatory agreements and covenants, conditions and restrictions relating to the Loan and any leases to individual occupants of units in the Project) transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to

obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 6. Tax Status of the Bonds. (a) The Borrower and the Issuer each hereby represents, as of the date hereof, and warrants, covenants and agrees that:

(i) It will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would violate any of the obligations on its part contained in Section 5.6 of the Loan Agreement or Section 6.06 of the Indenture, or that would otherwise adversely affect the exclusion from gross income for federal income tax purposes or the exemption from California personal income taxation of the interest on the Bonds and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof;

(ii) It will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, to comply fully with the Act and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under section 142(d) of the Code to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; and

(iii) It will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

(b) The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any document transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

(c) The Borrower and the Issuer hereby agree as follows:

(i) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement which must be complied with in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(ii) The Borrower and the Issuer shall execute, deliver and, if applicable, file of record any and all documents and instruments, necessary to effectuate the intent of this Section 6, and each of the Borrower and the Issuer hereby appoints the Program Administrator as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Issuer defaults in the performance of its obligations under this subsection (c)(ii); provided, however, that the Program Administrator shall take no action under this subsection (c)(ii) without first notifying the Borrower or the Issuer, or both of them, as is applicable, unless directed in writing by the Issuer or the Borrower and without first providing the Borrower or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 6.

Section 7. Indemnification. The Borrower hereby releases the Issuer from, and covenants and agrees that the Issuer shall not be liable for, and covenants and agrees, to the extent permitted by law, to indemnify and hold harmless the Issuer, the Program Administrator (if not the same as the Issuer) and their respective members of the board of commissioners or governing board, officers, employees, agents and representatives (individually and collectively, "Issuer Indemnitees") from and against all claims, liabilities, obligations, damages, penalties, litigation, costs, charges and expenses (including without limitation reasonable attorneys, accounting, consulting, engineering, and other fees and expenses) of every conceivable kind, character and nature whatsoever, imposed on, incurred by or asserted against any Issuer Indemnitee and arising from, resulting from, or in any way connected with or related to (i) any cause whatsoever in connection with the approval of tax-exempt financing for the Project, the issuance of the Bonds or the making or administration of the Loan; (ii) any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Bonds or the Loan; (iii) the Issuer's execution of the Loan Agreement or this Regulatory Agreement, or any other documents related to the Bonds, or the exercise or performance by any Issuer Indemnitee of any powers or duties under this Regulatory Agreement or the Loan Agreement; (iv) the marketing, remarketing or sale of the Bonds or any certifications or representations of the Borrower made in connection therewith and the carrying out of any of the transactions contemplated by the Loan Agreement and this Regulatory Agreement; or (v) the Project, or the conditions, occupancy, use, possession, conduct or management of or work done in and about or from the acquisition and construction of the Project or any part thereof; provided, however, that from and after the Completion Date, nothing in the foregoing indemnity shall be construed to abrogate the nonrecourse nature of the Borrower's obligations as set forth in the Loan Agreement. The Borrower further covenants and agrees, to the extent permitted by law, to pay or to reimburse the Issuer and its officers, officials, employees, agents and representatives for any and all costs, reasonable attorney's fees liabilities or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions. The indemnity provided in this Section shall include within its scope, without limitation, any claims for wrongful death, any vicarious liability imposed upon any Issuer Indemnitee and any liability imposed by law on any Issuer Indemnitee on a strict liability theory or pursuant to any local, state or federal environmental statute, regulation or law. It is the express intention of the parties that the Borrower shall indemnify each Issuer Indemnitee against any and all such liability hereunder.

Each Issuer Indemnitee shall have the right to retain separate defense counsel at the sole cost and expense of the Borrower and to approve any settlement in connection with any such losses, claims, damages, liabilities, expenses or actions.

The provisions of this Section shall survive the repayment of the Loan and the retirement of the Bonds.

Section 8. Consideration. The Issuer has made the Loan to provide funds to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate, develop and operate the Project. In consideration of the making of the Loan by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein.

Section 9. Reliance. In performing their duties and obligations hereunder, the Issuer and the Program Administrator may rely upon statements and certificates of the Borrower and Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer hereunder in good faith and in conformity with such opinion.

Section 10. Sale or Transfer of the Project. Except for any purchase option, right of first refusal and general partner replacement provisions set forth in the Borrower's limited partnership agreement, the Borrower intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), without obtaining the prior consent of the Issuer [and] [, which consent shall be given] upon receipt by the Issuer of (i) reasonable evidence satisfactory to the Issuer that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Regulatory Agreement, (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) the Issuer receives evidence acceptable to the Issuer that either (A) the purchaser or assignee has experience in the ownership, operation and management of rental housing developments such as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such developments, or (B) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subparagraph (A) above or if the purchaser or assignee does not have management experience, the Issuer will provide on-site training in program compliance if the Issuer determines such training is necessary, and (iv) the Borrower certifies that no uncured event of default exists under the Loan Agreement, the Indenture or the Deed of Trust. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 10 shall be null, void and without effect, shall cause a reversion of title to the Borrower, shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Not less than 20 days prior to consummating any sale, transfer or disposition of any interest in the Project, the Borrower shall deliver to the Issuer a notice in writing explaining the nature of the proposed transfer.

Section 11. Term. Subject to this Section 11, this Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect during the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive termination of the Loan Agreement and retirement of the Bonds. Notwithstanding any other provisions of this Regulatory Agreement to the contrary, this entire Regulatory Agreement, or any of the provisions or sections hereof, may be terminated upon agreement by the Issuer and the Borrower subject to compliance with any of the provisions contained in this Regulatory Agreement only if there shall have been received an opinion of Bond Counsel that such termination will not adversely affect the exclusion from gross income for federal income tax purposes or the exemption from State personal income taxation of the interest on the Bonds and will otherwise not violate any provision of the Act.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement, and all and several of the terms hereof, shall terminate and be of no further force and effect in the event of a foreclosure or delivery of a deed in lieu of foreclosure whereby a third party shall take possession of the Project or involuntary non-compliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal authority after the date hereof which prevents the Issuer from enforcing the provisions hereof or condemnation or a similar event and the payment in full of the Bonds within a reasonable period thereafter; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall (i) remain in effect if the Issuer so elects following foreclosure of the Deed of Trust or conveyance in lieu of such foreclosure, and (ii) be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person to it (within the meaning of section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for Federal income tax purposes.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 12. Covenants to Run With the Land. The Borrower hereby subjects the Project and the Property to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project or the Property; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or the Property or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. No breach of any of the provisions of this Regulatory Agreement shall defeat or render invalid the lien of a mortgage or deed of trust made in good faith and for value encumbering the Property or any interest of the Borrower therein.

Section 13. Burden and Benefit. The Issuer and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 14. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Property.

Section 15. Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or the Program Administrator to the Borrower, then the Issuer acting on its own behalf, or the Program Administrator on behalf of the Issuer, may declare an "Event of Default" to have occurred hereunder, and, at its option, may take any one or more of the following steps:

(i) by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Program Administrator hereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder; or

(iv) subject to the provisions of Article VII of the Loan Agreement, declare a default under the Loan, and accelerate the indebtedness evidenced by the Bonds.

Section 16. Recording and Filing. The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto to be recorded and filed in the real property records of the County and in such other places as the Issuer may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

Section 17. Limited Liability. All obligations and liabilities of the Issuer incurred hereunder shall be limited, special obligations, payable solely and only from amounts derived by the Issuer from the Loan or otherwise under the Loan Agreement.

Section 18. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in such State.

Section 19. Amendments. Except as provided in Section 6(c)(i) hereof, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County.

Section 20. Notices. All notices, certificates or other communications, hereunder shall be sufficiently given and shall be deemed given on the date personally delivered or on the second day following the date on which the same have been mailed by first class mail, postage prepaid, addressed as follows:

| | |
|---|---|
| Issuer: | The Community Redevelopment Agency of the City of Los Angeles, California<br>354 South Spring Street, Suite 800<br>Los Angeles, California 90013<br>Attention: Mr. Mike Cracraft/Metro Lofts |
| Borrower: | FC Metropolitan Lofts Associates L.P.<br>c/o Forest City Development<br>949 South Hope Street, Suite 100<br>Los Angeles, California 90015<br>Attention: Mr. Gregory M. Vilkin |
| with a copy to (which copy shall not constitute notice to the Borrower): | Bret H. Reed, Jr.<br>A Law Corporation<br>200 Garnet Avenue<br>Balboa Island, CA 92662<br>Attention: Bret H. Reed, Jr., Esq. |

Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 21. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 22. Multiple Counterparts. This Regulatory Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 23. Payment of Fees. Notwithstanding any prepayment of the Bonds, throughout the term of this Regulatory Agreement, the Borrower shall continue to pay to the Issuer its administrative fee described below and in the event of default, to the Issuer reasonable compensation for any services rendered by the Issuer hereunder and reimbursement for all expenses reasonably incurred by the Issuer in connection therewith.

The Borrower shall pay to the Issuer, on or before the Closing Date, its initial financing fee in the amount of $50,000, as set forth in the Loan Agreement. Thereafter, an annual

administrative fee shall be paid to the Issuer, in an annual amount equal to $30,000 on each August 15, commencing on the first August 15 immediately succeeding the Completion Date, as set forth in the Loan Agreement. The fee of the Issuer referenced in this Section shall in no way limit amounts payable by the Borrower under Section 7 hereof, or arising in connection with the Issuer's enforcement of the provisions of this Regulatory Agreement.

In the event that the Bonds are prepaid in part or in full prior to the end of the term of this Regulatory Agreement, the Issuer's fee for the remainder of the term of this Regulatory Agreement, at the option of the Issuer, shall be paid by the Borrower at the time of the prepayment of the Bonds and shall be a lump sum amount equal to the present value (based on a discount rate equal to the bond rate as defined by the Issuer at the time of prepayment) of the Issuer's fee for the number of years remaining under this Regulatory Agreement.

IN WITNESS WHEREOF, the Issuer and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first written hereinabove.

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Authorized Signatory

FC METROPOLITAN LOFTS ASSOCIATES L.P., a California limited partnership

By F.C. Metropolitan Lofts, Inc.,
a California corporation,
Managing General Partner

By _____
Gregory M. Vilkin, President

STATE OF CALIFORNIA )
) ss.
COUNTY OF LOS ANGELES )

On December __, 2002, before me, _____, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

STATE OF CALIFORNIA )
) ss.
COUNTY OF LOS ANGELES )

On December __, 2002, before me, _____, a notary public in and for said state, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacities, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public

# EXHIBIT A

## LEGAL DESCRIPTION

[TO COME]

## EXHIBIT B

## INCOME COMPUTATION AND CERTIFICATION

Project Name: Metropolitan Lofts Apartments

*Household Composition*

| 1. Name of Members of the Household | 2. Relationship to Head of Household | 3. Age | 4. Social Security Number | 5. Place of Employment |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |

6. (a) Are all of the individuals who propose to reside in the unit enrolled as full-time students during five calendar months in the calendar year at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance?

_____Yes _____ No

(b) If the answer to (a) is yes, is at least one of the proposed occupants of the unit a husband or wife entitled to file a joint federal income tax return?

_____Yes _____ No

(c) If the answer to (a) is yes and (b) is no, **PLEASE DO *NOT* CONTINUE.**

*Household Income*

7. For each person 18 years and older listed in Item 1 above, list the total anticipated annual gross income for the 12-month period beginning on the anticipated date of occupancy.

INCOME SHALL INCLUDE:

(a) all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, including part-time employment, before payroll deductions; (b) the net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness); (c) interest, dividends, royalties and periodic payments; (e) payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, sick pay and severance pay; (f) the maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities; (g) periodic and determinable allowances, such as alimony and child support payments and regular contributions and fits received from person not residing in the dwelling; (h) all regular pay, special pay and allowances of a member of the Armed Forces(whether or not living in the dwelling) who is the head of the household or spouse (or other persons whose dependents are residing in the unit); and (i) any earned income credit to the extent that it exceeds income tax liability.

DOES NOT INCLUDE:

(a) casual, sporadic or irregular gifts; (b) amounts which are specifically for or in reimbursement of medical expenses; (c) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses; (d) amounts of educational scholarships paid directly to the student or the educational institution, and amount paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amount of such scholarships or payments to veterans not used for the above purposes are to be included in income; (e) special pay to a family member in the Armed Forces who is away from home and exposed to hostile fire; (f) relocation payments under Title H of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; (g) foster child care payments; (h) the value of coupon allotments for the purchase of food pursuant

to the Food Stamp Act of 1977; (i) payments to volunteers under the Domestic Volunteer Service Act of 1973; (j) payment received under the Alaska Native Claims Settlement Act; (k) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes; (l) payments or allowances made under the Department of Health and Human Services Low-Income Energy Assistance Program; (m) payments received from the Job Training Partnership Act; (n) income derived from the disposition of funds of the Grand River Bank of Ottawa Indians; and (o) the first $2,000,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims.

**PROJECTED INCOME**

| | INCOME | |
|---|---|---|
| Source of Current Income for each Household Member (i.e., salary, interest, child support) | Currently Monthly, Weekly, etc. | Annually |
| _____ | $ | $ |
| _____ | $ | $ |
| _____ | $ | $ |
| _____ | $ | $ |
| _____ | $ | $ |
| _____ | $_____ | $_____ |
| **Total Household Income** | **$** | **$** |

*New Household Assets*

8. List the assets for each person contributing to the household income. If none, write "none" in the space provided.

Current assets include: savings, stocks, bonds, equity in real property or other form of capital investment (excluding necessary personal property such as furniture and automobiles and interest in Indian trust land).

Disposed assets include: assets in which they closed any interest bearing accounts or disposed of any assets such as a home, a business, income property, stocks or bonds during the last two years at less than fair market value.

Value of assets: the value of assets should be based on the asset's original purchase price or actual sale price (if recently disposed) and not the current market value.

(a) Total value of current assets: $_____

(b) Total difference between net market value and amount received for disposed assets: $_____

(c) Total value of net household assets: $_____

9. Neither I nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter the "Owner"), has any family

relationship to the Owner, or owns directly or indirectly any interest in the Owner. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trustee held by the individual or a family member, and ownership, direct or indirect, by a partner of the individual.

10. This certificate is made with the knowledge that it will be relied upon by the Owner to determine maximum income for eligibility to occupy the unit; and I/we declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable and that the statement of total anticipated income contained in paragraph 7 is reasonable and based upon such investigation as the undersigned deemed necessary.

11. I/We will assist the Owner in obtaining any information or documents required to verify the statements made herein, including either an income verification from my/our present employer(s) or copies of federal tax for the immediately preceding calendar year.

12. I/We, the undersigned, state that I/we have read and answered fully, frankly and personally each of the above questions for all persons who are to occupy the unit being applied for in the above-mentioned apartment project.

13. I/We acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Owner to lease the unit and will entitle the Owner to present or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

I/We declare under penalty of perjury that the foregoing is true and correct.

Executed this ___ day of _____ in the City of _____, California.

_____
Applicant

_____
Applicant

_____
Applicant

All persons listed in number 2 above (except children under the age of 18 years) must sign this form.

DETERMINATION OF ELIGIBILITY

(For Completion By Apartment Manager, Not By Prospective Tenant)

1. INCOME DETERMINATION

A. TOTAL GROSS PROJECTED HOUSEHOLD INCOME (FROM ITEM 7 OF PART ONE): $_____

B. INCOME ADJUSTMENT: $_____

If the total of assets listed in Item 8(c) ("Net Family Assets") of Part One exceeds $_____, state the greater of the actual income derived from such assets or the value of such assets multiplied by the current market passbook savings rate: $_____

C. TOTAL ELIGIBLE ADJUSTED ANNUAL INCOME: $_____
(add 1A and 1B)

2. The amount entered in 1C:

_____Qualifies the applicant(s) as Very Low Income Tenant(s).

_____Does not qualify the applicant(s) as Very Low Income Tenants(s).

3. This apartment unit (was/was not) last occupied for a period of more than 31 consecutive days by persons whose aggregate anticipated annual income as certificate in the above manner upon their initial occupancy of the apartment unit qualified them as Very Low Income Tenants.

4. Method used to verify applicant(s) income:

_____Employer income verification

_____Copies of tax returns

_____Other (Specify: _____)

The information on this form has been verified as required by the Regulatory Agreement.

_____
Manager

_____
Date

INCOME VERIFICATION
(For Employed Persons)

DATE: _____

EMPLOYER'S NAME: _____

ADDRESS: _____

_____

EMPLOYEE'S NAME: _____

SOC SEC. NO.: _____

The undersigned employee has applied for a rental unit located in a project financed under The Community Redevelopment Agency of the City of Los Angeles, California Multifamily Housing Revenue Bonds Program. Every income statement of a prospective tenant must be stringently certified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commission or any other form of compensation received on a regular basis.

1) Employed since _____ Present Position _____

2) Probability of Continued Employment _____

3) PAY DATA:

A. BASE PAY: $_____

[ ] Annual [ ] Monthly [ ] Hourly
[ ] Weekly [ ] Other (Specify)

B. EARNINGS:

| Type | Year to Date | Past Year | Projected 12 Months* |
|---|---|---|---|
| Base Pay | $ | $ | $ |
| Overtime | $ | $ | $ |
| Commissions | $ | $ | $ |
| Bonus or Tips | $_____ | $_____ | $_____ |
| TOTAL | $ | $ | $ |

*(Take current monthly income multiplied by 12 months for base pay, overtime, etc.)

4) If Overtime or Bonus is applicable, is its continuance likely?

[ ] Overtime [ ] Yes
[ ] Bonus [ ] Yes

5) Remarks: (if paid hourly, please indicate average hours each week during current and past year) _____

I hereby certify that the statements above are true and complete to the best of my knowledge.

| EMPLOYER'S SIGNATURE | TITLE | DATE |
|---|---|---|

Please return to: _____
_____
_____
_____

I hereby grant to you permission to disclose my income to Metropolitan Lofts Apartments in order that they may determine my income eligibility for rental of an apartment located in their complex which has been financed under The Community Redevelopment Agency of the City of Los Angeles, California Multifamily Housing Program.

| EMPLOYEE'S SIGNATURE | DATE |
|---|---|

INCOME VERIFICATION
(For Self-Employed Persons)

DATE: _____

BUSINESS NAME: _____

BUSINESS ADDRESS: _____

TENANT'S NAME: _____

SOC. SEC. NO.: _____

I hereby attach copies of my individual Federal and State income tax returns for the immediately preceding calendar year and most recent profit/loss statements, and certify that the information shown in such income tax returns and profit/loss statement is true and complete to the best of my knowledge.

_____ _____
Signature Date

Current Annual Income $_____
Bonuses $_____
Commissions $_____

TOTAL CURRENT INCOME $_____

## EXHIBIT C

## CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Pursuant to Section 4(f) of the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2002 (the "Regulatory Agreement"), by and between The Community Redevelopment Agency of the City of Los Angeles, California and FC Metropolitan Lofts Associates L.P. (the "Borrower"), the undersigned duly authorized officer of the Borrower hereby certifies the following, on behalf of the Borrower:

1. The percentage of the dwelling units of the Project which were occupied or deemed occupied, pursuant to Section 4(a) of the Regulatory Agreement, by Very Low Income Tenants during the [annual] [quarterly] period from _____ to _____ was _____%.

2. [No unremedied default has occurred under the Regulatory Agreement] or [A default has occurred under the Regulatory Agreement, the nature of the default is as follows: _____
_____,
and the measures being taken by the Borrower to remedy such default are as follows: _____
_____].

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Regulatory Agreement.

## EXHIBIT D

## COMPLETION CERTIFICATE

I, _____, as an Authorized Borrower Representative of the FC Metropolitan Lofts Associates L.P. (the "Borrower"), do hereby certify and direct, as applicable, in accordance with the provisions of subsection (l) of Section 2 of the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2002 (the "Regulatory Agreement"), by and between The Community Redevelopment Agency of the City of Los Angeles, California (the "Issuer") and the Borrower, to the Issuer and the Program Administrator (as defined in the Regulatory Agreement) as follows:

1. Construction of the Metropolitan Lofts Apartments has been completed in accordance with the plans and specifications applicable thereto, and the date of such completion was on or about _____, _____.

Dated: _____, _____

FC METROPOLITAN LOFTS ASSOCIATES L.P.,
a California limited partnership

By F.C. Metropolitan Lofts, Inc.,
a California corporation,
Managing General Partner

By _____
Title: _____

# BOND PURCHASE AGREEMENT

December ___, 2002

The Community Redevelopment Agency of the
City of Los Angeles, California
Suite 800
354 South Spring Street
Los Angeles, CA 90013
Attention: Deputy Administrator of Finance,
Audit and Accounting

F.C. Metropolitan Lofts Associates LP
c/o Forest City Development
Suite 100
949 South Hope Street
Los Angeles, CA 90015

$53,000,000
The Community Redevelopment Agency of the City of Los Angeles, California
Variable Rate Demand Multifamily Housing Revenue Bonds
(Metropolitan Lofts Apartments) 2002 Series A

Ladies and Gentlemen:

Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp., and Jackson Securities Inc. on their own behalf (together, "Underwriter"), and not as your fiduciary hereby offer to enter into this Bond Purchase Agreement with The Community Redevelopment Agency of the City of Los Angeles, California (the "Issuer") and F.C. Metropolitan Lofts Associates LP, a California limited partnership (the "Borrower"). This Bond Purchase Agreement will be binding upon the Underwriter, the Issuer and the Borrower upon acceptance of such offer by the Issuer and the Borrower at or prior to 12:00 noon, Pacific Time, on the date hereof.

**Section 1. Introduction.** The Issuer is authorized to issue the above-captioned bonds (the "Bonds") in accordance with the authority contained in Chapter 5 of Division 7 of the Government Code in accordance with Sections 33750 et seq. of the Health and Safety Code of the State of California, as now in effect and as from time to time hereafter may be amended or supplemented (the "Act"). The Bonds will be issued pursuant to an Indenture of Trust dated as of December 1, 2002 (the "Indenture") between the Issuer and U.S. Bank, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used to provide a loan (the "Loan") to the Borrower to finance the acquisition and construction of a multifamily residential rental project located in Los Angeles, California (the "Project"). Capitalized terms used herein but not defined herein shall have the meanings assigned thereto in the Indenture.

**Section 2. Purchase, Sale and Delivery of the Bonds.** On the basis of the representations, warranties and agreements contained herein, but subject to the terms and conditions herein set forth, the Underwriter hereby agrees to purchase all, but not less than all, of the Bonds for a purchase price of 100% of the principal amount of the Bonds. The Borrower agrees to cause to be paid to the Underwriter, as compensation for its services in underwriting the Bonds, an underwriting fee (the "Underwriting Fee") in

Underwriter hereby agrees to purchase all, but not less than all, of the Bonds for a purchase price of 100% of the principal amount of the Bonds. The Borrower agrees to cause to be paid to the Underwriter, as compensation for its services in underwriting the Bonds, an underwriting fee (the "Underwriting Fee") in an amount equal to ___% of the principal amount of the Bonds, which includes payment of certain fees and expenses of the Underwriter. The Underwriting Fee shall be due and payable in immediately available funds on the Closing Date solely and exclusively from funds provided by the Borrower.

The Issuer will deliver the Bonds to or for the account of the Underwriter against payment of the purchase price therefor by check payable in immediately available funds to the order of the Trustee or, at the election of the Underwriter, by wire transfer of immediately available funds to the Trustee, or any combination thereof, at or prior to 10:00 a.m., Pacific Time, on December ___, 2002, or at such other time not later than seven days thereafter as the Underwriter, the Borrower and the Issuer shall mutually agree (the "Closing Date"). The Bonds will be delivered, registered in the name of Cede & Co. to The Depository Trust Company in New York, New York not later than 24 hours before the Closing Date. The Bonds may be in printed, engraved, typewritten or photocopied form, and each such form shall constitute "definitive" form.

**Section 3. Financing Documents**. On or prior to the Closing Date, the Underwriter shall have received the following:

(a) The final official statement relating to the Bonds, as amended and supplemented (the "Official Statement"), duly executed on behalf of the Issuer and the Borrower; and

(b) A copy of each of the following documents, duly executed by all parties thereto or certified to the satisfaction of the Underwriter:

(i) Indenture;

(ii) Loan Agreement dated as of the date of the Indenture among the Issuer, the Trustee and the Borrower (the "Loan Agreement");

(iii) Regulatory Agreement and Declaration of Restrictive Covenants dated as of the date of the Indenture between the Issuer and the Borrower (the "Regulatory Agreement");

(iv) Remarketing Agreement dated as of the date of the Indenture between the Borrower and Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. (the "Remarketing Agent")(the "Remarketing Agreement");

(v) Letter of Credit of Bank of America, N.A. (the "Credit Bank"), issued in favor of the Trustee in a stated amount sufficient to pay principal of and interest on, and the purchase price of, the Bonds in accordance with the Indenture (the "Letter of Credit");

(vi) the [Reimbursement Agreement] dated as of the date of the Indenture between the Borrower and the Credit Bank (the "Credit Agreement"); and

(vii) the first lien deed of trust (the "Deed of Trust") from the Borrower to the Trustee securing the Borrower's obligations under the Loan Agreement (the "Deed of Trust").

The Official Statement, this Bond Purchase Agreement and the foregoing documents are hereinafter collectively referred to as the "Bond Documents."

Prior to the date hereof, the Official Statement has been delivered to the Underwriter. The Issuer and the Borrower hereby ratify the use of the Official Statement by the Underwriter in the marketing of the Bonds.

**Section 4. Representations, Warranties and Covenants of the Issuer.** The Issuer represents, warrants and covenants to the Underwriter as follows:

(a) The Issuer is, and will be at the Closing Date, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "State"), and authorized to transact business and exercise powers under and pursuant to the provisions of the Act, with full legal right, power and authority under the Act to issue, sell and deliver the Bonds pursuant to the resolution of the Issuer approving the issuance of the Bonds (the "Resolution"), to enter into the Bond Documents to which the Issuer is a party (the "Issuer Documents"), to adopt the Resolution and to carry out and perform its obligations under the Issuer Documents and the Resolution.

(b) Information in the Official Statement describing the Issuer under the captions "THE ISSUER" and "ABSENCE OF LITIGATION—The Issuer" is, on the date hereof, true and correct and did not, on the date thereof, and does not, on the date hereof, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(c) The Resolution, adopted by the Issuer granting final approval of the execution and delivery of the Bonds and the Issuer Documents and the issuance and sale of the Bonds, has been duly adopted by the Issuer, has not been amended, modified or repealed and is in full force and effect on the date hereof.

(d) To the best of its knowledge, without investigation, the Issuer is not in breach of or default under any applicable law or administrative regulation of the State of California or of the United States, or any applicable judgment or decree or any loan agreement, indenture, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which would impair in any material respect the performance of its obligations under the Issuer Documents.

(e) The execution and delivery by the Issuer of the Bonds and the Issuer Documents, compliance by it with the provisions of each thereof and, to the best of its knowledge, without investigation, the consummation by it of the transactions on its part contemplated thereby will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which conflict, breach or default has or may have a material adverse effect on the Issuer's ability to perform its obligations under such documents.

(f) To the best of its knowledge, all approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Bonds and the Issuer Documents have been obtained.

(g) To the Issuer's knowledge, there is no threatened action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, nor is there any basis therefor, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (i) the territorial jurisdiction of the Issuer, (ii) the use of the Official Statement or the use of the proceeds of the Bonds to make the Loan, (iii) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (iv) the exclusion of the interest on the Bonds from gross income for purposes of federal income taxation or the accuracy or completeness of the Official Statement with regard to the Issuer, (v) the execution and delivery by the Issuer of the Issuer Documents or the Bonds or (vi) the power of the Issuer to carry out the transactions on its part contemplated by the Bonds or any of the Issuer Documents.

(h) The Bonds, when delivered in accordance with the Indenture and paid for by the Underwriter on the Closing Date, will be valid and binding limited obligations of the Issuer payable solely from the revenues and other property pledged and assigned for such payment as provided in the Indenture.

(i) Any certificate signed by any authorized official of the Issuer and delivered to the Underwriter shall be deemed to be a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(j) Neither the Issuer nor anyone acting with its authorization on its behalf (other than the Underwriter) has, directly or indirectly, offered for sale or solicited any offer to acquire the Bonds or any security the offering of which would be deemed for purposes of the Securities Act of 1933, as amended, to be part of the offering of the Bonds contemplated hereby.

(k) The Issuer agrees to cooperate with the Underwriter its counsel in an endeavor to qualify the Bonds for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as it may request, but the Issuer will not be required to qualify to transact business or consent to the service of process in any such jurisdictions other than the State of California.

(l) All meetings of the governing body of the Issuer at which action was taken in connection with the Issuer Documents and the Bonds were duly and legally called and held, open to the public at all times, and notice of the time and place of each such meeting was given as required by law.

(m) The Issuer shall not knowingly take or omit to take, as is appropriate, any action the taking or omission of which would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

(n) The Issuer shall furnish such information, execute such instruments and take such other action consistent with law as may be required, and shall otherwise cooperate with the Underwriter in taking all action necessary, to qualify the Bonds for offer and sale and to determine the eligibility for investment in the Bonds under the laws of such jurisdictions as the Underwriter designates and the continuation of such qualification in effect so long as required for distribution of the Bonds; provided, however, that the foregoing will not require the Issuer to

consent to service of process in any foreign jurisdiction or to register as a broker-dealer or qualify as a foreign corporation in any foreign jurisdiction.

The execution and delivery of this Bond Purchase Agreement by the Issuer shall constitute a representation to the Underwriter that the representations and warranties contained in this Section 4 are true as of the date hereof.

**Section 5. Representations, Warranties and Covenants of the Borrower.** The Borrower represents and covenants with the Issuer and the Underwriter as follows:

(a) The Borrower is a limited partnership duly organized, validly existing and in good standing under the laws of the State of California.

(b) The Borrower has full power and authority to execute, deliver and perform its obligations under the Bond Documents to which it is a party (the "Borrower Documents"); on or prior to the Closing Date, the Borrower Documents shall have been duly authorized, executed and delivered by the Borrower, and constitute legally valid and binding obligations of the Borrower, enforceable by and against the Borrower in accordance with their respective terms, except as enforcement thereof, including provisions relating to the payment of attorney's fees, may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally or the payment of attorney's fees.

(c) The execution, delivery and performance of the Borrower Documents and compliance with the provisions thereof by the Borrower will not, to the best of Borrower's knowledge, conflict with, or constitute a breach of, or a default under any statute, indenture, mortgage, deed of trust, note, lease, commitment or other agreement or obligation applicable to or binding upon the Borrower or its properties or any order, rule, law, regulation, judgment or decree of any court or other governmental or public entity having jurisdiction over the Borrower or its properties.

(d) No authorization, approval, consent or order of any governmental or public entity or any other person, association or corporation is required for the valid authorization, execution and delivery of the Borrower Documents by the Borrower that has not been obtained.

(e) Borrower has not been served with, and, to the best of Borrower's knowledge, there is no action, suit, proceeding, inquiry or investigation before or by any court or governmental or public entity pending or threatened against or affecting the Borrower or its properties (nor is there any basis therefor), which (i) affects or seeks to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the issuance of the Letter of Credit or the use of the Official Statement or the execution and delivery by the Borrower of any of the Borrower Documents, (ii) affects or questions the validity or enforceability of the Bonds, the Indenture, or any of the Borrower Documents, (iii) questions the status of the interest payable on the Bonds as excluded from gross income under federal tax law or the completeness or accuracy of the Official Statement, or (iv) questions the power or authority of the Borrower to carry out the transactions contemplated by the Official Statement, the Indenture, or any of the Borrower Documents, or the power of the Borrower to own, construct, equip or operate the Project.

(f) The Borrower has made all filings with and has received all approvals, consents and orders of any governmental or public entity having jurisdiction which are necessary as of the Closing Date to permit the Borrower to own, construct, equip and operate the Project and the

Borrower does not anticipate any difficulty in obtaining in due course other necessary approvals, consents and orders which are not available as of the Closing Date.

(g) Any certificate signed by the Borrower or any Authorized Borrower Representative and delivered by the Borrower in connection with the transactions contemplated hereby and by the Official Statement (other than a certificate delivered to counsel for the Borrower by the Borrower) shall be deemed to be a representation and warranty by the Borrower to the Underwriter and the Issuer as to the statements made therein.

(h) The information pertaining to the Borrower, its related entities and the Project as set forth in the Official Statement under the headings "THE BORROWER AND THE PROJECT" and "ABSENCE OF LITIGATION—The Borrower" is true and correct in all material respects.

(i) The Borrower agrees that, if at any time before the end of the "underwriting period" as defined in Rule 15c2-12, any event of which it has knowledge occurs, as a result of which the Official Statement as then in effect would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the Borrower shall promptly notify the Underwriter and the Issuer, in writing, and cooperate in the preparation of an amendment or supplement to the Official Statement which will correct such statement or omission. In addition, the Borrower shall promptly advise the Underwriter and the Issuer, in writing, of the institution of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. The Borrower shall furnish the Underwriter with any information concerning the Borrower which the Underwriter might reasonably request in connection with any amendment of or supplement to the Official Statement.

(j) The Borrower agrees that, if requested to do so by the Issuer on and after conversion to a Reset Rate or a Fixed Rate it will comply with and carry out all of the provisions of a Continuing Disclosure Agreement between the Borrower and the Trustee to be executed and delivered as a condition to the conversion of the interest rate with respect to the Bonds to a Fixed Rate for compliance with the continuing disclosure obligations under Securities Exchange Commission Rule 15c2-12(b)(5) then in effect.

(k) The proceeds from the sale of the Bonds will be applied to the financing of the Project as described in the Official Statement.

(l) All costs and expenses to effect the authorization, preparation, issuance, sale and delivery of the Bonds (whether or not such transaction is consummated, except under the circumstances described below), including the preparation, printing, execution and delivery of the Official Statement (together with any amendments thereof and supplements thereto) and the Bond Documents, any rating agency fees, the fees and expenses of Bond Counsel and the expenses (including the reasonable fees and expenses of counsel to the Underwriter) incurred in qualifying the Bonds for sale under the securities laws of various jurisdictions and of preparing "blue sky" and legal investment memoranda, shall be paid solely and exclusively from funds provided by the Borrower and/or from the proceeds of the Bonds. In no event shall any of such costs be paid by the Issuer.

**Section 6. Conditions to Obligations of the Underwriter**. The obligation of the Underwriter to purchase the Bonds and the obligation of the Issuer to sell the Bonds shall be subject to the following conditions precedent:

(a) The representations of the Borrower herein and the representations and warranties made in each of the Bond Documents by the respective parties thereto shall be true and correct in all material respects on the date hereof and on the Closing Date, as if made on the Closing Date, and each such party to the Bond Documents shall deliver a certificate to such effect. The Issuer shall have performed all of its obligations hereunder and the statements made on behalf of the Issuer hereunder shall be true and correct on the date hereof and on the Closing Date, as if made on the Closing Date, and the Issuer shall deliver a certificate to such effect. The Official Statement (as the same may be amended or supplemented with the written approval of the Underwriter) shall be true and correct in all material respects and shall not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(b) Except as may have been agreed to by the Underwriter, as of the Closing Date, each of the Bond Documents, the Resolution and all other official action of the Issuer relating thereto shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended or supplemented.

(c) The Issuer shall have received the approving opinion of Fulbright & Jaworski L.L.P., Bond Counsel, in substantially the form set forth in Appendix B to the Official Statement, and the Underwriter shall have received a letter from said firm, dated the Closing Date and addressed to the Underwriter, to the effect that the Underwriter may rely upon such firm's opinion as if it were addressed to the Underwriter, and a supplemental opinion of said firm dated the Closing Date and addressed to the Underwriter substantially in the form set forth in Exhibit A hereto.

(d) No default or event of default (as defined in any of the Bond Documents) shall have occurred and be continuing, and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute such a default or event of default.

(e) No material adverse change shall have occurred, nor shall any development involving a prospective material and adverse change in, or affecting the affairs, business, financial condition, results of operations, prospects or properties (including the Project) of, any of the Issuer, the Credit Bank or the Borrower have occurred between the date hereof and the Closing Date.

(f) On or prior to the Closing Date, all actions required to be taken as of the Closing Date in connection with the Bonds and the Bond Documents by the Issuer, the Borrower and the Credit Bank shall have been taken, and the Issuer, the Borrower and the Credit Bank shall each have performed and complied with all agreements, covenants and conditions required to be performed or complied with by the Bonds and the Bond Documents, and each party shall deliver a certificate to such effect insofar as the foregoing actions, agreements, covenants and conditions apply to each such party, and each of such agreements shall be in full force and effect and shall not have been amended, modified or supplemented, except as has been agreed to by the Underwriter.

(g) Each of the Bond Documents shall have been executed and delivered by each of the respective parties thereto, all such documents shall be in forms exhibited to the Underwriter on the date hereof with only such changes as the Underwriter may approve, and each of the Bond Documents shall be in full force and effect.

(h) None of the events referred to in Section 7 of this Bond Purchase Agreement shall have occurred.

(i) The Underwriter shall have received a certificate, dated the Closing Date and signed on behalf of the Issuer, to the effect that:

(i) Except as disclosed in the Official Statement, the Issuer has not received notice of any pending, nor to the Issuer's actual knowledge is there any threatened, action, suit, proceeding, inquiry or investigation against the Issuer, at law or in equity, by or before any court, public board or body, nor to the Issuer's actual knowledge is there any basis therefor, affecting the existence of the Issuer or the titles of its officials to their respective offices, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way materially adversely affecting or questioning (A) the territorial jurisdiction of the Issuer, (B) the use of the Official Statement, (C) the validity or enforceability of the Bonds, any proceedings of the Issuer taken with respect to the Bonds or any of the Issuer Documents, (D) the tax-exempt status of the interest on the Bonds, (E) the accuracy or completeness of the Official Statement, (F) the execution and delivery by the Issuer of the Issuer Documents or the Bonds, or (G) the power of the Issuer to carry out the transactions on its part contemplated by the Issuer Documents or the Bonds;

(ii) to the best knowledge and belief of the persons signing the certificate, the sections of the Official Statement under the headings "THE ISSUER" and "ABSENCE OF LITIGATION—The Issuer" do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements describing the Issuer contained therein, in light of the circumstances under which they were made, not misleading; and

(iii) the Issuer has complied with all the covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date, and the representations and warranties of the Issuer contained herein and in each of the Issuer Documents are true and correct as of the Closing Date.

(j) The Underwriter shall have received an opinion of Bret H. Reed, Jr., A Law Corporation, counsel to the Borrower, substantially in the form set forth in Exhibit B hereto. The Borrower hereby authorizes and directs its counsel to render such opinion to and for the benefit of the Underwriter.

(k) The Underwriter shall have received written evidence that Moody's Investors Service (the "Rating Agency") issued ratings of "Aa1/P-1" with respect to the Bonds, and as of the Closing Date, the ratings shall not have been withdrawn or lowered.

(l) The Underwriter shall have received a certificate of the Borrower to the effect that:

(i) the representations and warranties of the Borrower contained in the Borrower Documents are true and correct in all material respects as of the Closing Date as if made on the Closing Date;

(ii) the Borrower has complied with all agreements, covenants and conditions to be complied with by the Borrower at or prior to the Closing Date under the Borrower Documents; and

(iii) no event affecting the Borrower or the Project has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date the statements or information concerning the Borrower or the Project contained under the captions "THE BORROWER AND THE PROJECT" and "ABSENCE OF LITIGATION—The Borrower" in the Official Statement or is not reflected under such captions in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(m) The Underwriter and the Borrower shall have received a certificate, dated the Closing Date and signed by an authorized officer of the Trustee, to the effect that (i) he or she is an authorized officer of the Trustee; (ii) the Bond Documents to which the Trustee is a party (the "Trustee Documents") have has been duly executed and delivered by the Trustee; (iii) the Trustee has all necessary corporate and trust powers required to carry out the trust created by the Indenture; (iv) to the best of his or her knowledge, the acceptance by the Trustee of the duties and obligations of the Trustee under the Trustee Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any agreement or other instrument to which the Trustee is subject or by which the Trustee is bound; (v) the Trustee has duly authenticated the Bonds, and the person signing the certificate of authentication on each Bond has been duly authorized to do so; and (vi) no litigation is pending or, to the best of such officer's knowledge, threatened which would materially and adversely affect the Trustee's ability to perform its duties under the Trustee Documents.

(n) The Underwriter, the Issuer, the Trustee and the Rating Agency shall have received the opinion of counsel to the Credit Bank substantially in the form set forth in Exhibit C hereto.

(o) The Underwriter and the Borrower shall have received a certificate from the Credit Bank substantially in the form set forth in Exhibit D hereto.

(p) The Underwriter shall have received a certificate of the Issuer, dated the Closing Date, with respect to the facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code to support the conclusion that none of the Bonds will be an "arbitrage bond."

(q) The Underwriter shall have received an opinion of its counsel substantially in the form set forth in Exhibit E hereto.

(r) The Underwriter shall have received such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

(s) If any conditions to the obligations of the Underwriter or the Issuer contained in this Bond Purchase Agreement is not satisfied and the satisfaction of such conditions shall not be waived by the Underwriter and the Issuer, then, at the option of the Underwriter and the Issuer,

(i) the Closing Date shall be postponed for such period, not to exceed seven days, as may be necessary for such conditions to be satisfied or (ii) without limiting the generality of Section 12 of this Bond Purchase Agreement, the obligations of the Underwriter and the Issuer under this Bond Purchase Agreement shall terminate, and neither the Underwriter nor the Issuer shall have any further obligations or liabilities hereunder.

All of the legal opinions, certificates, proceedings, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Underwriter, the Borrower and the Issuer.

**Section 7. Termination**. The Underwriter may terminate its obligations hereunder by written notice to the Issuer if, at any time subsequent to the date hereof and on or prior to the Closing Date:

(a)(i) Legislation shall have been enacted by the Congress, or recommended to the Congress for passage by the President of the United States or the Department of the Treasury of the United States or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) shall have been issued by the Department of the Treasury of the United States or the Internal Revenue Service, in each case referred to in clauses (i), (ii) and (iii), with the purpose or effect, and reasonable likelihood, directly or indirectly, of imposing federal income taxation upon interest to be received by any owners of the Bonds.

(b) Legislation shall have been enacted or a decision by a court of the United States shall be rendered or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Underwriter, has the effect of requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, or any event shall have occurred that, in the judgment of the Underwriter, makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or that, in the judgment of the Underwriter, should be reflected therein in order to make the statements contained therein not misleading in any material respect and the Official Statement shall not have been supplemented or amended to reflect such event.

(c)(i) In the judgment of the Underwriter, the market price of the Bonds is adversely affected because (A) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (B) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, placement agents; (C) a general banking moratorium shall have been established by federal, New York, California or Colorado authorities; or (D) a war involving the United States of America shall have been declared, or any other national or international calamity shall have occurred, or any conflict involving the armed forces of the United States of America shall have escalated to such a magnitude as to materially affect the ability of the Underwriter to market the Bonds; (ii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting or affecting any authority or security for or the validity of the

Bonds, or the existence or powers of the Issuer; or (iii) legislation shall have been introduced in or enacted by the Legislature of the State of California with the purpose or effect, directly or indirectly, of imposing State of California income taxation upon interest to be received by any owners of the Bonds or that would, in the reasonable judgment of the Underwriter, adversely affect the security for the Bonds.

(d) There shall have occurred any change that, in the reasonable judgment of the Underwriter, makes unreasonable or unreliable any of the assumptions upon which (i) yield on the Bonds for purposes of compliance with the Code, (ii) payment of debt service on the Bonds or (iii) the basis for the exclusion from gross income for federal income tax purposes of interest on the Bonds is predicated.

**Section 8. Indemnification.**

(a) The Borrower agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer, the Underwriter and each affiliate, member, officer, director, official, employee and agent of the Issuer and the Underwriter and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively referred to herein as the "Indemnified Parties"), against any and all liabilities, losses, damages, costs, expenses (including attorneys' fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the "Liabilities") caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Project, the loan of the proceeds of the Bonds, the Bond Documents or any other document related to the Bonds, the Project, the loan of the proceeds of the Bonds (the "Transaction Documents") or any transaction or agreement, written or oral, pertaining to the foregoing or (ii) any untrue or misleading statement or alleged untrue or alleged misleading statement of a material fact relating to the Borrower or the Project contained in the Official Statement, or caused by any omission or alleged omission from the Official Statement of any material fact relating to the Borrower and the Project necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, that no indemnity shall be required for claims arising from the gross negligence or willful misconduct of the Issuer and the negligence or willful misconduct of any other party seeking indemnification.

(b) The Borrower also agrees to pay, defend, protect, indemnify, save and hold harmless the Underwriter and each affiliate, member, officer, director, official, employee and agent of the Underwriter from and against the Liabilities directly or indirectly arising from or relating to (i) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by the Issuer pertaining to the Bonds and (ii) any fraud or misrepresentations or omissions of the Borrower contained in the proceedings of the Issuer pertaining to the financial condition of the Borrower.

(c) Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower's expense and with counsel satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense. If there may be legal defenses available to the Indemnified Party which are different from or in addition to those available to the Borrower or if the Borrower shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake

the defense of, and, with the approval of Borrower, to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (a) or (b) of this Section 8 is for any reason held to be unavailable, the Borrower and the Indemnified Party shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Party may be subject, so that the Indemnified Party is responsible for that portion represented by the percentage that the fees paid to the Indemnified Party in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Indemnified Party be responsible for any amount in excess of the fees paid by the Borrower to the Indemnified Party in connection with the issuance and administration of the Bonds.

(e) The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be third-party beneficiaries of this Bond Purchase Agreement for purposes of this Section 8. The provisions of this Section 8 will be in addition to all liability which the Borrower may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

**Section 9. Expenses.**

(a) The Borrower shall pay, solely and exclusively from funds of the Borrower and/or from proceeds of the Bonds, the costs of issuing the Bonds, including, but not limited to, the fees and expenses described in Section 5(l) hereof. The Issuer is not responsible for the payment of any Bond issuance costs.

(b) The Borrower shall pay its own fees and expenses, including the fees and expenses of its counsel.

**Section 10. Notices.** Any notice or other communication to be given to the Issuer under this Bond Purchase Agreement may be given by delivering the same in writing to the Issuer at the address set forth on the cover hereof; any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp., Suite 3700, 1801 California Street, Denver, Colorado 80202, Attention: John Kuykendall, and Jackson Securities Inc., Suite 2600, 445 South Figueroa Street, Los Angeles, California 90071, Attention: Jim Goins; and any notice or other communication to be given to the Borrower under this Bond Purchase Agreement may be given by delivering the same in writing to the Borrower at the address set forth on the cover hereof (with a copy to Bret H. Reed, Jr., A Law Corporation, 200 Garnet Avenue, Balboa Island, California 92662, which copy shall not constitute notice to the Borrower).

**Section 11. Successors.** This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Underwriter and the Borrower (including their assigns) and no other person shall acquire or have any right hereunder or by virtue hereof (other than pursuant to Section 8 hereof).

**Section 12. Survival of Certain Representations and Warranties.** All agreements, covenants, representations and warranties and all other statements of the Issuer and its officials and officers and the Borrower set forth in or made pursuant to this Bond Purchase Agreement shall remain in full force and effect, regardless of any investigation, or statement as to the results thereof made by or on

behalf of the Underwriter or the Issuer, and shall survive the Closing Date and the delivery of and payment for the Bonds.

**Section 13. Governing Law.** This Bond Purchase Agreement shall be governed by the laws of the State of California.

**Section 14. Counterparts.** This Bond Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

[Underwriter's Signature Page to Bond Purchase Agreement]

NEWMAN & ASSOCIATES, A DIVISION OF GMAC COMMERCIAL HOLDING CAPITAL MARKETS CORP., on its own behalf and on behalf of Jackson Securities Inc.

By _____

Its _____

[Issuer's Signature Page to Bond Purchase Agreement]

AGREED AND ACCEPTED:

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

By _____
Its Chairperson

Attest:

_____
Assistant Secretary

[Borrower's Signature Page to Bond Purchase Agreement]

FC METROPOLITAN LOFTS ASSOCIATES L.P.,
a California limited partnership

By F.C. Metropolitan Lofts, Inc., a California corporation,
Its Managing General Partner

By _____
Gregory M. Vilkin
Its President

**EXHIBIT A**

[Letterhead of Bond Counsel]

[Closing Date]

[UNDERWRITER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Issuer has full legal right, power and authority to enter into, and to carry out and effectuate the transactions on its part contemplated in the Issuer Documents.

2. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

3. The Bonds, the Indenture, the Loan Agreement and the Regulatory Agreement conform as to form and tenor to the descriptions thereof contained in the Official Statement relating to the Bonds (the "Official Statement"), and the statements contained in the Official Statement under the captions "SECURITY FOR THE BONDS," "THE BONDS," "REDEMPTION OF BONDS," "THE LETTER OF CREDIT—Indenture Provisions Relating to the Letter of Credit," "TAX MATTERS," "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—Certain Definitions," "—The Indenture," "—The Loan Agreement" and "—The Regulatory Agreement" and Appendix B summarize the material provisions of the Bonds, the Indenture, the Loan Agreement, the Regulatory Agreement and our Bond Opinion concerning certain tax matters relating to the Bonds, and insofar as such statements expressly summarize the provisions of the Bonds, the Indenture, the Loan Agreement, the Regulatory Agreement and our Bond Opinion concerning tax matters relating to the Bonds, such statements are accurate in all material respects.

This opinion letter is solely for your benefit in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, by any other person without our prior written approval.

**EXHIBIT B**

[Letterhead of Counsel to the Borrower]

[CLOSING DATE]

[ISSUER] [UNDERWRITER]

[CREDIT BANK] [TRUSTEE]

[BORROWER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

We are of the opinion, as of the date hereof, as follows:

1. The Borrower is a limited partnership duly organized, validly existing and with a duration in excess of the maturity of the Bonds, and is in good standing under the laws of the State of California.

2. The Borrower has all necessary power and authority to own the Project and to execute, deliver and perform its obligations under the Bond Purchase Agreement and the Bond Documents to which it is a party and all other documents or instruments executed or to be executed in connection with the Loan.

3. The Bond Documents to which the Borrower is a party have been duly executed and delivered by the Borrower and constitute the valid, legal and binding obligations of the Borrower, enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally heretofore or hereafter enacted and subject to the exercise of judicial discretion in accordance with general principles of equity, including, without limitation, concepts of materiality, reasonableness, unconscionability, good faith and fair dealings (regardless of whether such enforceability is considered in a proceeding at law or in equity) and subject to limitations on enforceability of rights to indemnification by federal or state securities laws or regulations or by public policy; and provided that the enforceability of Regulatory Agreement is subject to the due and proper recordation of such documents and payment of all recording fees, charges and taxes payable in connection with such recording. The covenants, reservations and restrictions set forth in the Regulatory Agreement are binding upon subsequent purchasers of the land described therein, subject to the due and proper recording of the Regulatory Agreement and payment of all recording fees, charges and taxes payable in connection with such recording.

4. The execution, delivery and performance of the Bond Purchase Agreement and the Bond Documents to which the Borrower is a party, and the consummation of the transactions contemplated thereby and by the Official Statement, will not, to the best of our knowledge,

conflict with or constitute a breach or default under any indenture, mortgage, deed of trust, lease, note, commitment, agreement or other instrument or obligation to which the Borrower is a party or by which the Borrower or any of its property is bound, or under any law, rule, regulation, judgment, order or decree to which the Borrower is subject or by which the Borrower or any of its property is bound.

5. To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or threatened against the Borrower which (i) affects or seeks to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the use of the proceeds of the Bonds to make the Loan or the use of the Official Statement or the execution and delivery of any of the Bond Documents, (ii) affects or questions the validity or enforceability of the Bonds or any of the Bond Documents, (iii) questions the exclusion of interest on the Bonds from gross income for federal income taxation purposes under Section 103 of the Code or the completeness or accuracy of the Official Statement or (iv) questions the power or authority of the Borrower to own, acquire, construct, equip or operate the Project.

6. To the best of our knowledge, to the extent required to be made or obtained prior to the date hereof, the Borrower has made all filings with and received all approvals, consents and orders of any governmental authority, legislative body, board, agency or commission which are necessary to permit the Borrower to perform its obligations under the Bond Documents, to carry out the transactions contemplated by the Bond Documents and the Official Statement and to own, acquire, construct, equip and operate the Project, except that the offer and sale of the Bonds in certain jurisdictions may be subject to the provisions of the securities or "blue sky" laws of such jurisdictions, as to which we express no opinion.

7. Based upon information made available to us in the course of our participation as special counsel to the Borrower in the preparation of the Official Statement, and without having undertaken to determine independently and without assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, in the course of our participation in the issuance of the Bonds, no facts have come to our attention that cause us to believe that the Official Statement, as of the date thereof, contained any untrue statement of a material fact with respect to the Borrower and the Project, or, as of its date, omitted to state any material fact with respect to the Borrower and the Project necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

We hereby consent to the references made to us in the Official Statement.

Respectfully submitted,

**EXHIBIT C**

[Letterhead of Counsel to the Credit Bank]

[CLOSING DATE]

[ISSUER] [UNDERWRITER]

[TRUSTEE]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

Subject to the foregoing and the qualifications set forth above and below, it is our opinion that:

(a) The Credit Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America.

(b) The Credit Bank has full right, power and authority to enter into, execute and deliver the Letter of Credit and to perform its duties and obligations thereunder.

(c) The Letter of Credit has been duly authorized, executed and delivered by the Credit Bank, and constitutes the legal, valid and binding obligations of the Credit Bank, enforceable against the Credit Bank in accordance with its terms.

(d) The execution and delivery by the Credit Bank of the Letter of Credit, the performance of the obligations of the Credit Bank thereunder will not conflict with (i) any (A) contractual or legal restriction or obligation, or (B) court or regulatory order, binding on or affecting the Credit Bank, or (ii) any restriction contained in the Credit Bank's articles of incorporation or bylaws.

(e) The Letter of Credit is exempt from the registration requirements of the Securities Act of 1933, as amended.

(f) The Letter of Credit and the Reimbursement Agreement conform to the descriptions thereof contained in the Official Statement under the captions "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—The Credit Agreement" and "APPENDIX D—FORM OF THE LETTER OF CREDIT" and the statements contained in the Official Statement under such captions, insofar as such statements contained under such captions purport to summarize provisions of the Letter of Credit and the Reimbursement Agreement, present a fair and accurate summary of such matters.

Respectfully submitted,

**EXHIBIT D**

**CERTIFICATE OF CREDIT BANK**

[BOND CAPTION]

The undersigned hereby certifies that he/she is a duly authorized officer of Bank of America, N.A. (the "Credit Bank") and further certifies that as such, he/she is authorized to execute this Certificate on behalf of the Credit Bank as follows:

1. The Credit Bank is a national banking association duly organized and validly existing under the laws of the United States and has full corporate right, power and authority to execute, deliver and perform its obligations under the [Reimbursement Agreement], dated as of the date of the Indenture between F.C. Metropolitan Lofts Associate LP, a California limited partnership (the "Borrower"), and the Credit Bank (the "Credit Agreement"), and the Letter of Credit referred to in said Credit Agreement. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Credit Agreement.

2. The Credit Agreement and the Letter of Credit have been duly authorized by all necessary corporate action on the part of the Credit Bank and (assuming due authorization, execution and delivery thereof by the other parties thereto) will constitute the valid, legal and binding obligations of the Credit Bank enforceable against the Credit Bank in accordance with their terms except as such enforceability may be limited by bankruptcy, insolvency or similar laws relating to or affecting creditors' rights generally or by the application of equitable principles when equitable remedies are sought.

3. The information regarding the Credit Bank contained in the Official Statement relating to the Bonds (the "Official Statement") under the heading "THE CREDIT BANK" and incorporated by reference under such heading, taken as a whole, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. No authorization or approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required for the due execution, delivery and performance by the Credit Bank of its obligations under the Letter of Credit.

5. I am not aware of any order or decree of any court or any order, regulation or demand of any government authority binding on the Credit Bank, a default under which might materially adversely affect the operations of the Credit Bank.

6. There is no pending, nor am I aware of any threatened, action, suit, proceeding, inquiry or investigation before any court, public board or regulatory agency, against or affecting the Credit Bank, in which an unfavorable decision, ruling or finding would adversely affect the Credit Bank's powers, existence or the validity and enforceability of the Letter of Credit, or which might result in any material adverse change in the business condition (financial or otherwise) or operation of the Credit Bank, or which might adversely affect the Credit Bank's ability to perform its obligations under the Letter of Credit.

[Signature Page to Certificate of Credit Bank]

BANK OF AMERICA, N.A.

By _____
Its _____

**EXHIBIT E**

[Letterhead of Underwriter's Counsel]

[CLOSING DATE]

Newman & Associates, a Division of GMAC
Commercial Holding Capital Markets Corp.
Denver, Colorado

Jackson Securities Inc.
Los Angeles, California

[BOND CAPTION]

We have acted as counsel to Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. and Jackson Securities Inc. (together, the "Underwriter") in connection with the issuance of the above-captioned bonds (the "Bonds"), issued pursuant to an Indenture of Trust dated as of December 1, 2002 (the "Indenture"), between The Community Redevelopment Agency of the City of Los Angeles, California (the "Issuer") and U.S. Bank, N.A., as trustee (the "Trustee"). As such counsel, we have reviewed such records, certificates, opinions and documents as we have deemed necessary or appropriate for the purpose of this opinion. Upon the basis of such examination, we are of the opinion that under the existing laws, the Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended.

In connection with the preparation of the Official Statement (the "Offering Document") used in connection with the initial issuance and sale of the Bonds on the date hereof, we have reviewed generally information furnished to us by, and have participated in conferences with, representatives of the Issuer; Fulbright & Jaworski L.L.P., Bond Counsel; Bank of America, N.A. (the "Credit Bank"); Sheppard, Mullin, Richter & Hampton LLP, Credit Bank's counsel; FC Metropolitan Lofts Associates LP, a California limited partnership (the "Borrower"); Bret H. Reed, Jr., A Law Corporation, Borrower's counsel; the Trustee; and the Underwriter. We also have reviewed the documents relating to the Bonds described in the Offering Document and other documents and records relating to the issuance and sale of the Bonds. In addition, we have relied upon certificates of officials of the Issuer, the Borrower and the Credit Bank, and opinions from Bond Counsel and the Credit Bank's counsel. However, we have not independently verified any factual matters in connection with or apart from the aforementioned review and conferences and, accordingly, we do not express any view or belief as to matters that might have been disclosed by independent verification.

Although we have made no independent investigation or verification of the accuracy, correctness, fairness or completeness of, and do not assume any responsibility for, the information included in the Offering Document (subject to the qualifications set forth herein), no information came to the attention of the attorneys in our firm rendering legal services in connection with the issuance of the Bonds which causes us to believe that the Offering Document (except for the financial statement, financial, statistical and numerical information, forecasts, estimates, assumptions and expressions of opinion, as to which we express no view), as of its date contained, or as of the date of this opinion contains, any untrue statement

of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Respectfully submitted,

**NEW ISSUE**
**FULL BOOK-ENTRY ONLY**

**RATINGS: Moody's "__"**
**(See "RATINGS" herein)**

*[In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. It should be noted, however, that such interest is an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.]*

# $53,000,000
# THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA
# VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS
# (METROPOLITAN LOFTS APARTMENTS) 2002 SERIES A

**Dated: Date of Delivery** **Price: 100%** **CUSIP: _____** **Due: December 1, 2052**

The Bonds will bear interest initially at a Weekly Rate, payable on the first Business Day of each month, commencing on the first Business Date of January, 2003, as determined in accordance with the Indenture of Trust, dated as of December 1, 2002 (the "Indenture") between The Community Redevelopment Agency of the City of Los Angeles, California (the "Issuer") and U.S. Bank, N.A., or its successor, as trustee (the "Trustee"). The Indenture provides that the interest rate on the Bonds may be converted to a Daily Rate, Reset Rate or a Fixed Rate. Interest is payable by check or draft mailed on the Interest Payment Date to the registered owners of the Bonds at their addresses appearing on the registration books kept by the Trustee, as of the applicable Record Date preceding each Interest Payment Date or, at the option of a registered owner of $1,000,000 or more in aggregate principal amount, by wire transfer to the account designated by the owner to the Trustee at least 15 days before the Record Date. The Bonds are to be delivered in fully registered form in Authorized Denominations of $100,000 or any integral multiples of $5,000 in excess of $100,000. So long as the Bonds bear interest at a Daily Rate, the Bonds will be purchased upon the demand of the owners thereof on any Business Day upon compliance with certain requirements of the Indenture regarding proper notice and tender of the Bonds.

The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), as custodian on behalf of the beneficial owners of the Bonds. DTC will, by book entry, record beneficial ownership and transfers of the Bonds in its custody and will forward all notices and payments received in respect of principal, interest and redemption premium, if any, on any Bonds held by it to the beneficial owners of the Bonds as shown on its books of account. DTC acts as agent solely for the beneficial owners of the bonds and not for the Issuer or the Underwriter. See "BOOK ENTRY SYSTEM."

Payment of the principal of and interest on the Bonds is supported by and payable from amounts drawn by the Trustee under an irrevocable direct pay letter of credit (the "Letter of Credit"), the stated expiration of which is _____, 2006, issued by

## BANK OF AMERICA, N.A.

The Letter of Credit may expire earlier than the date set forth above, or the stated expiration date of the Letter of Credit may be extended, as provided therein. See Appendix D hereto. The Letter of Credit may be replaced with a Substitute Letter of Credit on certain conditions described herein.

The Bonds are being issued by the Issuer to make a loan to FC Metropolitan Lofts Associates LP, a California limited partnership (the "Borrower"), to finance a portion of the costs incurred to acquire and construct a multifamily apartment complex located in Los Angeles, California (the "Project"). See "THE BORROWER AND THE PROJECT" herein.

THE BONDS ARE SUBJECT TO ACCELERATION OF MATURITY, OPTIONAL AND MANDATORY REDEMPTION AND OPTIONAL AND MANDATORY TENDER PRIOR TO MATURITY, IN WHOLE OR IN PART, AT THE PRICES AND UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. The Letter of Credit will be drawn on to pay the principal and accrued interest portions, but not redemption premium, if any, of the redemption price of the Bonds. See "REDEMPTION OF BONDS" and "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE INDENTURE."

**THE BONDS SHALL BE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NEITHER THE STATE OF CALIFORNIA (THE "STATE") NOR THE CITY OF LOS ANGELES (THE "CITY") SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF AND INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF IS PLEDGED FOR THE PAYMENT THEREOF. THE BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A GENERAL OBLIGATION OR INDEBTEDNESS OF THE ISSUER, THE STATE OR THE CITY OR BONDS ISSUED OR GUARANTEED BY THE STATE OR THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION. THE BONDS SHALL NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE ISSUER, THE STATE OR THE CITY AND SHALL NOT BE PAYABLE IN ANY MANNER BY TAXATION. THE ISSUER SHALL NOT BE OBLIGATED TO PAY ANY BOND FROM ANY TAX OR OTHER GENERAL REVENUE OR FROM ANY PROPERTY EXCEPT THAT EXPRESSLY PLEDGED PURSUANT TO THE INDENTURE.**

This Official Statement describes the Bonds only during the period beginning on the Closing Date and ending on the date on which the interest rate on the Bonds is converted to a Reset Rate or to a Fixed Rate. Therefore, prospective purchasers of the Bonds on and after conversion of the interest on the Bond to other than the Daily Rate or the Weekly Rate cannot rely on this Official Statement, but rather must rely upon any disclosure documents or offering document supplements prepared in connection with such conversion.

This cover page contains certain information for quick reference only and is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

*The Bonds are offered when, as and if issued and received by the purchasers thereof, and subject to the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, as to the validity and tax-exempt status of the Bonds and the approval of certain other matters for the Issuer. Certain legal matters will be passed upon by Kutak Rock LLP, counsel to the Underwriter, by Sheppard, Mullin, Richter & Hampton LLP, Los Angeles, California, counsel to the Credit Bank, and by Bret H. Reed, Jr., A Law Corporation, Balboa Island, California, counsel to the Borrower. It is expected that the Bonds will be available for delivery in New York, New York, through the facilities of The Depository Trust Company on or about December ___, 2002.*

NEWMAN & ASSOCIATES

*a Division of CMAC Commercial Holding Capital Markets Corp.*

**JACKSON SECURITIES INC.**

Dated: December ____, 2002

## MAYOR OF THE CITY OF LOS ANGELES

James K. Hahn

## CITY COUNCIL OF THE CITY OF LOS ANGELES

| | | |
|---|---|---|
| Hal Bernson | Nate Holden | Jan C. Perry |
| Ruth Galanter | Tom LaBonge | Eduardo P. Reyes |
| Eric M. Garcetti | Cindy Miscikowski | Mark Ridley-Thomas |
| Wendy Greuel | Nick Pacheco | Jack Weiss |
| Janice K. Hahn | Alex Padilla | Dennis P. Zine |

## ELECTED OFFICIALS OF THE CITY OF LOS ANGELES

Rockard J. Delgadillo, City Attorney
Laura N. Chick, City Controller

## THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

### Board of Commissioners

David Farrar, Chair
Shu Kwan Woo, Treasurer

| | |
|---|---|
| Gretta T. Hutton | John A. Ornelas |
| Douglas R. Ring | John S. Schafer |

### Agency Management

Jerry Scharlin, Administrator
Richard L. Benbow, Deputy Administrator (Business Management)
Kenneth L. Clark, Deputy Administrator (Community Operations II)
John McCoy, Deputy Administrator (Organizational Support Services)
Edward O. Saulet, Deputy Administrator (Community Operations III)
Donald R. Spivack, Deputy Administrator (Community Operations I)
Randall K. Wilkins, Chief Financial Officer
Raymond L. Fors, Finance Director

### Agency General Counsel

Rockard J. Delgadillo
City Attorney of the City of Los Angeles

### Trustee

U.S. Bank, N.A., Los Angeles, California

No dealer, broker, salesman or other person has been authorized by the Issuer, the Borrower, the Credit Bank or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any or the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.

THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM THE ISSUER, THE BORROWER, THE CREDIT BANK, DTC AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF, THE UNDERWRITER OR THE ISSUER (EXPECT WITH RESPECT TO THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "ABSENCE OF LITIGATION—THE ISSUER"). IN PARTICULAR, THE ISSUER HAS NOT PROVIDED OR APPROVED ANY INFORMATION IN THIS OFFICIAL STATEMENT EXCEPT WITH RESPECT TO THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "ABSENCE OF LITIGATION—THE ISSUER" AND TAKES NO RESPONSIBILITY FOR ANY OTHER INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT.

THE CREDIT BANK HAS NOT PROVIDED OR APPROVED ANY INFORMATION IN THIS OFFICIAL STATEMENT EXCEPT WITH RESPECT TO THE DESCRIPTION UNDER THE CAPTION "THE CREDIT BANK," TAKES NO RESPONSIBILITY FOR ANY OTHER INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, AND MAKES NO REPRESENTATION AS TO THE CONTENTS OF THIS OFFICIAL STATEMENT (OTHER THAN WITH RESPECT TO THE DESCRIPTION UNDER THE CAPTION "THE CREDIT BANK"). WITHOUT LIMITING THE FOREGOING, THE CREDIT BANK MAKES NO REPRESENTATION AS TO THE SUITABILITY OF THE BONDS FOR ANY INVESTOR, THE FEASIBILITY OR PERFORMANCE OF THE PROJECT, OR COMPLIANCE WITH ANY SECURITIES, TAX OR OTHER LAWS OR REGULATIONS. THE CREDIT BANK'S ROLE WITH RESPECT TO THE BONDS IS LIMITED TO ISSUING AND DISCHARGING ITS OBLIGATIONS UNDER THE LETTER OF CREDIT AND EXERCISING THE RIGHTS RESERVED TO IT IN THE INDENTURE AND THE CREDIT AGREEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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# OFFICIAL STATEMENT

$53,000,000
The Community Redevelopment Agency of the City of Los Angeles, California
Variable Rate Demand Multifamily Housing Revenue Bonds
(Metropolitan Lofts Apartments) 2002 Series A

## INTRODUCTION

The purpose of this Official Statement, including the cover page and the attached appendices, is to set forth certain information in connection with the sale by The Community Redevelopment Agency of the City of Los Angeles, California (the "Issuer") of the above-captioned bonds (the "Bonds").

The Bonds are being issued under an Indenture of Trust (the "Indenture") dated as of December 1, 2002, between the Issuer and U.S. Bank, N.A., as trustee (the "Trustee"), to provide funds to make a loan (the "Loan") pursuant to a Loan Agreement dated as of the date of the Indenture (the "Loan Agreement"), among the Issuer, FC Metropolitan Lofts Associates LP, a California limited partnership (the "Borrower"), and the Trustee to provide permanent financing for all or a portion of the costs incurred for the acquisition and construction of a multifamily apartment complex located in Los Angeles, California (the "Project"), and to pay certain costs of issuing the Bonds. [The Borrower holds only a leasehold interest in the real property on which the Project is to be constructed.] See "THE BORROWER AND THE PROJECT" herein. A portion of the dwelling units in the Project will be occupied by individuals of very low income in accordance with a Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") among the Issuer, the Borrower and the Trustee. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE REGULATORY AGREEMENT."

Concurrently with and as a condition to the issuance of the Bonds, the Borrower will cause to be delivered to the Trustee an irrevocable direct pay letter of credit (the "Letter of Credit") issued by Bank of America, N.A. (the "Credit Bank"), pursuant to a [Reimbursement Agreement] (the "Credit Agreement") dated as of the date of the Indenture, between the Credit Bank and the Borrower. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE CREDIT AGREEMENT" and "APPENDIX D—FORM OF THE LETTER OF CREDIT."

The Borrower's obligations under the Loan Agreement are secured by a first lien deed of trust on the Project (the "Deed of Trust"), executed by the Borrower for the benefit of the Trustee. The Borrower's obligations under the Credit Agreement are secured by a second lien deed of trust on the Project (the "Credit Bank Deed of Trust"), executed by the Borrower for the benefit of the Credit Bank. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE DEEDS OF TRUST."

In order to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Borrower and the Issuer have entered into a Regulatory Agreement and Declaration of Restrictive Covenants dated as of the date of the Indenture (the "Regulatory Agreement"). The Regulatory Agreement requires a portion of the residential rental units in the Project be occupied or held for occupancy by tenants with incomes below the levels described herein under "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE REGULATORY AGREEMENT." In addition, the Project is subject to additional rent and income restrictions as described under the heading "THE BORROWER AND THE PROJECT" herein.

THE BONDS SHALL BE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NEITHER THE STATE OF CALIFORNIA (THE "STATE") NOR THE CITY OF LOS ANGELES (THE "CITY") SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF AND INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF IS PLEDGED FOR THE PAYMENT THEREOF. THE BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A GENERAL OBLIGATION OR INDEBTEDNESS OF THE ISSUER, THE STATE OR THE CITY OR BONDS ISSUED OR GUARANTEED BY THE STATE OR THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION. THE BONDS SHALL NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE ISSUER, THE STATE OR THE CITY AND SHALL NOT BE PAYABLE IN ANY MANNER BY TAXATION. THE ISSUER SHALL NOT BE OBLIGATED TO PAY ANY BOND FROM ANY TAX OR OTHER GENERAL REVENUE OR FROM ANY PROPERTY EXCEPT THAT EXPRESSLY PLEDGED PURSUANT TO THE INDENTURE.

Included in this Official Statement is information concerning the Issuer, the Credit Bank, the Borrower, the Project and the sources of payment for the Bonds, together with summaries of the terms of the Bonds and certain provisions of the Indenture, the Loan Agreement, the Credit Agreement, the Deed of Trust and certain documents related thereto. All references herein to agreements or documents are qualified in their entirety by references to the definitive forms thereof, copies of which are available for inspection at the principal corporate trust office of U.S. Bank, N.A., 550 South Hope Street, Suite 500, Los Angeles, California 90071, Attention: Corporate Trust Department.

Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. (the "Remarketing Agent"), has been appointed Remarketing Agent for the Bonds under the Indenture and will continue to act as Remarketing Agent so long as the Bonds bear interest at a Weekly Rate. The Remarketing Agent may resign or be replaced as provided in the Indenture.

This Official Statement provides certain information concerning the Bonds prior to a Fixed Rate Conversion Date or a Reset Date. Owners and prospective purchasers of the Bonds should not rely on this Official Statement for information concerning the Bonds on and after a Fixed Rate Conversion Date or the Reset Date, but should look to the revisions, amendments, supplements or substitutions hereof for information concerning the Bonds on and after that date.

## THE ISSUER

The Issuer is a public body, corporate and politic, organized and existing under and pursuant to the Act and the laws of the State of California. The Issuer was activated in 1948 by the City Council. The mission of the Issuer is to serve as the prime entity responsible for devising and implementing geographically based action strategies that serve to check and reverse deterioration in Los Angeles' most troubled urban neighborhoods. The Issuer will direct governmental and private sector investment, as necessary, to implement these strategies and will undertake the necessary steps required to engender new investment and growth in these areas. The Issuer remains prepared to assist any Los Angeles neighborhood facing economic or physical deterioration. Funds to perform redevelopment activities come from several sources. These include tax increment financing, proceeds from the sale of bonds, land sale proceeds, grant funds and other general revenues. The existing redevelopment projects cover over 18,500 acres located throughout the City. The Issuer has assisted in the construction or rehabilitation of 21,940 housing units, 4,212 single room occupancy hotel rooms and in 1,862 beds in group facilities, along with 42 million square feet of commercial, industrial and institutional projects.

THE BONDS SHALL BE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NEITHER THE STATE OF CALIFORNIA (THE "STATE") NOR THE CITY OF LOS ANGELES (THE "CITY") SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE, IF ANY, OF AND INTEREST ON THE BONDS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR THE UNITED STATES OF AMERICA OR ANY ISSUER THEREOF IS PLEDGED FOR THE PAYMENT THEREOF. THE BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A GENERAL OBLIGATION OR INDEBTEDNESS OF THE ISSUER, THE STATE OR THE CITY OR BONDS ISSUED OR GUARANTEED BY THE STATE OR THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION. THE BONDS SHALL NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE ISSUER, THE STATE OR THE CITY AND SHALL NOT BE PAYABLE IN ANY MANNER BY TAXATION. THE ISSUER SHALL NOT BE OBLIGATED TO PAY ANY BOND FROM ANY TAX OR OTHER GENERAL REVENUE OR FROM ANY PROPERTY EXCEPT THAT EXPRESSLY PLEDGED PURSUANT TO THE INDENTURE.

## SECURITY FOR THE BONDS

The Bonds are special, limited obligations of the Issuer, and are secured by a pledge of all Revenues, which are defined in the Indenture as: (a) all money drawn by the Trustee under the Letter of Credit; (b) any portion of the proceeds of the Bonds deposited with the Trustee and not used to pay issuance costs; and (c) all income earned on investments; (d) any repayments of the Loan required to be made by the Borrower pursuant to the Loan Agreement; and (e) any amounts received by the Trustee pursuant to the Deed of Trust; but Revenues do not include amounts held for payment to the United States, the Issuer, the administrator of the Regulatory Agreement or the Trustee.

The Borrower's obligations under the Loan Agreement are secured by a first lien deed of trust on the Project (the "Deed of Trust"), executed by the Borrower for the benefit of the Trustee. The Borrower's obligations under the Credit Agreement are secured by a second lien deed of trust on the Project (the "Credit Bank Deed of Trust"), executed by the Borrower for the benefit of the Credit Bank. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE DEEDS OF TRUST."

A form of the Letter of Credit is attached hereto as Appendix D.

## THE BONDS

### General

The Bonds will be issued as fully-registered bonds in Authorized Denominations. The Bonds will be dated the date of delivery thereof and will mature on the maturity date set forth on the cover hereof. Each Bond will bear interest from the later of the date of first authentication and delivery of the Bonds or the most recent date to which interest has been paid or made available for payment pursuant to the Indenture.

The Bonds initially will be registered in the name of Cede & Co., as nominee of DTC, and held by DTC on behalf of the beneficial owners of the Bonds. DTC will, by book-entry, record beneficial ownership and transfers of the Bonds in its custody and will forward all notices and payments received in respect of any Bonds held by it to the beneficial owners of the Bonds as shown on its books of account.

DTC acts as agent solely for the beneficial owners of the Bonds and not for the Issuer or the Underwriter. See "BOOK ENTRY SYSTEM."

For as long as The Depository Trust Company ("DTC") or its nominee is the Registered Owner of the Bonds, payments of principal and interest on the Bonds will be made on the date such payments are due and payable at the place and in the manner agreed upon by the Trustee and DTC. If the Bonds are in certificated form, the principal of the Bonds will be payable at the principal corporate trust office of the Trustee in Los Angeles, California, and, except as provided in the Indenture for defaulted interest, interest on the Bonds will be payable by check of the Trustee mailed on the Interest Payment Date to the persons in whose names such Bonds are registered on the Record Date, provided that the Trustee will, at the request of any Owner of $1,000,000 or more in aggregate principal amount of Bonds, make payments of interest on such Bonds by wire transfer to the account designated by such Bondholder to the Trustee in writing at least 15 days before the Record Date.

**Determination of Interest Rate**

From the date of initial authentication and delivery of the Bonds until an Interest Rate Conversion Date, the Bonds will bear interest at a Weekly Rate. Interest on the Bonds may be converted from a Weekly Rate to a Daily Rate, Reset Rate or a Fixed Rate, from a Daily Rate to a Weekly Rate, Reset Rate or a Fixed Rate or from a Reset Rate to a Weekly Rate, Daily Rate or a Fixed Rate.

During any Daily Period or Weekly Period, interest on the Bonds will be computed based on a year of 365 or 366 days for the actual number of days elapsed.

***Weekly Rate***. The Weekly Rate will be computed as follows:

(a) The Remarketing Agent will set the Weekly Rate on or before the Bond Issuance Date or any Weekly Conversion Date and thereafter on each Weekly Interest Computation Date (usually a Wednesday). The Weekly Rate for each Weekly Period will be the rate of interest which, in the opinion of the Remarketing Agent, having due regard for prevailing financial market conditions, would be the interest rate necessary, but which would not exceed the interest rate necessary to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Weekly Interest Computation Date; provided, however, that the rate so determined will not be greater than the Maximum Rate.

(b) If the Remarketing Agent fails or refuses to determine the Weekly Rate for any period, the Weekly Rate most recently determined will continue in effect until the Remarketing Agent determines the new Weekly Rate.

***Daily Rate***. The Daily Rate will be computed as follows:

(a) The Remarketing Agent will set the Daily Rate on any Business Day for that Business Day. The Daily Rate for any non-Business Day will be the Daily Rate for the last day on which a Daily Rate was set. The Daily Rate for each Daily Period will be the rate of interest which, in the opinion of the Remarketing Agent, having due regard for prevailing financial market conditions, would be the interest rate necessary, but which would not exceed the interest rate necessary to produce as nearly as practicable a par bid (disregarding accrued interest) if Bonds were sold on such Business Day; provided, however, that the rate so determined will not be greater than the Maximum Rate.

(b) If the Remarketing Agent fails or refuses to determine the Daily Rate for any period, the Daily Rate most recently determined will continue in effect until the Remarketing Agent determines the new Daily Rate.

***Computations Binding.*** The computation by the Remarketing Agent of the Weekly Rate and the Daily Rate, except in the case of obvious error, will be conclusive and binding upon the Issuer, the Borrower, the Trustee, the Credit Bank, the Tender Agent, the Remarketing Agent, and the Owners and beneficial owners of the Bonds.

**Conversion to Alternate Rate**

Subject to the provisions contained in the Indenture, the interest rate on the Bonds may be converted from a Weekly Rate to a Daily Rate, Reset Rate or a Fixed Rate, from a Daily Rate to a Weekly Rate, a Reset Rate or a Fixed Rate and from a Reset Rate to a Weekly Rate, Daily Rate or Fixed Rate, upon receipt by the Issuer, the Trustee, the Tender Agent, the Credit Bank and the Remarketing Agent of written consent and notice from the Borrower specifying (a) the Interest Rate Conversion Date, which will not be less than 30 days after notice is received by the parties; (b) any redemption amounts for each Interest Payment Date at a price equal to the principal amount of Bonds subject to redemption plus accrued interest thereon to the date fixed for redemption, without premium, provided that if no such redemption amounts are so specified such redemption amounts will be the amounts specified in the Indenture; and (c) the date on which the new rate will be determined by the Remarketing Agent, which date will not be less than two days before the Interest Rate Conversion Date and not less than 10 days before the Conversion Date or Reset Date.

**Notice of Mandatory Purchase Date**

The Trustee will give the Bond owners notice in the manner provided in the Indenture and described herein with respect to notices for redemption of Bonds stating the Interest Rate Conversion Date, the Reset Date and the Conversion Date and that all Bond owners must tender their Bonds for purchase on the such dates or such Bonds will be deemed to have been so tendered.

**Demand Purchase Option**

During a Weekly Period or Daily Period, Bonds, or any units of principal amounts thereof in Authorized Denominations, will be purchased at the option of the owner thereof at the Purchase Price equal to the principal amount, plus interest accrued thereon, if any, to the Demand Date, if the owner gives irrevocable notice to the Tender Agent, with a copy to the Remarketing Agent and to the Trustee, in the form attached hereto as Appendix C. Such notice must include the principal amount and certificate number of the Bond for which payment is demanded and the date of which such Bond will be purchased, which date with respect to a demand tender during a Weekly Period must be a Business Day not prior to the seventh day next succeeding the date of receipt of such notice by the Tender Agent and with respect to a demand tender during a Daily Period shall be the date of receipt of the Tender Notice by the Tender Agent. The owner must deliver to the Principal Office of the Tender Agent, at or prior to 9:30 a.m., New York City time, on the Demand Date, the Bond (with an appropriate transfer of registration form executed in blank and in form satisfactory to the Tender Agent), and, in the case of a Bond to be purchased prior to any Interest Payment Date and after the Record Date, a due-bill, in form satisfactory to the Tender Agent for interest due on such Interest Payment Date.

Bonds not delivered to the Tender Agent on or prior to 9:30 a.m. New York City time, on the Demand Date will be deemed purchased and interest will cease to accrue on such Bonds on the Demand Date. Payment of the Purchase Price of any Bond delivered as provided above will be made by check or

by wire transfer or as designated in the Tender Notice with respect to such Bond, but only upon delivery and surrender of such Bond and due-bill, if any, to the Tender Agent on the Demand Date.

IF THERE HAS OCCURRED AN EVENT OF DEFAULT RELATING TO PAYMENT OF THE BONDS UNDER THE INDENTURE OR IF ALL OF THE BONDS HAVE BEEN CALLED FOR REDEMPTION OR DEFEASED, BONDHOLDERS WILL NO LONGER HAVE THE RIGHT TO REQUIRE PURCHASE OF THEIR BONDS. FURTHERMORE, NO BONDHOLDER WILL HAVE THE RIGHT TO REQUIRE PURCHASE OF ITS BONDS IF ITS BONDS ARE REGISTERED IN THE NAME OF THE ISSUER, THE BORROWER, THE CREDIT BANK OR KNOWN BY THE TRUSTEE TO BE REGISTERED IN THE NAME OF ANY GENERAL PARTNER OR GUARANTOR OF BORROWER'S OBLIGATIONS UNDER THE LOAN AGREEMENT OR CREDIT AGREEMENT, OR ANY NOMINEE OF ANY OF THE FOREGOING.

**Mandatory Tender for Purchase**

The Bonds are subject to mandatory tender for purchase at a Purchase Price equal to the principal amount, plus interest accrued thereon, if any, to the date of purchase, (a) on the effective date of any substitute Letter of Credit delivered during a Weekly Period or a Daily Period, or (b) on any Interest Rate Conversion Date.

The Remarketing Agent has been appointed initial Remarketing Agent for the Bonds under the Indenture and a Remarketing Agreement dated as of the date of the Indenture. The Remarketing Agent will act as Remarketing Agent so long as the Bonds bear interest at a Daily Rate or Weekly Rate. Pursuant to such appointment, the Remarketing Agent, upon receipt of a Tender Notice, will use its best efforts to find a purchaser for the Bonds referred to in such Tender Notice at a price equal to the Purchase Price. Upon receipt by the Tender Agent of the Purchase Price and, if the Bonds are in certificated form, receipt by the Tender Agent or the Remarketing Agent of the Bonds to be purchased on such purchase date in good form for delivery, the Tender Agent will remit the Purchase Price of such Bonds to the tendering Bondholder. In the event that the Purchase Price for any Bonds is not in the hands of the Tender Agent (or otherwise available to pay the tendering Bondholder) by 10:30 a.m., New York City time, on the purchase date, the Tender Agent will notify the Trustee to purchase such Bonds at the Purchase Price from the proceeds of a drawing under the Letter of Credit, as described under "THE LETTER OF CREDIT."

## BOOK ENTRY SYSTEM

*Portions of the information relating to the Book-Entry System under this heading have been furnished by DTC, but have not been independently verified by the Underwriter, the Issuer or The Credit Bank. Neither the Underwriter, the Issuer nor The Credit Bank makes any representation whatsoever as to the accuracy, adequacy or completeness of such information.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each series and maturity of the Bonds, in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities

Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may

wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the Borrower, the Remarketing Agent, the Credit Bank or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner will give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent or the Remarketing Agent (as required by the Indenture), and will effect delivery of such Bond by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent or the Remarketing Agent (as required by the Indenture). The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the account of the Tender Agent or the Remarketing Agent, as appropriate.

DTC may discontinue providing its service as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

NONE OF THE ISSUER, THE TRUSTEE, THE CREDIT BANK, THE UNDERWRITER OR THE BORROWER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE

BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, NOR THAT DTC WILL ACT IN A MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

In the event that the Book-Entry Only System is discontinued, the following provisions will apply: So long as any of the Bonds remain outstanding, the Trustee will maintain books for the registration, transfer and exchange of the Bonds and Bonds will be transferred only upon the books for the registration and transfer kept by the Trustee. Upon surrender for transfer or exchange of any Bond at such office, with a written instrument of transfer or authorization for exchange in form and with guaranty of signature satisfactory to the Trustee, duly executed by the registered owner or his duly authorized attorney, the Issuer will execute and the Trustee will authenticate and deliver an equal aggregate principal amount of Bonds of any authorized denominations, subject to such reasonable regulations as the Trustee may prescribe and upon payment sufficient to reimburse it for any tax, fee or other governmental charge required to be paid in connection with such transfer or exchange. All Bonds surrendered for transfer or exchange will be canceled by the Trustee. The Trustee is not required to transfer or exchange any Bonds called for redemption or mandatory tender or during the period between a Record Date and the next succeeding Interest Payment Date, except that the Trustee may transfer or exchange Variable Rate Bonds that have been called for redemption or mandatory tender if the transferee receives notice from the Remarketing Agent of such redemption or mandatory tender prior to purchasing those Bonds.

## REDEMPTION OF BONDS

### Optional Redemption

The Bonds are subject to optional redemption at a price equal to the principal amount of Bonds called for redemption plus accrued interest to the redemption date and without premium, prior to the Fixed Rate Conversion Date, in whole or in part, on any Interest Payment Date.

The Trustee must give notice of any optional redemption not less than 10 days and not more than 30 days prior to the date fixed for redemption. *For so long as the Bonds are held in book-entry form, notices of redemption shall be given by the Trustee solely in accordance with the Letter of Representations.*

[The Borrower has agreed under the terms of the Credit Agreement to exercise its right (prior to a Fixed Rate Conversion) to redeem the Bonds at the times and in the amounts set forth in that agreement. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE CREDIT AGREEMENT." The Credit Bank may waive these requirements in its discretion. The Borrower may redeem the Bonds in excess of the Credit Bank's requirements with the prior consent of the Credit Bank.]

### Mandatory Redemption

The Bonds are subject to redemption, as follows:

(a) in whole or in part on the earlier of the Completion Date or the first Business Day of December, 2005 at a price equal to the principal amount of the Bonds called for redemption, plus interest accrued thereon to the date of redemption, without premium, to the extent of undisbursed funds on deposit in the Program Fund on the Completion Date or November 1, 2005, respectively;

(b) in whole or in part on any Interest Payment Date, at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without

premium, (i) upon prepayment of the Loan in whole or in part, in an amount as nearly equal as possible to, but not exceeding, the amount of any Net Proceeds of insurance or condemnation awards not used to repair or replace the Project pursuant to the Loan Agreement, or (ii) from amounts on deposit in the Principal Reserve Fund in excess of the Principal Reserve Amount;

(c) the Bonds are subject to redemption on the first day for which notice of redemption can timely be given, following the receipt by the Trustee of written notice of the occurrence of an Event of Taxability, at a price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium;

(d) in whole on any date at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, upon acceleration of the Loan in whole following an Acceleration Default or following an Event of Default under the Credit Agreement that results in an Event of Default under the Loan Agreement as described in paragraph (e) under the heading "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE LOAN AGREEMENT—Events of Default";

(e) in whole, at a price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium, on the last Business Day which is not less than five days before the date of expiration of any Letter of Credit, unless the Trustee receives a renewal or extension of or replacement for such Letter of Credit meeting the requirements of the Loan Agreement not less than 15 days before the expiration of the then-existing Letter of Credit, or, in the case of replacement of the Letter of Credit in connection with any Weekly Rate Adjustment Date, Daily Conversion Date, Reset Date or the Conversion Date, unless the Trustee receives a Letter of Credit meeting the requirements of the Loan Agreement not less than 15 days before the Weekly Rate Adjustment Date, Reset Date, Daily Conversion Date, or Conversion Date, as the case may be;

(f) in whole or in part, in the event and to the extent there are voluntary prepayments of the Loan (i) on any Interest Payment Date (A) during any Weekly Period or Daily Period in the event and to the extent of any voluntary prepayments of principal of the Loan, or (B) in the amount specified for any Interest Payment Date in connection with the establishment of a Reset Rate or a Fixed Rate pursuant to the Indenture at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, without premium, and (ii) otherwise during the periods set forth in the Indenture and during any Reset Period or after Conversion, at the respective redemption prices set forth in the Indenture expressed as percentages of the principal amounts of the Bonds called for redemption; and

(g) in whole at a price equal to the principal amount of Bonds redeemed plus interest accrued thereon to the date fixed for redemption, which date shall be as soon as practicable but in no event later than seven days from the date of a failure of the Credit Bank to honor a conforming draw on the Letter of Credit or a repudiation of the Letter of Credit, without premium, if the Credit Bank fails to honor a conforming draw on the Letter of Credit or the Letter of Credit is repudiated.

The Trustee will give notice of redemption pursuant to subparagraphs (b) and (f) above at the times required therefore, but only if (i) the Trustee then holds Available Amounts on deposit in the Bond Fund sufficient to pay, or to the extent such redemption is required by and provided for in the Indenture, any premium due upon such redemption or (ii) if the Letter of Credit then in effect may be drawn upon to

pay such premium and is in an amount equal to such premium plus other amounts that may be required under the Loan Agreement.

**Partial Redemption**

Any Bond may be redeemed in whole or in part, but no part of any Bond shall be redeemed in an amount less than a minimum Authorized Denomination. Upon surrender of any Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the registered owner thereof, without charge to the owner thereof, a new Bond or Bonds of like series and maturity and of authorized denominations designated by such owner equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

**Selection of Bonds for Redemption**

When any redemption is made pursuant to any of the provisions of the Indenture and less than all of the outstanding Bonds are to be redeemed, the Trustee shall select the Bonds to be redeemed by lot, in any manner the Trustee deems fair, in whole multiples of minimum Authorized Denominations. In no event shall Bonds be redeemed in amounts other than whole multiples of minimum Authorized Denominations. For purposes of redeeming Bonds in denominations greater than minimum Authorized Denominations, the Trustee shall assign to such Bonds a distinctive number for each such principal amount and, in selecting Bonds for redemption by lot, shall treat such amounts as separate Bonds. The Trustee shall promptly notify the Issuer in writing of the certificate number, amounts and, maturities of the Bonds selected for redemption.

**Notice of Redemption**

Notice of redemption shall be given by the Trustee for and on behalf of the Issuer, by first class mail, not more than 30 and not less than 10 days or, in the case of a redemption pursuant to subparagraphs (a) or (e) above, not less than three days nor more than five days prior to the redemption date, or in the case of redemption pursuant to subparagraphs (c) or (g) above, not less than two days prior to the redemption date, to the Tender Agent and the registered owner of each Bond called for redemption, at its address as it appears on the registration books or at such address as it may have filed with the Trustee for that purpose, but neither failure to mail such notice to any owner of the Bond nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds with respect to which such failure or defect shall have occurred. Each notice of redemption shall state the redemption date, the place of redemption, the source of the funds to be used for such redemption, the principal amount and, if less than all, the distinctive numbers of the Bonds to be redeemed, and shall also state that the interest on the Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed, interest accrued thereon to the redemption date and the premium, if any, thereon (such premium to be specified).

The Bonds are subject to mandatory tender in the event the Borrower elects to have the Bonds bear interest at an Alternate Rate, under the circumstances described in "THE BONDS—Conversion to Alternate Rate."

The Borrower has agreed under the terms of the Credit Agreement to exercise its right (prior to a Fixed Rate Conversion Date or Reset Date) to redeem Bonds at the times and in the amounts set forth in that agreement. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE CREDIT AGREEMENT." The Credit Bank may waive these requirements in its

discretion. The Borrower may redeem Bonds in excess of the Credit Bank's requirements with the Credit Bank's consent.

## THE LETTER OF CREDIT

### General

The direct pay Letter of Credit initially delivered will be an irrevocable obligation of the Credit Bank that will expire on the date set forth on the cover hereof, unless earlier terminated or extended as provided therein. A form of the Letter of Credit is attached hereto as Appendix D.

### Indenture Provisions Relating to the Letter of Credit

The Indenture directs the Trustee to draw upon the Letter of Credit to pay principal and Purchase Price of and interest, but not premium, if any, on the Bonds when due, whether on any interest payment, redemption or maturity date, including accelerated maturity, and to pay on each Demand Date the Purchase Price of any Bonds tendered or deemed tendered pursuant to a Tender Notice or a notice of mandatory tender and not remarketed.

Under the Indenture, the Trustee is directed to draw on the Letter of Credit immediately upon receiving a notice from the Credit Bank that an event of default has occurred under the Credit Agreement and redeem all outstanding Bonds. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS—THE CREDIT AGREEMENT" for a description of events of default under the Credit Agreement.

Under certain conditions, the Borrower may provide a substitute Letter of Credit in place of the Letter of Credit then in effect. While the Bonds bear interest a Weekly Rate or a Daily Rate, the Bonds will be subject for mandatory tender for purchase on the date of delivery of a substitute letter of credit. See "THE BONDS—Mandatory Tender for Purchase."

## THE CREDIT BANK

*The information under this heading has been provided solely by the Credit Bank and is believed to be reliable, but has not been verified independently by the Issuer, the Borrower or the Underwriter. No representation whatsoever as to the accuracy, adequacy or completeness of such information is made by the Issuer, the Borrower or the Underwriter.*

[TO COME]

## THE TRUSTEE

The Issuer has appointed U.S. Bank, N.A., a national banking association organized under the laws of the United States, to serve as the Trustee. The Trustee is to carry out those duties assignable to it under the Indenture and the Bond Documents. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the Bonds, or for the validity, sufficiency or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Issuer of any of the Bonds authenticated or delivered pursuant to the Indenture or for

the use or application of the proceeds of such Bonds by the Issuer or the Borrower. The Trustee has not evaluated the risks, benefits or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of the Project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

The corporate trust office of the Trustee is set forth under the heading "INTRODUCTION" herein. The mailing address for the Trustee's operation center is 180 East Fifth Street, St. Paul, Minnesota 55101.

Additional information about the Trustee may be found at its website at http://www.usbank.com/corporatetrust. The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

## SOURCES AND USES OF FUNDS

The proceeds of the sale of the Bonds and certain other moneys are expected to be applied approximately as follows:

**SOURCES:**

| | |
|---|---|
| Bond Proceeds | $_____ |
| Borrower Equity | _____ |
| Total Sources | $_____ |

**USES:**

| | |
|---|---|
| Project Costs | $_____ |
| Bond Cost of Issuance and Loan Costs | _____ |
| Total Uses | $_____ |

The Credit Bank does not expect to authorize the disbursement of proceeds of the Bonds in the Project Fund until approximately three months after the Closing Date. During such period, the proceeds of the Bonds will be invested in an [Investment Agreement dated as of the Closing Date (the "Investment Agreement") by and between the Trustee and _____.] If the Credit Bank's conditions to the disbursement of proceeds of the Bonds in the Project Fund are not satisfied on a timely basis, the Credit Bank could cause such amounts to be applied to the mandatory redemption of the Bonds at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon. See "REDEMPTION OF BONDS" herein.

## THE BORROWER AND THE PROJECT

*The following information has been provided by the Borrower for use herein. While the information is believed to be reliable, none of the Issuer, the Underwriter, the Remarketing Agent, the Credit Bank, nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.*

**The Borrower**

FC Metropolitan Lofts Associates LP, a California limited partnership. The sole general partner is F.C. Metropolitan Lofts, Inc., a California [nonprofit] corporation, which is a wholly-owned subsidiary of Forest City Enterprises, Inc. ("Forest City"). Forest City is a publicly-held national full service real estate development company listed on the New York Stock Exchange headquartered in Cleveland, Ohio. Its activities are focused on the ownership, development and management of large scale projects including mixed-use properties, shopping centers, office buildings, hotels and apartment complexes.

Forest City has developed and continues to own interests in more than 50 apartment complexes containing more than 23,000 units, 33 shopping centers containing an aggregate square footage in excess of 14 million, 22 office and mixed-use projects containing more than 6 million square feet and 5 hotels containing more than 1,500 rooms. Operating for its own account and others, Forest City Commercial and Residential Management Divisions manage approximately 15 million square feet of malls and community retail centers, approximately 2 million square feet of offices and approximately 24,000 apartment units and financial reporting responsibilities for an additional 9,402 units.

Currently, Forest City has in excess of $2 billion (at cost) of real estate projects in its growing real estate portfolio. Other major areas of business include lumber brokerage, land development, property acquisition, asset and property management, and financing and syndication of properties for itself and others.

Once the construction is complete, Forest City Management, Inc. ("FCMI"), Apartment Division will manage the Project. FCMI was formed in 1965 to meet the demands of providing professional apartment management and marketing services for the growing residential portfolio of Forest City Enterprises.

The partners of the Borrower will not be personally liable for payments on the Loan, the payments on which are to be applied to pay the principal of, premium, if any, and interest on the Bonds. Accordingly, the financial statements of the Borrower and of the partners of the Borrower are not included in this Official Statement. No representation is made that the Borrower will have substantial funds available for the Project.

**The Project**

The Project is to be located on an approximately _____-acre parcel of land located at _____ in Los Angeles, California. [The site is one block from _____ offering public transportation to _____. The Project has access from Interstates _____.]

Construction of the Project is expected to commence on _____ and is expected to be complete on _____. The Project will consist of a _____-story building which will contain _____ units [over an underground parking garage]. The planned unit mix for the Project is projected to be as follows:

| Type of Unit | Number of Unit Type | Approximate Square Feet | Proposed Rent (as of _____, 2002) |
|---|---|---|---|
| Studio | | | |
| 1 Bdrm | | | |
| 2 Bdrm | | | |
| 3 Bdrm | | | |

[Individual unit amenities are planned to feature condominium quality appliance and finishes. These amenities are planned to include air conditioning, built-in range/ovens, frost-free refrigerators, disposals, dishwashers, microwave ovens, washer/dryers, as well as volume ceilings in some of the top floor units.]

[The Project will also contain approximately _____ square feet of retail space which will be financed with the Borrower's equity contribution.]

The terms of the Regulatory Agreement require that at least 20% of the units in the Project must be occupied by Very Low Income Tenants. [Pursuant to the 30-Year Affordability Restriction made by the Borrower on August 29, 1997 (the "Affordability Agreement"), during the time that any Bonds are outstanding, at least 64 of the units in the Project (the "Restricted Units") shall be rented or otherwise made available at Affordable Housing Costs to Very Low Income Households. The Affordability Agreement expires by its terms upon retirement in full of all of the Bonds (but in no event for a period of less than 30 years from the earlier of the recordation of the notice of completion for the Restricted Units or the date on which the first Restricted Unit is occupied).]

**[NOTE: THE FOLLOWING TWO PARAGRAPHS WERE ADDED AFTER THE BORROWER AND PROJECT RIDER WAS SUBMITTED TO THE BORROWER FOR COMPLETION. AS A RESULT, I NEED HELP COMPLETING/CORRECTION THESE PARAGRAPHS AS WELL]**

[In addition, in connection with the low-income housing tax credits anticipated to be granted for the Project, the Borrower will execute a low-income housing agreement in compliance with the requirements of Section 42 of the Code (the "Low-income Housing Agreement"). The Low-income Housing Agreement requires the low-income housing tax credit income targeting and rent restrictions for the Project under Section 42 of the Code for the initial 15-year compliance period, subject to a few exceptions. The Low-income Housing Agreement for the Project will, among other things, require that 100% of the completed and occupied dwelling units in the Project be occupied by tenants whose gross income is at or below 60% of area median gross income and that annual rent charged with respect to the units be limited to 30% of 60% of area median gross income as provided in Section 42(g)(2) of the Code throughout the extended use period as defined in the Code.]

[The Borrower holds only a leasehold interest in the real property on which the Project is to be constructed, pursuant to the _____ dated as of _____ (the "Lease") by and between the Borrower and _____. The term of the Lease is _____ years.]

Except to the extent expressly set forth herein, no representation is made that the Borrower has substantial funds available to complete the Project. Accordingly, neither the Borrower's financial statements nor those of its members are included in this Official Statement. No assurance can be given that the Project will be constructed or that it will be constructed in accordance with the plans anticipated as of the date of this Official Statement. See "THE BONDS—Redemption."

## ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the Owners of the Bonds upon an event of default under the Loan Agreement, the Indenture or the other Project documents are in many respects dependent upon judicial actions which are often subject to discretion and delay. The various legal opinions to be delivered in connection with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

## TAX MATTERS

[In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "Code"). It should be noted, however, that such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel has expressed no opinion with respect to the continuation of the exclusion of interest on the Bonds from gross income following the first Reset Date or the Conversion Date.

The opinion of Bond Counsel is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds, may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

The proposed form of the opinion of Bond Counsel with respect to the Bonds is attached hereto as Appendix B.]

## UNDERWRITING

Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. and Jackson Securities Inc. (together, the "Underwriter") have agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price equal to the par amount of the Bonds. The obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions set forth in a purchase contract entered into among the Underwriter, the Borrower and the Issuer. The Underwriter will be paid a fee in connection with the initial sale of the Bonds in an amount equal to ____% of the principal amount of the Bonds.

## ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee, the Issuer and the Owners of the Bonds upon an event of default under the Loan Agreement, the Indenture or the other Project documents are in many respects dependent upon judicial actions which are often subject to discretion and delay. The various legal opinions to be delivered in connection with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors generally.

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[In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, except during any period while a Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the "Code"). It should be noted, however, that such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel has expressed no opinion with respect to the continuation of the exclusion of interest on the Bonds from gross income following the first Reset Date or the Conversion Date.

The opinion of Bond Counsel is subject to the condition that the Issuer and the Borrower comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer and the Borrower have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

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In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

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## UNDERWRITING

Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. and Jackson Securities Inc. (together, the "Underwriter") have agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price equal to the par amount of the Bonds. The obligation of the Underwriter to purchase the Bonds is subject to certain terms and conditions set forth in a purchase contract entered into among the Underwriter, the Borrower and the Issuer. The Underwriter will be paid a fee in connection with the initial sale of the Bonds in an amount equal to ____% of the principal amount of the Bonds.

## RATINGS

The Bonds have been assigned the rating set forth on the cover hereof by Moody's Investors Service (the "Rating Agency"), based on the issuance of the Letter of Credit by the Credit Bank. Such ratings reflect only the views of the Rating Agency at the time the ratings are given, and the Issuer makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings may be obtained only from the Rating Agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by the Rating Agency, if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

## ABSENCE OF LITIGATION

### The Issuer

To the best knowledge of the Issuer there is no action, suit or proceeding pending or threatened restraining or enjoining the execution, delivery or remarketing of the Bonds or in any way contesting or affecting the validity of the foregoing.

### The Borrower

There is no litigation now pending against the Borrower or, to the actual knowledge of the general partners of the Borrower, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, the Indenture or the Loan Agreement, or in any way contesting or affecting the validity of any of these documents or of any proceedings of the Borrower taken with respect to the issuance or sale of, or the pledge or application of any money or security provided for the payment of, the Bonds. There is no litigation of any nature now pending against the Borrower or, to the actual knowledge of the general partners of the Borrower, threatened, which, if successful, would materially adversely affect the operations or financial condition of the Borrower.

## CERTAIN LEGAL MATTERS

All legal matters in connection with the issuance of the Bonds are subject to the approval of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel. A form of the opinion of Bond Counsel is set forth in Appendix B of this Official Statement. Certain other legal matters will be passed upon by Kutak Rock LLP, counsel to the Underwriter, by Sheppard, Mullin, Richter & Hampton LLP, Los Angeles, California counsel to the Credit Bank, and by Bret H. Reed, Jr., A Law Corporation, Balboa Island, California, counsel to the Borrower. Payment of the fees of certain of the foregoing counsel is contingent upon the issuance and delivery of the Bonds.

## NO CONTINUING DISCLOSURE

So long as the Bonds are in a Weekly Rate or Daily Rate mode, the Bonds are exempt from Rule 15c2-12 promulgated and amended by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"). Pursuant to the Loan Agreement, the Borrower has undertaken all responsibility for compliance with any applicable continuing disclosure requirements under the Rule following any conversion of the interest rate mode on the Bonds to a Reset Rate or a Fixed Rate.

## MISCELLANEOUS

All of the summaries or descriptions of provisions of the Indenture, the Loan Agreement and other documents are made subject to all of the provisions of law and such documents, and these summaries do not purport to be complete statements of such provisions. Reference is hereby made to such documents for further information in connection therewith. Copies of the aforementioned documents may be obtained from the Trustee.

[Issuer's Signature Page to Official Statement]

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, as Issuer

By _____
Authorized Officer

## APPENDIX A

## SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

*The following statements are a brief summary of certain provisions of the major documents executed in connection with the issuance of the Bonds that have not been described elsewhere in this Official Statement. The summary does not purport to be complete and reference is made to the actual documents available from the Trustee for a full and complete statement of the provisions thereof.*

### CERTAIN DEFINITIONS

"*Act*" means Sections 33750 et seq. of the Health and Safety Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented.

"*Act of Bankruptcy*" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Borrower, any general partner of the Borrower or any guarantor of the Borrower guaranteeing the Borrower's obligations under the Loan Agreement or the Credit Agreement, under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

"*Administrator*" or "*Program Administrator*" shall mean a governmental agency, a financial institution, a certified public accountant, an apartment management firm, a mortgage insurance company or other business entity performing similar duties or otherwise experienced in the administration of restrictions on bond financed multifamily housing projects which shall initially be the Issuer and, at the Issuer's election, any other person or entity appointed by the Issuer who shall enter into an administration agreement in a form acceptable to the Issuer and the Program Administrator.

"*Authorized Bank Representative*" means any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Credit Bank by any officer of the Credit Bank, which certificate may designate an alternate or alternates.

"*Authorized Borrower Representative*" means any person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed by the Borrower, which certificate may designate an alternate or alternates.

"*Authorized Denominations*" means $100,000 or any $5,000 integral multiple in excess of $100,000 during any Weekly Period or Daily Period, and means $5,000 and any integral multiple thereof during any Reset Period or after the Conversion Date.

"*Authorized Issuer Representative*" means the Administrator or any Deputy Administrator of the Issuer or any other person designated to act in such capacity by a Certificate of the Issuer containing the specimen signature of any of such persons, which certificate may designate an alternate or alternates.

"*Available Amounts*" shall mean amounts which are (a) on deposit with the Trustee in trust for the benefit of the Holders in a separate and segregated account in which only Available Amounts are held and are (b)(i) drawn under the Letter of Credit, (ii) proceeds of sale of the Bonds received contemporaneously with the issuance and sale of the Bonds, (iii) the subject of an opinion of nationally-recognized counsel experienced in bankruptcy matters received by the Trustee at the time such amounts are deposited with

the Trustee to the effect that the use of such amounts to make payments on the Bonds would not be voidable as preferential payments under Section 547 or recoverable under Section 550 of the United States Bankruptcy Code should the Issuer, the Borrower, or any general partner, general partner of a general partner or guarantor of the Borrower guaranteeing the Borrower's obligations under the Loan Agreement or the Credit Agreement become a debtor in proceedings commenced thereunder; and (iv) income from the investment of any of the foregoing.

"*Bank*" or "*Credit Bank*" means Bank of America, N.A., a national banking association, as issuer of the Letter of Credit, or the issuer of a Substitute Letter of Credit, if any has been issued as provided in the Loan Agreement.

"*Bond Counsel*" shall mean Fulbright & Jaworski L.L.P. or any other attorney at law or firm of attorneys selected by the Issuer, of nationally recognized standing in matters pertaining to the exclusion from gross income of interest on bonds for federal income tax purposes issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America, but shall not include counsel for the Borrower or the Credit Bank.

"*Bond Fund*" means the fund established pursuant to the Indenture.

"*Bondholder*" or "*Holder*" means the person in whose name any Bond is registered.

"*Bond Year*" means the one-year period beginning on January 1 in each year and ending on December 31 in the following year except that the first Bond Year shall begin on the Closing Date and end on December 31, 2004.

"*Business Day*" means any day other than a Saturday, a Sunday or a day on which banks in the City of New York, New York, banks and trust companies in the city in which the Principal Office of the Trustee is located, and banks in the city in which the Principal Office of the Credit Bank is located are not required or authorized by law to remain closed and on which the New York Stock Exchange is not closed.

"*Closing Date*" means the date of initial issuance and delivery of the Bonds.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise described herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"*Completion Date*" means the date of completion of acquisition and construction of the Project, as certified by the Borrower pursuant to the Regulatory Agreement, or, in the event that the acquisition and construction of the Project will not occur, notice from the Borrower to the Issuer and the Trustee that the acquisition and construction of the Project has been abandoned.

"*Conversion*" means establishment of the interest rate on the Bonds at a Fixed Rate.

"*Conversion Date*" means the date on which the Fixed Rate becomes effective.

"*Cost of Issuance Fund*" means the fund established pursuant to the Indenture.

"*Daily Conversion Date*" means each Interest Payment Date on which the Bonds begin to bear interest at a Daily Rate.

"*Daily Period*" means any period during which the Bonds bear interest at a Daily Rate.

"*Daily Rate*" means the rate of interest borne by the Bonds, determined in accordance with the Indenture, as described herein.

"*Debt Service*" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"*Demand Date*" means any date (which must be a Business Day) on which any Bond is required to be purchased as a result of a demand thereof by a Bondholder or of a mandatory tender date pursuant to the provisions of the Indenture described herein.

"*Event of Taxability*" means and will be deemed to have occurred on the date of the occurrence of any of the following:

(a) receipt by the Issuer of an opinion of Bond Counsel to the effect hat as a result of a change in law, the operation of the Project or any other information made available subsequent to the date of closing on the Bonds, interest on the Bonds is includable in gross income for federal income tax purposes;

(b) receipt by the Issuer, the Borrower, the Trustee, any Bondholder or the Credit Bank of any written notice of a determination by the Commissioner or any District Director of the Internal Revenue Service stating that an event, condition or circumstance has occurred (other than an act or omission of any Bondholder) which has the effect of causing the interest payable on the Bonds to be included in gross income for federal income tax purposes (other than indirect inclusion through an alternative minimum tax, preference tax or similar calculation) in the gross income of any Bondholder (a "Determination of Taxability") has occurred;

(c) receipt by the Issuer, the Borrower or any Bondholder of a written notice from the Trustee that the Trustee (i) has been advised by any owner or former owner of any Bond that the Internal Revenue Service has determined in writing that there has been a Determination of Taxability or (ii) has received written notice from the Commissioner or any District Director of the Internal Revenue Service that there has been a Determination of Taxability;

(d) a judgment or order of a court of competent jurisdiction to the effect that a Determination of Taxability has occurred, which judgment or order is final (either because the time for appeal thereof has expired or because the judgment or order is issued by a court having final appellate jurisdiction over the matter and is not subject to collateral attack); or

(e) a notice of deficiency, ruling or decision of the Internal Revenue Service which is final (because no action has been taken to cause such ruling or decision to be judicially reviewed and the time for taking any such action has expired or with respect to which two years has elapsed since the date of the original notification there), to the effect that a Determination of Taxability has occurred, which judgment, order, notice of deficiency, ruling or decision resulted from a proceeding in which the Borrower had an opportunity to participate if such participation is permitted by law.

"*Fixed Rate*" means the fixed rate of interest borne by the Bonds after Conversion and until the maturity date of the Bonds, determined in accordance with the Indenture, as described herein.

"*Interest Payment Date*" means for interest accrued during a Weekly Period or Daily Period, the first Business Day of each month, commencing on the date set forth on the cover hereof.

"*Interest Period*" means each period commencing on an Interest Payment Date and ending on the day before the next succeeding Interest Payment Date, except that the first Interest Period will begin on the Closing Date and will end on the day before the first Interest Payment Date.

"*Interest Rate Conversion Date*" means any date (which must be a Business Day) on which the interest rate borne by the Bonds is established at a new rate for a corresponding interest rate period.

"*Investment Property*" means any security (as said term is defined in section 165(g)(2)(A) or (B) of the Code), obligation, annuity or investment-type property, excluding, however, obligations the interest on which is excluded from gross income under section 103 of the Code.

"*Investment Securities*" means any of the following (including any funds composed of the following, which may be funds maintained or managed by the Trustee, the Credit Bank or any of their respective affiliates) approved by the Credit Bank, but only to the extent that the same are acquired at Fair Market Value: (a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (including State and Local Government Series); (b) obligations, participations, or other instruments of or issued by a federal agency or a United States government-sponsored enterprise, the principal of and interest on which is unconditionally guaranteed by the United States (including such obligations held in book-entry form); (c) any obligations on which the interest is exempt from federal income taxation and which are rated by the Rating Agency in a rating category that is at least equal to the rating on the Bonds; (d) certificates of deposit issued by, or time or demand deposits or other banking arrangements with, a nationally or state-chartered bank (including the Credit Bank and the Trustee) or savings and loan association which, to the extent they are not insured by Federal deposit insurance, are collateralized by securities eligible to secure public deposits in the State, or which are issued by or with such an institution having a minimum capital of $500,000,000 and rated within the top three ratings of a nationally recognized rating service; (e) shares of a money market mutual fund or other collective investment fund registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, having assets of at least $100,000,000, and having a rating of "AAAm" or "AAAm-G" by the Rating Agency, including money market mutual funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund, (f) repurchase agreements, which may include repurchase agreements of the Trustee, secured by any of the obligations referred to in (a) and (b) above and the debt of the issuer of the repurchase agreement is rated at least in one of the two highest rating categories of the Rating Agency and (g) any other investments selected by the Borrower and approved by the Credit Bank.

"*Issuance Costs*" means all costs and expenses of issuance of the Bonds, including, but not limited to:

(i) underwriters' discount and fees;

(ii) counsel fees, including bond counsel, underwriter's counsel, Borrower's counsel, Credit Bank's counsel and Issuer's counsel fees, as well as any other specialized counsel fees incurred in connection with the borrowing;

(iii) the Issuer fees and expenses incurred in connection with the issuance of the Bonds, including financial advisor's fees and expenses, and the Issuer's administrative fee for processing the request of the Borrower to issue the Bonds;

(iv) Rating Agency fees;

(v) Trustee's fees and Trustee's counsel fees, and initial fees of the Tender Agent;

(vi) paying agent and certifying and authenticating agent fees related to issuance of the Bonds;

(vii) accountant fees related to issuance of the Bonds;

(viii) printing costs of the Bonds and of the preliminary and final official statements;

(ix) publication costs associated with the financing proceedings;

(x) costs of engineering and feasibility studies necessary to the issuance of the Bonds; and

(xi) Letter of Credit fees payable to the Credit Bank on the Closing Date.

"*Letter of Credit*" means that certain irrevocable, direct-pay letter of credit issued by the Credit Credit Bank on or before the Closing Date, or any reissuance, amendment or extension thereof or any substitute letter of credit or other credit instrument provided for any Weekly Period or Daily Period meeting the requirements of Section 5.8(a) of the Loan Agreement, or provided for any Reset Period meeting the requirements of Section 5.8(b) of the Loan Agreement, or provided in connection with Conversion meeting the requirements of Section 5.8(c) of the Loan Agreement.

"*Loan*" means the loan made by the Issuer to the Borrower pursuant to the Loan Agreement for the purpose of financing the Project.

"*Loan Agreement*" or "Agreement" means the Loan Agreement, dated as of the date of the Indenture, among the Issuer, the Trustee and the Borrower, as originally executed or as it may from time to time be supplemented or amended.

"*Market Risk Event*" means (a)(i) legislation enacted by the Congress, or introduced in the Congress, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) issued by the United States department of the Treasury or the Internal Revenue Service, or (iv) any action taken or statement made by or on behalf of the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress which indicates or implies that legislation will be introduced in the current or next scheduled session of the United States Congress, in each case referred to in clauses (i), (ii), (iii) and (iv) above with the purpose or effect, directly or indirectly, of imposing federal income taxation upon interest to be received by any owner of the Bonds; or (b) legislation enacted or any action taken by the Securities and Exchange Commission which, in the opinion of counsel to the Remarketing Agent, has the effect of requiring the remarketing of the Bonds to be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any other "security," as defined in the Securities Act, issued in connection with or as part of the remarketing of the Bonds to be so registered or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or any event shall have occurred or shall exist which, in the

reasonable judgment of the Remarketing Agent, makes or has made untrue or incorrect in any material respect any statement or information contained in the reoffering circular distributed in connection with the Conversion or is not or was not reflected in such reoffering circular but should be or should have been reflected therein in order to make the statements or information contained therein not misleading in any material respect; or (c) in the reasonable judgment of the Remarketing Agent, any event which makes it impractical or inadvisable for the Remarketing Agent to remarket or enforce agreements to remarket Bonds because (i) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by federal, New York or State of California authorities, or (ii) the State of California shall have taken any action, whether administrative, legislative, judicial or otherwise which materially and adversely affects the Remarketing Agent's ability to remarket the Bonds, or (iii) escalation of a war involving the United States or other national calamity shall have occurred.

"*Maximum Rate*" means initially 12% per annum provided that the Maximum Rate will never exceed any maximum rate of interest permitted by law to be paid on the Bonds or charged on the Loan.

"*Opinion of Counsel*" means a written opinion of counsel, who may be counsel for the Issuer or Bond Counsel or counsel for the Trustee, and who shall be acceptable to the Trustee.

"*Outstanding*," when used as of any particular time with reference to Bonds, shall, subject to the provisions of the Indenture, mean all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which moneys or securities in the necessary amount (as provided in the Indenture) shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"*Principal Reserve Amount*" shall mean $_____.

"*Principal Reserve Fund*" means the Principal Reserve Fund created by the Indenture.

"*Principal Reserve Schedule*" means the Schedule of Deposits to Principal Reserve Fund attached to and a part of the Credit Agreement, as such schedule may be amended, modified, supplemented or restated from time to time.

"*Program Fund*" means the fund of that name established pursuant to the Indenture.

"*Project Costs*" means to the extent authorized by the Code, the Act and the Regulations, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping, as the case may be, of the Project, whether paid or incurred prior to or after the date of execution of the Regulatory Agreement, including, without limitation, Issuance Costs paid by the Borrower on the Closing Date and subject to reimbursement to the Borrower, costs for site preparation, the planning of housing and improvements, the acquisition of property, the removal or demolition of existing structures, the

construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the annual fees paid in connection with the Letter of Credit, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and developers' overhead and supervisors' fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, the Issuer or any other entity for expenditures made, with the approval of the Issuer, for the Project), and capitalized interest accrued prior to the Completion Date (or amounts necessary to reimburse the Credit Bank for draws on the Letter of Credit for the payment of such accrued interest).

"*Purchase Price*" means, with respect to any Bond required to be purchased pursuant to the Indenture, the principal amount of such Bond plus interest accrued thereon to the Demand Date.

"*Qualified Project Costs*" means costs paid with respect to the Project that are (i) properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations § 1.103-8 and (1), (ii) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of § 1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations § 1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed 20% of the issue price of the Bonds (as defined in United States Treasury Regulations § 1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than 18 months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three years after the expenditure is paid).

"*Rating Agency*" means Moody's Investors Service or its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, or any other nationally recognized rating agency designated by the Trustee at the written election and direction of the Issuer and the Credit Bank.

"*Rebate Analyst*" means a person that is (a) qualified and experienced in the calculation of rebate payments under Section 148 of the Code and in compliance with the arbitrage rebate regulations promulgated under the Code, (b) chosen by the Borrower, and (c) engaged for the purpose of determining the amount, if any, required to be deposited to the Rebate Fund.

"*Record Date*" means, with respect to each Interest Payment Date during a Weekly Period or a Daily Period, the close of business on the Business Day before such Interest Payment Date, and with respect to any Interest Payment Date during a Reset Period or after Conversion, the close of business on the fifteenth day of the month (whether or not a Business Day) before such Interest Payment Date.

"*Regulations*" means the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time or pursuant to any predecessor statute to the Code.

"*Reserved Rights*" means those certain rights of the Issuer under the Loan Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to give and receive notices and to enforce notice and reporting records and premises of the Borrower and of the

Project, its right to collect attorney's fees and related expenses, its right to specifically enforce the Borrower's covenant to comply with applicable federal tax law to give or withhold consent to amendments, changes, modifications and alterations to the Loan Agreement and the Regulatory Agreement.

"*Reset Date*" means any date upon which the Bonds begin to bear interest at a Reset Rate for the succeeding Reset Period.

"*Reset Period*" means any period during which the Bonds bear interest at a Reset Rate, which period will not be less than six months and will terminate on the date immediately prior to an Interest Payment Date.

"*Reset Rate*" means the rate of interest borne by the Bonds, determined in accordance with the Indenture, as described herein.

"*Tender Agent*" means U.S. Bank, N.A. acting in the capacity of Tender Agent under the Indenture.

"*Tender Notice*" means a notice of demand for purchase of Bonds given by the registered or beneficial owner of any Bond as described herein.

"*Variable Rate*" means the Weekly Rate or the Daily Rate of interest borne by the Bonds, determined in accordance with the Indenture, as described herein.

"*Weekly Conversion Date*" means each Interest Payment Date on which the Bonds first begin to bear interest at a Weekly Rate pursuant to the Indenture.

"*Weekly Interest Accrual Period*" means, during any Weekly Period, a period beginning on any Thursday and ending on the following Wednesday, except that the first Weekly Interest Accrual Period for any Weekly Period shall begin on the first day of such Weekly Period and end on the following Wednesday, provided that the Weekly Interest Accrual Period shall be changed, upon at least two Business Days' prior written notice by the Remarketing Agent to the Trustee, the Credit Bank and the Borrower, to a period beginning on any day of the week specified by the Remarketing Agent in such notice and ending on the sixth day following such beginning day, and in the event of such a change the Weekly Interest Accrual Period immediately preceding the effective date of such change shall end on the day immediately preceding such effective date.

"*Weekly Interest Computation Date*" means, with respect to any Weekly Interest Accrual Period other than the first Weekly Interest Accrual Period, the first Business Day immediately preceding the first day of such Weekly Interest Accrual Period, provided that in the event the Remarketing Agent changes the Weekly Interest Accrual Period as provided in the Indenture the Weekly Interest Computation Date will be the day specified in a written notice provided by the Remarketing Agent.

"*Weekly Period*" means any period during which the Bonds bear interest at a Weekly Rate.

"*Weekly Rate*" means the rate of interest borne by the Bonds, determined in accordance with the Indenture, as described herein.

All other capitalized terms used but not defined in this Official Statement have the meanings assigned to them in the Indenture.

## THE INDENTURE

***Funds and Accounts.*** The Indenture creates the following Funds and Accounts relating to the Bonds:

(a) the Program Fund;

(b) the Cost of Issuance Fund, consisting of the Borrower Contribution Account and the Bond Proceeds Account;

(c) the Bond Fund; and

(d) the Principal Reserve Fund.

On the date of issuance of the Bonds, the Trustee will deposit $_____ of Bond proceeds into the Program Fund and $_____ of Bond proceeds into the Bond Proceeds Account of the Cost of Issuance Fund.

(a) *Program Fund.* The Trustee shall make all disbursements from the Program Fund after compliance with the provisions for disbursement under the Loan Agreement and the Indenture, to pay or reimburse the Borrower for Project Costs, and as otherwise required in connection with the redemption of Bonds pursuant to the Indenture. Amounts remaining in the Program Fund on the Completion Date shall be transferred by the Trustee to the Bond Fund and applied as provided in the Indenture. Any provision in the Indenture to the contrary notwithstanding, except in conjunction with a redemption of the Bonds pursuant to the Indenture, the Trustee shall not disburse any funds from the Program Fund unless it has received a Funding Requisition executed by an Authorized Borrower Representative and approved by an Authorized Bank Representative representing that the full amount of such disbursement will be applied to pay or reimburse the Borrower for the payment of Project Costs and such disbursement, when added to all previous disbursements from the Program Fund, will result in (i) not less than 95% of all such disbursements having been used to pay or reimburse the Borrower for Qualified Project Costs and (ii) less than 25% of the original principal amount of the Bonds have been used to pay or reimburse the Borrower for the cost of acquiring land or any interest therein; provided, however, prior to the Completion Date, the Trustee shall disburse, without the requirement of the receipt of a Funding Requisition, from the Program Fund to the Credit Bank after receipt by the Trustee of the proceeds of a draw upon the Letter of Credit representing a payment of interest on the Bonds, an amount equal to the amount drawn for payment of interest on the Bonds.

(b) *Cost of Issuance Fund.* Money in the Cost of Issuance Fund will be used to pay Issuance Costs. Any amounts remaining three months after issuance of the Bonds and not expected by the Issuer to be needed to pay Issuance Costs will be transferred by the Trustee to the Program Fund.

(c) *Bond Fund.* The Trustee shall deposit in the Bond Fund from time to time as provided in the Indenture, upon receipt thereof, (i) all amounts drawn by the Trustee under the Letter of Credit as provided in the Indenture; (ii) income received from the investment of moneys on deposit in the Bond Fund; and (iii) any other Revenues, including insurance proceeds, condemnation awards and other Loan repayment and prepayment amounts received from or for the account of the Borrower. Amounts drawn under the Letter of Credit and other Available Amounts shall be deposited by the Trustee in separate sub-accounts of the Bond Fund and shall not be commingled with other moneys in the Bond Fund. Except as provided in the Indenture,

moneys in the Bond Fund shall be used solely for the payment of the principal of and premium, if any, and interest on the Bonds as the same shall become due, whether at maturity or upon redemption or acceleration or otherwise. In making such payments, the Trustee shall (a) use amounts drawn under the Letter of Credit; (b) then use other Available Amounts held under the Indenture; and (c) then use any other Revenues received by the Trustee. Any time that the Indenture or the Loan Agreement requires or permits the Trustee to use Available Amounts, the Trustee shall have the right to require the Borrower to deliver to the Trustee, prior to making such use or application, an opinion of Bond Counsel stating in substance that such moneys constitute Available Amounts as defined in the Indenture, and the Trustee shall be completely protected in relying upon such opinion.

(d) *Principal Reserve Fund.* The Trustee will deposit each of the following amounts into the Principal Reserve Fund:

(i) each monthly payment made by or on account of the Borrower in accordance with the Principal Reserve Schedule, as such schedule may be amended; and

(ii) investment income earned on amounts on deposit in the Principal Reserve Fund.

The Trustee shall make disbursements from the Principal Reserve Fund at the written direction of the Credit Bank so long as the Credit Bank has not failed to honor a conforming draw on the Letter of Credit. Amounts on deposit in the Principal Reserve Fund in excess of the Principal Reserve Amount shall be applied to the redemption of Bonds pursuant to the provisions of the Indenture or for the payment of any authorized expenditure of amounts under the Indenture. In the event the Credit Bank has failed to honor a conforming draw on the Letter of Credit, the Trustee may use amounts on deposit in the Principal Reserve Fund for the redemption of Bonds pursuant to the provision of the Indenture or for any purpose authorized for the expenditure of amounts under the Indenture.

Amounts on deposit in the Principal Reserve Fund will not be credited against the principal amount of the Loan, and the Loan will not be deemed to have been amortized by reason of deposits into the Principal Reserve Fund, unless and until such amounts have been withdrawn from the Principal Reserve Fund and applied to the redemption of the Bonds or to the reimbursement of the Credit Bank for amounts paid under the Letter of Credit to redeem Bonds, such credit and amortization to be in an amount equal to the aggregate principal amount of Bonds redeemed.

***Investments.*** The Indenture directs the Trustee to invest money in any of the funds and accounts established pursuant to the Indenture in Investment Securities authorized by the Indenture which are selected by the Borrower with the written approval of the Credit Bank.

***Defaults.*** Each of the following events will constitute an "Event of Default" under the Indenture:

(a) failure to pay the principal of or premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) failure to pay any installment of interest on any Bond when such interest installment shall become due and payable;

(c) failure to pay the Purchase Price of any Bond tendered in accordance with the provisions of the Indenture when such Purchase Price shall become due and payable; and

(d) failure by the Issuer to perform or observe any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and the continuation of such failure for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Borrower and the Credit Bank by the Trustee, or to the Issuer, the Credit Bank and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding.

***Remedies***. No default described in (d) above shall constitute an Event of Default unless the Issuer, the Borrower and the Credit Bank shall have failed to correct such default within the applicable period; provided, however, that if the default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer, the Borrower or the Credit Bank within the applicable period and diligently pursued until the default is corrected. With regard to any alleged default concerning which notice is given to the Borrower or the Credit Bank under the provisions of (d) above, the Issuer has granted the Borrower and the Credit Bank full authority for the account of the Issuer to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Issuer with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts and with power of substitution.

During the continuance of an Event of Default, unless the principal of all the Bonds shall have already become due and payable, the Trustee, with the written consent of the Credit Bank, may, and upon the occurrence of any Event of Default described in (a), (b) or (c) above or upon the written request of the Credit Bank signed by an Authorized Bank Representative or, with the written consent of the Credit Bank, the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding in the case of any other Event of Default, the Trustee shall, by notice in writing to the Issuer, the Credit Bank and the Remarketing Agent, declare the principal of all the Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration of acceleration the Trustee shall fix a date for payment of the Bonds, which date shall be as soon as practicable after such declaration, and in order to receive payment on such date shall draw upon any then outstanding Letter of Credit in accordance with its terms and apply the amount so drawn to pay on such date the principal of and interest on the Bonds so due and payable.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any drawing is made under the Letter of Credit or any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter described, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal, and the reasonable expenses of the Trustee, its agents and counsel, and any and all other defaults known to the Trustee in the manner specified in the Indenture (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the holders of at least a majority in aggregate principal amount of the Bonds then outstanding, by written notice to the Issuer and to the Trustee and with indemnification satisfactory to the Trustee and with the written approval of the Credit Bank, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its

consequences and waive such default; but no such rescission, annulment or waiver shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Subject to the provisions of the Indenture, if one or more of the Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the holders of a majority in principal amount of the Bonds then outstanding and, in the case of an Event of Default described in (d) above, upon the written request of the Credit Bank, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of the holders of Bonds under the Act or under the Indenture, the Loan Agreement and the Letter of Credit, by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture or in the Loan Agreement, or in aid of the execution of any power in the Indenture or in the Loan Agreement granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture; provided that any such request from the Bondholders or the Credit Bank shall not be in conflict with any rule of law or with the Indenture, expose the Trustee to personal liability or be unduly prejudicial to Bondholders not joining therein. Notwithstanding the above, nothing in the Indenture shall cause the Trustee to delay in taking actions expressly required by the Indenture for the protection of the Bondholders.

***Application of Moneys Collected by Trustee.*** Any moneys then held or thereafter collected by the Trustee shall be applied in the order following, at the date or dates fixed by the Trustee and, in the case of distribution of such moneys on account of principal (or premium, if any) or interest, upon presentation of the Bonds and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST, for payment of all amounts due to the Trustee and any extraordinary fees of the Trustee incurred in exercising remedies under the Indenture; provided, however, that amounts derived from draws on the Letter of Credit may not be used for such purposes.

SECOND, for deposit in the Bond Fund and applied to payment of the principal of all Bonds then due and unpaid and the premium, if any, and interest thereon; ratably to the persons entitled thereto without discrimination or preference; except that no payment of principal or premium or interest shall be made with respect to any Bonds registered in the name of the Issuer, the Borrower, or any general partner or guarantor of the Borrower, if any, or the Credit Bank, or known by the Trustee to be registered in the name of any general partner, any general partner of a general partner or guarantor of the Borrower or any nominee of the Issuer, the Borrower, the Credit Bank, until all amounts due on all Bonds not so registered have been paid and the items set forth as Third and Fourth below have been paid (provided that the Trustee shall be under no duty to investigate whether Bonds are registered in the name of such persons).

THIRD, to the Credit Bank to the extent of any amounts due it under the Credit Agreement.

FOURTH, for payment of all other amounts due to any person under the Indenture or under the Loan Agreement.

FIFTH, to the Borrower, the balance, if any.

***Removal of the Trustee; Resignation.*** The Trustee may be removed at any time by the Issuer, and the Trustee will be removed by an instrument or instruments signed by the Owners of a majority in aggregate principal amount of Bonds then outstanding. The Trustee may resign at any time by giving

written notice to the Issuer and the Bondholders; whereupon the Issuer, with the consent of the Credit Bank (if the Credit Bank is not in default under its obligations), will appoint a successor. If no successor has been appointed within 45 days, the resigning Trustee may petition a court for the appointment of a successor Trustee.

***Supplemental Indentures***. The Issuer and the Trustee may enter into supplemental indentures for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Issuer in the Indenture contained, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power in the Indenture reserved to or conferred upon the Issuer; provided that no such covenant, agreement, assignment, pledge or surrender shall materially adversely affect the interests of the holders of the Bonds;

(b) to evidence the succession of a new Trustee under the Indenture, or to provide for the appointment of a co-trustee or for a paying agent in addition to the Trustee;

(c) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Issuer may deem necessary or desirable and not inconsistent with the Indenture and which shall not materially adversely affect the interests of the holders of the Bonds;

(d) to provide for the issuance of coupon bonds or to provide for the use of a book-entry system; provided, however, that the Issuer and the Trustee shall have received an opinion of Bond Counsel to the effect that issuance of the Bonds in coupon form or the use of a book-entry system, respectively, complies with all applicable laws and will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(e) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture or thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, and, if they so determine, to add to the Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, and which shall not materially adversely affect the interests of the holders of the Bonds;

(f) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with the Code, or otherwise to assure the exclusion from gross income under federal tax law of interest on the Bonds; or

(g) to make such additions, deletions or modifications as may be required by the Rating Agency to retain the rating on the Bonds and which shall not materially adversely affect the interests of the holders of the Bonds; or

(h) to modify, alter, amend or supplement the Indenture in any other respect, including amendments which would otherwise require Bondholder consent, if notice of the proposed supplemental indenture is given to Bondholders (in the same manner as notices of redemption are given) at least 30 days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture.

Any supplemental indenture authorized by the provisions of the Indenture described above may be executed by the Issuer and the Trustee without the consent of or, except in the case of clause (h) above, notice to the holders of any of the Bonds at the time outstanding, notwithstanding any of the provisions of the Indenture, but (i) the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise; (ii) the Trustee shall not enter into any such supplemental indenture without first obtaining the written consent of the Credit Bank and the Borrower, except as required in the opinion of Bond Counsel to maintain the tax-exempt status of interest on the Bonds, in which case the Trustee shall give notice thereof to the Credit Bank and the Borrower; and (iii) the Trustee shall have first obtained an opinion of Bond Counsel to the effect that such action or such waiver, amendment, modification or replacement will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or compliance by the Bonds and the Project with the Act or the laws of the State of California relating to the Bonds.

With the prior written consent of the Credit Bank (and with notice to the Borrower) and the consent of the holders of not less than 60% in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in the Indenture, and provided that the Trustee shall have first obtained an opinion of Bond Counsel to the effect that such action or such waiver, amendment, modification or replacement will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or compliance by the Bonds and the Project with the Act or the laws of the State of California relating to the Bonds, the Issuer and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture; provided, however, that, except to the extent permitted by the provisions of the Indenture described above, no such supplemental indenture shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal or Purchase Price thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Indenture, except as permitted in the Indenture, or permit the creation of any preference of any Bondholder over any other Bondholder or deprive the holders of the Bonds of the lien created by the Indenture upon the Revenues, or impair the right of the owners of Bonds to demand purchase thereof pursuant to the Indenture in each case the consent of the holders of all the Bonds then outstanding. Nothing in this paragraph shall be construed as making necessary the approval of any Bondholder of any supplemental indenture permitted by the provisions of the Indenture. Upon receipt by the Trustee of a Certified Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, as aforesaid, the Trustee shall join with the Issuer in the execution of such supplemental indenture, unless (i) such supplemental indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture; (ii) such supplemental indenture affects the rights or obligations of the Borrower under the Indenture or under the Loan Agreement, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Borrower's and the Credit Bank's prior written consent thereto; or (iii) such supplemental Indenture affects the rights or obligations of the Tender Agent under the Indenture, in which case the Trustee shall enter into such supplemental indenture only if the Trustee has received the Tender Agent's written consent thereto.

It shall not be necessary for the consent of the Bondholders under this heading to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Issuer and the Trustee of any supplemental indenture described under this heading, the Trustee shall give Bondholders, by first class mail, a notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

***Remarketing Agent***. The Remarketing Agent will act as Remarketing Agent for the Bonds so long as the Bonds bear interest at a Daily Rate or Weekly Rate. The Remarketing Agent shall, and shall agree in the Remarketing Agreement to, do each of the following:

(a) act as agent for the Issuer in determining the Weekly Rate, Daily Rate, Reset Rate and Fixed Rate;

(b) notify the Trustee, Credit Bank, Borrower and the Tender Agent of the Weekly Rate, Daily Rate, Reset Rate and Fixed Rate on any date required for such determination;

(c) hold all money delivered to it for the purchase of Bonds in trust for the benefit of the person which has so delivered such money and not commingle such money with other funds of the Remarketing Agent;

(d) keep such books and records as is consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Trustee and the Borrower at all reasonable times; and

(e) perform the duties and comply with the provisions set forth in the Indenture.

See "THE BONDS—Demand Purchase Option" for additional information concerning the duties of the Remarketing Agent.

The Remarketing Agent will receive an annual fee, payable semiannually in arrears, in an amount equal to _____% of the aggregate principal amount of Bonds Outstanding while the Bonds bear interest at a Weekly Rate or at a Daily Rate.

Any successor Remarketing Agent is required to be a national banking association or a member of the National Association of Securities Dealers, Inc. and authorized by law to perform all the duties imposed upon it by the Indenture and the Remarketing Agreement.

The Remarketing Agent may at any time resign and be discharged of the duties by giving at least 30 days' written notice to the Issuer, the Borrower, the Credit Bank, the Tender Agent and the Trustee, but any such resignation will not be effective until a successor is appointed.

The Remarketing Agent may be removed at any time, and a successor Remarketing Agent appointed at the direction of the Borrower, with the consent of the Credit Bank and the Issuer, upon receipt by the Trustee of an instrument directing such removal and appointment, signed by the Borrower and filed with the Issuer, the Remarketing Agent and the Trustee. No removal of the Remarketing Agent will be effective until a successor is appointed and has accepted such appointment.

## THE LOAN AGREEMENT

Under the Loan Agreement, the Issuer agrees to make the Loan to the Borrower in an amount equal to the principal amount of the Bonds and the Borrower agrees to repay the Loan in the amounts and

at the times necessary to pay amounts due on the Bonds. As support for its obligation to repay the Loan, the Borrower is required to cause the Letter of Credit to be delivered to the Trustee. The obligation to make payments on the Loan will be reduced by and in the amount of draws under the Letter of Credit.

The Loan is subject to prepayment and acceleration under the Loan Agreement upon the same terms and in the same amounts as are the Bonds. See "REDEMPTION OF BONDS" herein.

The Borrower agrees in the Loan Agreement to pay to the Issuer and the Trustee, as applicable, the amounts required to pay the Issuer's annual administrative fee and the Trustee's fee, to pay the Rating Agency's surveillance fee, to pay the costs of performing any rebate calculations and to pay any rebate amounts due.

The Borrower covenants that it will not knowingly or willingly use or permit the use of any of the funds provided by the Issuer under the Loan Agreement or use any of its own funds or direct the Trustee to invest any funds, in such a manner that would cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code.

The Borrower has the right at any time during a Weekly Period or Daily Period or in connection with an Interest Rate Conversion Date, to provide to the Trustee a substitute Letter of Credit which meets the requirements of the Loan Agreement. In addition, the right of the Borrower to cause the interest rate on the Bonds to be converted to a Reset Rate or a Fixed Rate are conditioned on the delivery to the Trustee of a substitute Letter of Credit, appropriately increased, in exchange for the then outstanding Letter of Credit. A substitute Letter of Credit must be for a term expiring not earlier than one year from its effective date, have substantially the same terms as the Letter of Credit (except that the substitute Letter of Credit delivered to the Trustee upon Conversion to a Reset Rate or a Fixed Rate will include interest coverage for a period of at least 210 days and must have a long term rating of AA unless a lesser rating is approved by the Issuer in writing) and at the time the substitute Letter of Credit is delivered there must be provided to the Trustee, among other things, the following:

(a) An opinion of Bond Counsel that the substitute Letter of Credit complies with the requirements of the Loan Agreement and will not cause interest paid on the Bonds to be included in gross income for federal income tax purposes;

(b) Written evidence from the Rating Agency to the effect that proposed substitution will not cause a reduction or withdrawal of the rating on the Bonds; and

(c) One or more opinions, addressed to the Trustee, to the effect that the substitute Letter of Credit is a legal, valid and binding obligation of the issuer thereof, enforceable in accordance with its terms and that payments made thereunder will not be voidable under the Federal Bankruptcy Code in a proceeding by or against the Borrower or by the Issuer under such law.

**Events of Default**

Under the Loan Agreement, each of the following is an "Event of Default":

(a) the occurrence of an Event of Default described in (b), (c) or (d) below or a default under the Regulatory Agreement if, as set forth in a written opinion of Bond Counsel delivered to the Trustee, such Event of Default or default would be likely to result in interest on

the Bonds becoming includable in gross income of a Holder for federal income tax purposes if the Bonds remain outstanding (an "Acceleration Default");

(b) failure by the Borrower to pay any amounts required to be paid under specified provisions of the Loan Agreement at the times specified therein;

(c) failure by the Borrower to observe and perform any other covenant, condition or agreement on its part required to be observed or performed by the Loan Agreement, and which continues for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, given to the Borrower by the Issuer or the Trustee, unless the Issuer and the Trustee shall, with the consent of the Credit Bank, agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected;

(d) the making of any representation or warranty by the Borrower in the Loan Agreement or in any document executed in connection with the Loan Agreement (other than the Regulatory Agreement) which is false or misleading in any material respect when made;

(e) the occurrence of any event (including, but not limited to, a nonreinstatement of the stated amount of the Letter of Credit after a drawing thereunder as required and as provided therein) which is an Event of Default under specified provisions of the Credit Agreement, and receipt by the Trustee from the Credit Bank of written notice (signed by an Authorized Bank Representative) of such default and a direction that the Bonds be redeemed pursuant to the provisions of the Indenture; or

(f) failure by the Borrower to perform or observe any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement which default remains uncured pursuant to the terms of the Regulatory Agreement resulting in a default thereunder.

The provisions of (c) above, except with respect to defaults under the Regulatory Agreement or under certain specified provisions of the Loan Agreement, are subject to the limitation that the Borrower shall not be deemed in default if and so long as the Borrower is unable to carry out its agreements hereunder by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of California or any of their departments, agencies, or officials, or any civil or military authority; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Borrower; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Borrower, unfavorable to the Borrower. This limitation shall not apply to any default except under subsection (c) above.

**Remedies on Default**

Whenever any Event of Default shall have occurred and shall continue, after giving notice to the Credit Bank and subject to any right of the Credit Bank to cure any such default, the Issuer and the Trustee may take any one or more of the following remedial steps:

(1) The Trustee, upon the occurrence of an Acceleration Default, or at the request or with the direction of the Credit Bank or at the direction of the Issuer with the written consent of the Credit Bank upon the occurrence of any other Event of Default under the Loan Agreement, by written notice to the Borrower, shall immediately declare to be due and payable immediately the unpaid balance of the Loan.

(2) The Issuer, the Credit Bank and the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower.

(3) Subject to the provisions of the Loan Agreement described below, the Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement.

(4) Subject to the provisions of the Loan Agreement described below, the Trustee may institute any action or proceeding at law or in equity for the collection of any sums due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case the Trustee or the Issuer shall have proceeded to enforce its rights under the Loan Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Issuer, then, and in every such case, the Borrower, the Trustee, the Credit Bank and the Issuer shall be restored respectively to their several positions and rights under the Loan Agreement, and all rights, remedies and powers of the Borrower, the Trustee, the Credit Bank and the Issuer shall continue as though no such action had been taken.

In case proceedings shall be pending for the bankruptcy of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy is authorized to make such payments to the Trustee, and to pay to the Trustee any reasonable amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

## THE REGULATORY AGREEMENT

### Definitions

"*Adjusted Income*" means the adjusted income of a person (together with the adjusted income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) as calculated in the manner prescribed pursuant to Section 8 of the United States Housing Act of 1937, or, if

said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under section 142 of the Code and the Act.

"*Area*" means the Primary Metropolitan Statistical Area in which the Project is located as promulgated by HUD.

"*HUD*" means the United States Department of Housing and Urban Development.

"*Median Income for the Area*" means the median income for the Area as most recently determined by the Secretary of Treasury (which determination is required by section 142(d)(2)(B) of the Code to be consistent with determinations of area median gross income under Section 8 of the United States Housing Act of 1937, or, if such program is terminated, under such program as in effect immediately before such termination).

"*Program Administrator*" means a governmental agency, a financial institution, a certified public accountant, an apartment management firm, a mortgage insurance company or other business entity performing similar duties or otherwise experienced in the administration of restrictions on bond financed multifamily housing projects which shall initially be the Issuer and, at the Issuer's election, any other person or entity appointed by the Issuer who shall enter into an administration agreement in a form acceptable to the Issuer and the Program Administrator.

"*Qualified Project Period*" means the period beginning on the date on which 10% of the units in the Project are first occupied, and ending on the later of (a) the date which is 55 years after the Completion Date, (b) the first day on which all tax-exempt private activity bonds issued with respect to the Project have been finally retired, (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates, or (d) the date on which the Loan is paid in full. For purposes of clause (b) of this definition, the term "private activity bond" has the meaning contemplated in Section 142(d)(2)(A)(ii) of the Code.

"*Regulations*" means the income tax regulations promulgated by the United States Department of the Treasury pursuant to the Code from time to time.

"*Very Low Income Tenants*" means individuals or families with an Adjusted Income which does not exceed 50% of the Median Income for the Area, adjusted for household size. In no event, however, will the occupants of a residential unit be considered to be Very Low Income Tenants if all the occupants are students, as defined in section 151(c)(4) of the Code, no one of which is entitled to file a joint federal income tax return.

"*Very Low Income Units*" means the dwelling units in the Project designated for occupancy by Very Low Income Tenants pursuant to the Regulatory Agreement.

**Residential Rental Property**

The Borrower has acknowledged and agreed that the Project will be owned, managed and operated as a "qualified residential rental project" within the meaning of section 142(d) of the Code until the expiration of the Qualified Project Period. To that end, and for the term of the Regulatory Agreement, the Borrower has represented and covenanted, warranted and agreed as follows:

(a) The Project is being acquired, constructed and developed for the purpose of providing multifamily residential rental property, and the Borrower shall own, manage and operate the Project as a project to provide multifamily residential rental property comprised of a

building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with applicable provisions of section 142(d) of the Code and Section 1.103-8(b) of the Regulations, and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly constructed units, and, to the extent required by the Code and the Regulations, each dwelling unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower convert the Project to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to a condominium ownership except with the prior written approving opinion of Bond Counsel that the interest on the Bonds will not become taxable thereby under section 103 of the Code.

(e) All of the dwelling units in the Project will be available for rental on a continuous basis to members of the general public and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except as required under the Regulatory Agreement and the regulatory agreements and covenants, conditions and restrictions relating to the Loan.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities will comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) The Borrower shall not discriminate on the basis of race, religion, color, sex, source of income (e.g., AFDC, SSI), physical disability, age, national origin, ancestry or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(h) No dwelling unit in the Project shall be occupied by the Borrower. Notwithstanding the foregoing, if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower; provided that the number of such managers or maintenance personnel is not unreasonable given industry standards in the area for the number of dwelling units in the Project.

(i) On the date of execution and delivery of the Regulatory Agreement, the Project is in compliance with the provisions described under this heading and the next heading.

The Issuer has elected to have the Project meet the requirements of section 142(d)(1)(B) of the Code.

**Very Low Income Tenants**

Pursuant to the requirements of the Issuer and applicable provisions of the Act, the Code and the Regulations, the Borrower has represented, as of the date of the Indenture, and warranted, covenanted and agreed as follows:

(a) During the Qualified Project Period:

(1) Not less than 20% of the completed units in the Project shall be designated as Very Low Income Units and shall be continuously occupied, or held vacant and available for occupancy, by Very Low Income Tenants, subject to the Regulatory Agreement. The Very Low Income Units shall be of comparable quality to those units which are available to other tenants. Tenants in the Very Low Income Units shall have equal access and enjoyment to all common facilities of the Project.

(2) The monthly rent paid by the persons occupying any unit in the Project (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to those persons or on behalf of those units) shall not exceed one-twelfth of the amount obtained by multiplying 30% times 50% of the Median Income for the Area, as adjusted by the assumed household size set forth below of each unit.

| Size of Units | Assumed Number of Persons in Household for Affordable Units |
|---|---|
| Studio | 1 |
| One bedroom | 2 |
| Two bedrooms | 3 |
| Three bedrooms | 4 |
| Four bedrooms | 5 |
| Five or more bedrooms | As determined by HUD |

(3) Very Low Income Units shall remain available on a priority basis for occupancy by Very Low Income Tenants. A unit occupied by a Very Low Income Tenant who at the commencement of the occupancy is a Very Low Income Tenant shall be treated as occupied by a Very Low Income Tenant until: (A) a recertification of such tenant's income in accordance with Section 4(c) below demonstrates that such tenant no longer qualifies as a Very Low Income Tenant and (B) thereafter any residential unit of comparable or smaller size in the Project is occupied by a new resident other than a Very Low Income Tenant. Moreover, a unit previously occupied by a Very Low Income Tenant and then vacated shall be considered occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed thirty-one (31) days.

(b) Immediately prior to a tenant's occupancy of a Very Low Income Unit, the Borrower will obtain and maintain on file an Income Computation and Certification substantially in the form attached to the Regulatory Agreement from each tenant occupying a Very Low Income Unit, dated immediately prior to the initial occupancy of such tenant in the Project. In

addition, the Borrower will provide such further information as may be required in the future by the State of California, the Issuer, the Program Administrator, the Code and by the Act, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures or other official statements now or hereafter promulgated, proposed or made by the State of California or the Internal Revenue Service. An annual summary of the occupancy of the Project shall be prepared by the Borrower and filed with the Issuer and the Program Administrator (as required under the Regulatory Agreement), and the United States Secretary of the Treasury pursuant to section 142(d)(7) of the Code. The Borrower shall verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (A) obtain pay stubs for the most recent one-month period; (B) obtain income tax returns for the most recent two tax years; (C) conduct a consumer credit search; (D) obtain an income verification from the applicant's current employer; (E) obtain an income verification from the Social Security Administration; or (F) if the applicant is unemployed, does not have income tax returns or is otherwise unable to provide other forms of verification as required above, obtain another form of independent verification as would, in the Borrower's reasonable commercial judgment, be satisfactory. The Issuer agrees to consider modifications to the Income Computation and Certification Form proposed by the Borrower from time to time, and the Issuer may approve any such changes following consultation with Bond Counsel.

(c) No tenant qualifying as a Very Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Very Low Income Tenants; provided, however, that, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Very Low Income Tenant of the same family size and the unit occupied by such Very Low Income Tenant constitutes a portion of the 20% requirement described above, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant and such unit so rented will then constitute a portion of the 20% requirement of the preceding subparagraph; and provided, further, that, until such next available unit is rented to a tenant who is a Very Low Income Tenant, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the 20% requirement of the preceding subparagraph; and provided, further, that such unit is occupied by such new Very Low Income Tenant prior to the date the next annual determination of compliance occurs (as described below).

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units and will permit, at all reasonable times and upon reasonable notice during normal business hours, any duly authorized representative of the Issuer, the Department of the Treasury or the Internal Revenue Service to enter upon the Project Site to examine and inspect the Project and to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) Upon the commencement of the Qualified Project Period, and within ten days of the last day of each quarter thereafter until 90% of the units in the Project are first rented, the Borrower shall advise the Issuer and the Program Administrator of the status of the occupancy of the Project by delivering to such parties a Certificate of Continuing Program Compliance substantially in the form attached to the Regulatory Agreement. Copies of the most recent Income Computation and Certifications for Very Low Income Tenants shall be attached to such quarterly and annual reports.

(f) Each lease for the Project shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease. Each such lease shall also provide (and shall so disclose to the tenant) that the tenant's income is subject to annual certification.

(g) On or before each August 15 during the Qualified Project Period, the Borrower will submit to the Issuer a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of section 142(d) of the Code. On or before each September 30 during the Qualified Project Period, the Borrower will submit such completed form to the Secretary of the Treasury.

(h) During the Qualified Project Period, all new leases for the Project, and any renewals or extensions of existing leases for the Project, shall be subordinate to this Regulatory Agreement and shall contain clauses, among others, wherein each tenant: (A) certifies the accuracy of the statements made in the Income Certification and (B) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower or the Issuer, and that the failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant.

**Sale or Transfer of the Project**

Except for the purchase option, the right of first refusal and the general partner replacement provisions set forth in the Borrower's limited partnership agreement, the Borrower intends to hold the project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and has covenanted and agreed not to sell, transfer or otherwise dispose of the project, or any portion thereof (other than for individual tenant use as contemplated in the Regulatory Agreement), without obtaining the prior consent of the Issuer (which consent shall not be unreasonably withheld or delayed) and upon receipt by the Issuer of (i) reasonable evidence satisfactory to the Issuer that the borrower's purchaser or transferee has assumed in writing and in full, the borrower's duties and obligations under the regulatory agreement, (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the borrower under the regulatory agreement and that such obligations and the regulatory agreement are binding on the transferee, (iii) the Issuer receives evidence acceptable to the Issuer that either (a) the purchaser or assignee has experience in the ownership, operation and management of rental housing developments such as the project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such developments, or (b) the Purchaser or Assignee agrees to retain a property management firm with the experience and record described in subparagraph (a) above or if the Purchaser or Assignee does not have management experience, the Issuer will provide on-site training in program compliance if the Issuer determines such training is necessary, and (iv) the Borrower certifies that no uncured event of default exists under the Loan Agreement, the Indenture or the Deed of Trust. It has been expressly stipulated and agreed that any sale, transfer or other disposition of the project in violation of the Regulatory Agreement shall be null, void and without effect, shall cause a reversion of title to the borrower, shall be ineffective to relieve the borrower of its obligations under the regulatory agreement. Not less than 20 days prior to consummating any sale, transfer or disposition of any interest in the project, the borrower shall deliver to the Issuer a notice in writing explaining the nature of the proposed transfer.

**Term**

The Regulatory Agreement and all and several of the terms thereof shall become effective upon its execution and delivery and shall remain in full force and effect during the Qualified Project Period, it being expressly agreed and understood that the provisions thereof are intended to survive the retirement of the Bonds and expiration of the Indenture, the Regulatory Agreement and the Mortgage Note. Notwithstanding any other provisions of the Regulatory Agreement to the contrary, the entire Regulatory Agreement, or any of the provisions or sections thereof, may be terminated upon agreement by the Issuer, and the Borrower subject to compliance with any of the provisions contained in the Regulatory Agreement only if there shall have been received an opinion of Bond Counsel that such termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes or the exemption from State personal income taxation of the interest on the Bonds and will otherwise not violate any provision of the Act.

The terms of the Regulatory Agreement to the contrary notwithstanding, the Regulatory Agreement, and all and several of the terms thereof, shall terminate and be of no further force and effect in the event of a foreclosure or delivery of a deed in lieu of foreclosure whereby a third party shall take possession of the Project or involuntary non-compliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal authority after the date thereof which prevents the Issuer from enforcing the provisions hereof or condemnation or a similar event and the payment in full of the Bonds within a reasonable period thereafter; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained in the Regulatory Agreement shall (i) remain in effect if the Issuer so elects following foreclosure of the Deed of Trust or conveyance in lieu of such foreclosure, and (ii) be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person to it (within the meaning of Section 1.10310(e) of the Regulations) obtains an ownership interest in the Project for Federal income tax purposes.

Upon the termination of the terms of the Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms thereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

**Enforcement**

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or the Program Administrator to the Borrower, then the Issuer acting on its own behalf, or the Program Administrator on behalf of the Issuer, may declare an "Event of Default" to have occurred under the Regulatory Agreement, and, at its option, may take any one or more of the following steps:

(i) by mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Program Administrator under the Regulatory Agreement;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower under the Regulatory Agreement; or

(iv) subject to the provisions of the Loan Agreement, declare a default under the Loan, and accelerate the indebtedness evidenced by the Bonds.

## THE CREDIT AGREEMENT
[TO BE REVISED]

The Credit Agreement defines the relationship between the Borrower and the Credit Bank; neither the Issuer nor the Trustee has any interest in it or in any account held by the Credit Bank under it. Under the Credit Agreement, the Credit Bank agrees to issue the Letter of Credit and the Borrower agrees to reimburse the Credit Bank for any drawings under the Letter of Credit and to pay certain fees and expenses, including an annual fee (after the first year) equal to approximately 1% of the amount available to be drawn under the Letter of Credit, and interest on any unreimbursed drawings or other amounts unpaid.

The Credit Agreement imposes various financial covenants on the Borrower, including restrictions on the incurring of additional debt by the Borrower.

The Credit Bank may waive any of the foregoing requirements without notice to or the consent of the owners of the Bonds, and the Borrower may redeem Bonds in addition to the above requirements under certain circumstances. See "REDEMPTION OF BONDS."

An Event of Default under the Credit Agreement is defined as, among other things: (a) the failure to pay when due any amount due under the Credit Agreement or any related document; (b) an impairment of any lien of the Credit Bank which secures the Borrower's obligations to reimburse the Credit Bank or any uninsured loss, theft, forfeiture or seizure which materially adversely affects any portion of collateral; (c) a failure to perform under the Credit Agreement; or (d) an Event of Default under any related document which continues after any cure period.

Upon such Default and if such Default is continuing, the Credit Bank may, at its option and among other things: (a) demand immediate reimbursement and/or payment of amounts due under the Credit Agreement from the Borrower; (b) deliver notice of the Event of Default to the Trustee and direct the Trustee to redeem all outstanding Bonds; and (c) exercise its remedies under the Credit Bank Deed of Trust.

The Credit Bank and the Borrower may agree at any time to alter, modify or amend the terms of the Credit Agreement, including the events which constitute "Defaults" listed therein, without notice to, or consent of, any Bondholder, the Issuer or the Trustee. Furthermore, the Credit Bank may unilaterally waive any Default which may occur under the terms of the Credit Agreement, without notice to or consent of any other person. Accordingly, there should be no expectation on the part of any prospective purchaser of the Bonds that the occurrence of a Default under the Credit Agreement will necessarily result in implementation of remedies by the Credit Bank or in the call of any or all of the Bonds for mandatory tender or acceleration under the Indenture.

## THE DEEDS OF TRUST

The Borrower's obligations under the Loan Agreement are secured by a first lien deed of trust on the Project (the "Deed of Trust"), executed by the Borrower for the benefit of the Trustee. The

Borrower's obligations under the Credit Agreement are secured by a second lien deed of trust on the Project (the "Credit Bank Deed of Trust"), executed by the Borrower for the benefit of the Credit Bank. [Pursuant to an Intercreditor Agreement dated as of the date of the Indenture (the "Intercreditor Agreement") by and among the Issuer, the Trustee and the Credit Bank, so long as the Credit Bank is honoring draws under the Letter of Credit, the Trustee has agreed to not exercise its rights and remedies available under the Deed of Trust and to subordinate its rights and remedies available under the Deed of Trust to the rights and remedies available to the Credit Bank under the Credit Bank Deed of Trust. In addition, pursuant to the Intercreditor Agreement, so long as the Credit Bank is honoring draws under the Letter of Credit, the Credit Bank has the right to control the exercise of many remedies under the Indenture, the Loan Agreement and the other documents executed in connection with the making of the Loan.]

# APPENDIX B

# FORM OF OPINION OF BOND COUNSEL

## APPENDIX C

## FORM OF TENDER NOTICE

## NOTICE OF DEMAND FOR PURCHASE

To: U.S. Bank, N.A.
3rd Floor
180 East 5th Street
St. Paul, MN 55101
Attention: TFM-Housing

The undersigned is the registered owner of The Community Redevelopment Agency of the City of Los Angeles, California Variable Rate Demand Multifamily Housing Revenue Bonds (Metropolitan Lofts Apartments) 2002 Series A, No(s) _____ (the "Bonds"). The undersigned hereby irrevocably demands payment of $_____ aggregate principal amount of the Bonds (which amount is an integral multiple of $100,000) and accrued interest thereon to the date of payment (the "Purchase Price").

Payment of the Purchase Price shall be made in the following manner:

Check and complete (a) or (b):

☐ (a) By check mailed to the undersigned at the following address: _____; or

☐ (b) By wire transfer of immediately available funds to Account No. _____ at the following bank: _____.

Payment shall occur on _____ (the "Demand Date"), which during a Weekly Period shall be not prior to the seventh (7th) calendar day after (but not including) the date of receipt of this notice by the addressee hereof, as Tender Agent (the "Tender Agent") or, if such seventh calendar day is not a Business Day (as defined in the Indenture pursuant to which the Bonds were issued), the Business Day next succeeding such day or during a Daily Period shall be the date of receipt of this notice by the addressee hereof, as Tender Agent; provided with respect to demand tender during the Daily Period this notice is received prior to 9:30 a.m., New York City time, on the Demand Date. Delivery hereof shall be made in person or by registered mail, return receipt requested, to the address set forth above and shall occur upon receipt hereof by the Tender Agent on a Business Day. The Bonds shall be tendered to the Tender Agent, at its address set forth above, with a duly executed instrument of transfer in the form set forth on the Bonds, with signature guaranteed in a manner satisfactory to the Tender Agent, at or prior to 9:30 a.m., New York time, on the Demand Date, and if the Bonds are not delivered by such time, the undersigned shall not be entitled to payment of the Purchase Price therefor. The Bonds shall conform in all respects to the description thereof in this Notice.

The undersigned hereby authorizes and directs _____, as Remarketing Agent, to arrange for the sale of all or any part of the Bonds at not less than par plus accrued interest to the Demand Date. In the event of such a sale, payment of the Purchase Price of the Bonds shall be made on the Demand Date as hereinabove provided.

If the Demand Date is within seven days before any Interest Payment Date, as defined in the Indenture, accompanying this notice is a due-bill check for interest due on the Bonds on such date.

This notice shall not be effective unless, simultaneously with the delivery hereof to the Tender Agent, a copy hereof is sent to the Trustee at the address set forth below.

Date: _____

(Name of Registered Owner)

_____

Authorized Signature

cc:

# APPENDIX D

# FORM OF THE LETTER OF CREDIT

# REMARKETING AGREEMENT

**$53,000,000**
**THE COMMUNITY REDEVELOPMENT AGENCY**
**OF THE CITY OF LOS ANGELES, CALIFORNIA**
**VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS**
**(METROPOLITAN LOFTS APARTMENTS) 2002 SERIES A**

**THIS REMARKETING AGREEMENT** (the "Remarketing Agreement") is made and entered into as of December 1, 2002, by and among **NEWMAN & ASSOCIATES, A DIVISION OF GMAC COMMERCIAL HOLDING CAPITAL MARKETS CORP.** (the "Remarketing Agent"), **FC METROPOLITAN LOFTS ASSOCIATES LP**, a California limited partnership (the "Borrower"), and **U.S. BANK, N.A.**, as trustee (the "Trustee"), pursuant to an Indenture of Trust (the "Indenture") between The Community Redevelopment Agency of the City of Los Angeles, California (the "Issuer") and the Trustee dated as of the date of this Remarketing Agreement, authorizing and securing the above-captioned bonds (the "Bonds") whereby the Remarketing Agent will act as exclusive sales agent with respect to the remarketing of the Bonds. In connection with the issuance of the Bonds, Bank of America, N.A. (the "Credit Bank") will issue an irrevocable direct pay letter of credit (the "Letter of Credit") to provide for the payment of principal of and interest on the Bonds and the Purchase Price of the Bonds. The Bonds will be sold pursuant to a Bond Purchase Agreement dated December ___, 2002 (the "Purchase Contract"), by and between Newman & Associates, a Division of GMAC Commercial Holding Capital Markets Corp. and Jackson Securities Inc., together, as the underwriters for the Bonds, and the Issuer.

**Section 1. Definitions.** Unless a different meaning clearly appears from the context, capitalized words and terms used herein but not defined herein shall have the meanings set forth in the Indenture. For purposes of this Agreement, "Market Risk Event" means any of the circumstances listed in Section 7 of the Purchase Contract.

**Section 2. Appointment of Remarketing Agent.** Subject to the terms and conditions contained herein, the Issuer has, pursuant to the Indenture, appointed the Remarketing Agent, and the Remarketing Agent hereby accept such appointment hereunder and under the Indenture, as exclusive remarketing agent in connection with the offering and sale of the Bonds from time to time in the secondary market subsequent to the initial offering, issuance and sale of the Bonds. The Borrower and the Credit Bank consent to the appointment of the Remarketing Agent as remarketing agent for the Bonds.

**Section 3. Duties and Obligations of Remarketing Agent.** The Remarketing Agent has received and reviewed a copy of the Indenture and accepts the following duties and obligations imposed under the Indenture for the term of this Remarketing Agreement:

(a) The Remarketing Agent agrees, at all times that the Bonds bear interest at a Daily Rate (the "Daily Period") or at a Weekly Rate (the "Weekly Period"):

(i) To offer for sale and use its best efforts to sell Bonds as described in Section 8.14 of the Indenture (A) for which a Tender Notice has been delivered by Bondowners pursuant to Sections 2.02 and 2.03 of the Indenture or (B) the beneficial owners of which have delivered to the Trustee, the Tender Agent and the Remarketing

Agent a tender notice, in the form attached to the Official Statement or obtained from the Remarketing Agent, on any Business Day and have entered an "SDFS Deliver Order" at DTC before or simultaneously with that notice, or (C) upon mandatory tender of Bonds pursuant to the Indenture, in each case for the Purchase Price and in the manner provided in the Indenture;

(ii) To provide forms of Tender Notice for use by Owners or beneficial owners of Bonds, as applicable, during the Daily Period or the Weekly Period and to make those forms available to Owners or beneficial owners of Bonds;

(iii) To act as agent for the Issuer in determining (A) the Daily Rate pursuant to Section 2.02(c) of the Indenture, (B) the Weekly Rate pursuant to Section 2.02(b) of the Indenture, (C) the Reset Rate pursuant to Section 2.02(d) of the Indenture, and (D) the Fixed Rate pursuant to Section 2.02(e) of the Indenture;

(iv) To notify the Trustee, the Borrower and the Credit Bank of the Daily Rate, the Weekly Rate, the Reset Rate and the Fixed Rate determined from time to time by the Remarketing Agent, as provided in Sections 2.02 of the Indenture;

(v) To offer for sale and use its best efforts to sell Bonds in connection with a Conversion to a Reset Rate or a Fixed Rate pursuant to Section 2.02 of the Indenture; provided that any additional fees of the Remarketing Agent as Remarketing Agent (and other fees or costs of such Conversion) have been agreed to and paid and that no Market Risk Event (as defined above) has occurred;

(vi) To notify the Tender Agent at or before 10:15 a.m., New York time, on the Demand Date if it has been unable to remarket any tendered Bonds, and to deliver remarketing proceeds to the Tender Agent by the same time if it has remarketed tendered Bonds. The Remarketing Agent shall not be obligated to accept delivery from the purchaser of the Purchase Price of tendered, remarketed Bonds if the Purchase Price is tendered after 10:00 a.m., New York time, on the Demand Date;

(vii) To hold all money delivered to it for the purchase of Bonds uninvested and in trust for the benefit of the Person which shall have so delivered such money and not to commingle such money with its other funds;

(viii) To provide the Trustee with instructions of registration of remarketed Bonds pursuant to Section 8.14 of the Indenture;

(ix) To keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer, the Trustee and the Borrower at all reasonable times;

(x) To take all actions and to do all things required of or permitted to the Remarketing Agent under the terms of the Indenture and this Remarketing Agreement; and

(xi) Upon request of the Issuer, the Credit Bank or the Trustee, to furnish from time to time copies of its financial statements as filed with the Securities and Exchange Commission.

The Remarketing Agent will not knowingly remarket any Bonds to the Issuer, the Credit Bank, the Borrower or any nominee thereof.

**Section 4. Conversion.** The interest rate on the Bonds may be converted from a Weekly Rate or a Daily Rate to a Reset Rate or a Fixed Rate in accordance with the provisions of the Indenture[1]..

**Section 5. Compensation of the Remarketing Agent.** The Remarketing Agent shall receive from the Borrower as compensation for its duties and obligations hereunder during any Daily Period or any Weekly Period, an annual fee equal to _[ ][2]____% of the aggregate principal amount of Bonds Outstanding from time to time during each Daily Period or Weekly Period, (in each case prorated for portions of a quarter). Such fee shall be payable in arrears on the first Business Day of each March, June, September, and December, commencing on the first Business Day of March, 2003, for the period beginning on the Closing Date through and including the day immediately preceding the first Business Day of March, 2003 (with an appropriate pro rata adjustment). If the interest rate on the Bonds is converted to a Reset Rate or a Fixed Rate under the Indenture, the Borrower shall pay to the Remarketing Agent a special remarketing fee, in addition to the regular fee described above, in connection with the conversion of interest on the Bonds to such rate as described above, in an amount to be determined by the Borrower and the Remarketing Agent prior to the commencement of remarketing activities by the Remarketing Agent in connection with such conversion. The Borrower also agrees to pay the reasonable out-of-pocket expenses of the Remarketing Agent (including, without limitation, the fees and disbursements of its counsel and any costs incurred in connection with the preparation, reproduction and delivery of documents, including, without limitation, the Offering Materials) reasonably incurred in connection with the performance of its obligations hereunder, excluding overhead costs; provided, however, that such reimbursement shall be limited to $1,000 per year without the Borrower's prior consent.

In the event the Remarketing Agent ceases to be a remarketing agent hereunder, the Borrower shall pay to the Remarketing Agent that portion of the fee, determined on a pro rata basis, which represents the number of days during such payment period in which the Remarketing Agent acted hereunder.

**Section 6. Resignation and Removal of Remarketing Agent.** The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Remarketing Agreement by giving at least 30 days' prior written notice to the Issuer, the Borrower, the Credit Bank, the Tender Agent and the Trustee, but such resignation shall not take effect until a successor to such Remarketing Agent is appointed and has accepted such appointment under the Indenture. The Remarketing Agent may be removed at any time and a successor to such Remarketing Agent appointed at the direction of the Borrower, approved in writing by the Credit Bank and upon notice to the Issuer and the Trustee, by giving written notice to the Trustee; but such removal shall not be effective until a successor to the Remarketing Agent has been appointed under the Indenture.

**Section 7. Preparation of Offering Circulars; Registration of Bonds; Restriction on Amendments.** (a) The Borrower shall, at the Borrower's expense, use its best efforts to supply the Remarketing Agent with such information concerning the Borrower or the Project (including, without limitation, current financial statements of the Project) as the Remarketing Agent may reasonably request for use in connection with any remarketing of the Bonds pursuant to this Agreement. If during the term

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[1] All this is set forth in the Indenture. I would like it to be in either the Indenture or here, but not twice. If you want the details in the Remarketing Agreement, then the corresponding section in the Indenture can simply make reference to the Remarketing Agreement.

[2] Ted: Is Forest City's deal 10 bps or 8 bps for the annual fee with Newman?

of this Agreement any event known to the Borrower concerning the Borrower or the Project shall occur which might cause any official statement or other disclosure document previously reviewed by the Borrower and used by the Remarketing Agent in connection with the offer for sale and remarketing of Bonds to contain any untrue or misleading statement of a material fact, or omit to state any fact required to be stated therein in order to make the statements made in such official statement or disclosure document, in light of the circumstances under which they were made, not misleading, then and in every such case the Borrower shall promptly notify the Remarketing Agent in writing as to the occurrence of such event. If, in the reasonable opinion of the Remarketing Agent, such event requires the preparation and publication of a supplement or amendment to such official statement or disclosure document, the Borrower (at the sole expense of the Borrower) shall supplement or amend such official statement or disclosure document in a form and manner reasonably acceptable to the Remarketing Agent and the Borrower.

(b) If so requested by the Remarketing Agent in connection with any remarketing of the Bonds, the Borrower shall, at the Borrower's expense, cause to be prepared and made available to the Remarketing Agent (in such quantities as the Remarketing Agent may reasonably request) an offering circular for use in connection with such remarketing, which offering circular shall contain information concerning such matters (including, without limitation, the Bonds, the Borrower, the Indenture, the security for the Bonds, any rating assigned to the Bonds and the exemption from federal income taxes of interest on the Bonds) in such detail as the Remarketing Agent may reasonably request.

(c) Notwithstanding any other provision of this Agreement, the obligation of the Remarketing Agent to offer for sale and use its best efforts to remarket any Bond pursuant to this Agreement shall be expressly conditioned upon the receipt by the Remarketing Agent, prior to the commencement of any such remarketing, of an offering circular, reasonably satisfactory in form and content to the Remarketing Agent and its counsel, for use in connection with such remarketing.

(d) The Trustee and the Borrower will, at the Borrower's expense, take all steps reasonably requested by the Remarketing Agent which the Remarketing Agent or its counsel may consider necessary to register the sale of the Bonds by the Remarketing Agent under any federal or state securities law or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

(e) The Borrower and the Trustee each hereby agrees that they will not amend or agree to any amendment of the Indenture without the prior written consent of the Remarketing Agent, if and to the extent that any such amendment would affect, directly or indirectly, the rights and obligations of the Remarketing Agent under this Agreement.

(f) The Borrower hereby agrees to take all actions necessary, upon the request of the Remarketing Agent, to enable the Remarketing Agent to comply with the applicable provisions of the Securities Exchange Act of 1934.

**Section 8. Borrower Indemnifications.** To the extent, if any, that a court of competent jurisdiction would enforce such agreement as not contrary to law or public policy, the Borrower agrees as follows:

(a) In the event that the Remarketing Agent (which term in this Section 8 shall be deemed to include any partner, officer, director, employee, Remarketing Agent or counsel of the Remarketing Agent) becomes involved in any capacity in any action, proceeding or investigation in connection with any matter referred to in this Remarketing Agreement, the Borrower will periodically reimburse the Remarketing Agent for any legal and other expenses (including the cost of any investigation and preparation) incurred by the Remarketing Agent in connection

therewith to the maximum extent allowed by law, except to the extent that any such action, proceeding or investigation results solely from the willful misconduct or negligence of the Remarketing Agent in performing the services which are the subject of this Remarketing Agreement. The Borrower also will indemnify and hold harmless the Remarketing Agent against any losses, claims, damages or liabilities to which it may become subject in connection with any matter referred to in this Remarketing Agreement, except to the extent that any such loss, claim, damage or liability results solely from the willful misconduct or negligence of the Remarketing Agent in performing the services which are the subject of this Remarketing Agreement or breach by the Remarketing Agent of this Remarketing Agreement.

(b) Promptly after receipt by the Remarketing Agent of notice of the commencement of any action, the Remarketing Agent shall, if a claim in respect thereof under subsection (a) above is to be made, notify the Borrower of such action; but the omission so to notify the Borrower shall not relieve it of any liability that it may have to the Remarketing Agent otherwise than under such subsection. In such event, the Borrower shall be entitled to assume the defense of such action with counsel satisfactory to the Remarketing Agent and, thereafter, the Borrower shall not be liable to the Remarketing Agent for any legal expenses subsequently incurred by the Remarketing Agent in connection with the defense of such action, other than the reasonable costs of investigation.

(c) If for any reason the foregoing indemnification is unavailable to the Remarketing Agent or insufficient to hold the Remarketing Agent harmless, then the Borrower shall contribute to the amount paid or payable by the Remarketing Agent as a result of such loss, claim, damage or liability or action in respect thereof (including such legal or other expenses) in such proportion that the Remarketing Agent is responsible for that portion represented by the percentage that the remarketing fees set forth in Section 5 bears to the aggregate principal amount of Bonds outstanding and the Borrower is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Borrower's reimbursement, indemnity and contribution obligations in this Section shall be in addition to any liability which the Borrower may otherwise have, shall extend upon the same terms and conditions to the partners, employees and controlling persons (if any) of the Remarketing Agent and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Borrower, the Remarketing Agent and any such person and personal representatives of the Borrower, the Remarketing Agent and any such person.

**Section 9. Term and Termination of Remarketing Agreement.** This Agreement shall become effective upon execution by the parties hereto and shall continue in full force and effect until the payment in full of the Bonds, subject to the right of the Remarketing Agent, the Borrower or the Credit Bank to terminate this Remarketing Agreement, as provided herein.

**Section 10. Representations and Warranties of the Remarketing Agent.** Each of the Remarketing Agent, by its acceptance hereof, represents and warrants as follows:

(a) That it is authorized by law to perform all the duties imposed upon it by the Indenture and this Remarketing Agreement and that it is a member of the National Association of Securities Dealers, Inc.

(b) That the execution and delivery of this Remarketing Agreement and the consummation of the transactions contemplated herein and in the Indenture will not conflict with

or constitute on the part of such Remarketing Agent a breach of or a default under its charter documents, its bylaws, or any statute, indenture, mortgage, deed of trust, lease, note agreement or other agreement or instrument to which such Remarketing Agent is a party or by which it or its properties are bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over such Remarketing Agent or any of its activities or properties.

(c) That this Remarketing Agreement has been duly authorized, executed and delivered by such Remarketing Agent and constitutes the legal, valid and binding obligation of such Remarketing Agent enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other laws affecting generally the enforcement of creditors' rights.

**Section 11. Conditions to Remarketing Agent's Obligations.** The obligations of the Remarketing Agent under this Remarketing Agreement are subject, in the discretion of the Remarketing Agent, to the following conditions:

(d) The Borrower Documents (as defined in the Purchase Contract) shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the Bonds, except as may have been agreed to in writing by the Remarketing Agent, and there shall be in full force and effect such additional resolutions, agreements, certificates (including such certificates as may be required by the Internal Revenue Service or Bond Counsel in order to establish the tax-exempt character of interest on the Bonds) and opinions necessary to effect a secondary remarketing of the Bonds in the manner contemplated by this Remarketing Agreement, which resolutions, agreements, certificates and opinions shall be satisfactory in form and substance to the Remarketing Agent;

(e) No Event of Default, as such term is defined in the Indenture or the Purchase Contract shall have occurred and be continuing and no event shall have occurred and be continuing which, with the passage of time or giving of notice or both, would constitute such an Event of Default;

(f) At or prior to the Closing Date, the Remarketing Agent shall have received all documents required by, and delivered pursuant to, the Purchase Contract; and

(g) The Remarketing Agent may, after consultation with the Credit Bank and the Borrower, suspend its remarketing efforts hereunder upon written or electronic notice to the Issuer, the Trustee, the Borrower, the Tender Agent and the Credit Bank (the "Notice Parties"), upon the occurrence of any of the following, which suspension may continue as long as any of the following continues to exist:

(i) any event shall occur or information shall become known, which, in the reasonable judgment of the Remarketing Agent, (A) makes untrue, incorrect or misleading in any material respect any statement or information contained in the Official Statement or other disclosure documents ("Offering Documents") provided to the Remarketing Agent in connection with the performance of its duties hereunder, whether provided pursuant to Section 7 or otherwise, or (B) causes any Offering Document to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(ii) legislation shall be enacted and become effective to the effect that, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that, or any other event occurs which, in the reasonable judgment of the Remarketing Agent after consultation with the Borrower and the Credit Bank, would have the effect that, the remarketing of obligations of the general character of the Bonds, or the remarketing of the Bonds, including all underlying obligations, as contemplated hereby or by the most current offering document or materials for the Bonds, is in violation or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended (the "1933 Act"), and as then in effect, or the registration provisions of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and as then in effect, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, and as then in effect, or with the purpose or effect of otherwise prohibiting the remarketing of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the most current Official Statement; or

(iii) the Bonds cannot be sold by the Remarketing Agent at the contemplated offering price of par at an interest rate less than or equal to the maximum rate allowed by law or by the provisions of the Indenture or the Bonds;

(h) The Remarketing Agent may suspend its remarketing efforts hereunder immediately, after notice as provided in (d) above, upon the occurrence of any of the following events, which suspension may continue so long as any such event continues to exist, but only if and to the extent, in the reasonable judgment of the Remarketing Agent after consultation with the Borrower and the Credit Bank, the occurrence and continuation of such event shall cause the Bonds to be unmarketable:

(i) there shall be (A) any federal or state legislation, effective, pending or favorably reported out of any legislative committee, or (B) any decision of any federal or state court or (C) any order, ruling or regulation (final, temporary or proposed) of the Treasury Department or the Internal Revenue Service of the United States or other federal or state authority or regulatory body, or (D) release or announcement or communication issued or sent by the Treasury Department or the Internal Revenue Service of the United States, in any of such events affecting the status of the Issuer and/or the Borrower or its property or income, obligations of the general character of the Bonds, as contemplated hereby, or the interest thereon, or any tax exemption with respect to obligations of the general character of the Bonds, as contemplated hereby, or the interest thereon, granted or authorized by the Internal Revenue Code of 1986, as amended;

(ii) the engagement by the United States of America in hostilities which have resulted in a declaration of war or national emergency, or the occurrence of any other outbreak of hostilities or national or international calamity or crisis, financial or otherwise;

(iii) there shall have occurred a general suspension of trading on the New York Stock Exchange; material restrictions are established upon trading of securities, including limited or minimum prices, by any governmental authority or by any national securities exchange; or a banking moratorium is declared by Federal or state authorities; or

(iv) the long-term rating of the Bonds shall have been withdrawn, suspended or downgraded by the Rating Agency., after the date hereof.

**Section 12. Dealing in Bonds by the Remarketing Agent.** The Remarketing Agent, in its individual capacity, may, in good faith, buy, sell, own, hold and deal in any of the Bonds offered and sold by it pursuant to this Remarketing Agreement, and may join in any action which any Bondowner may be entitled to take with like effect as if it did not act in any capacity hereunder. The Remarketing Agent, in its individual capacity, either as principal or agent, may also engage or be interested in any financial or other transaction with the Issuer, and may act as depository, trustee, or agent for any committee or body of owners of Bonds or other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

**Section 13. Intention of Parties.** It is the express intention of the parties hereto that any purchase, sale or transfer of any Bonds, as herein provided, shall not constitute or be construed to be the extinguishment of any Bonds or the indebtedness represented thereby or the reissuance of any Bonds.

**Section 14. Miscellaneous.**

(i) Except as otherwise specifically provided in this Remarketing Agreement, all notices, demands and formal actions under this Remarketing Agreement shall be in writing and mailed or delivered to the Remarketing Agent, the Issuer, the Borrower, the Credit Bank and the Trustee at their respective addresses set forth in the Indenture, or to such other address as any party shall hereafter furnish to the other parties in writing.

(j) This Remarketing Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. The terms "successors" and "assigns" shall not include any purchaser of any of the Bonds solely because of such purchase.

(k) This Remarketing Agreement and each provision hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the parties hereto (with a copy of any such amendment sent by registered mail to the parties).

(l) Section headings have been inserted in this Remarketing Agreement only as a matter of convenience of reference, and it is agreed that such section headings are not a part of this Remarketing Agreement and will not be used in the interpretation of any provisions of this Remarketing Agreement.

(m) If any provision of this Remarketing Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provisions in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Remarketing Agreement invalid, inoperative or unenforceable to any extent whatever.

(n) This Remarketing Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(o) This Remarketing Agreement shall be interpreted and construed under the provisions of the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first above written.

NEWMAN & ASSOCIATES, A DIVISION OF GMAC COMMERCIAL HOLDING CAPITAL MARKETS CORP.

By _____

Its _____

[Trustee's Signature Page to Remarketing Agreement]

U.S. BANK, N.A., as Trustee

By _____
Its _____

[Borrower's Signature Page to Remarketing Agreement]

FC METROPOLITAN LOFTS ASSOCIATES L.P.,
a California limited partnership

By F.C. Metropolitan Lofts, Inc., a California corporation,
Its Managing General Partner

By _____
Gregory M. Vilkin
Its President

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

# CITY OF LOS ANGELES
CALIFORNIA

JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

99-0697

CDs 9 and 14

September 4, 2002

PLACE IN FILES
SEP 10 2002
DEPUTY

Councilmember Perry
Councilmember Greuel
Chief Legislative Analyst
City Administrative Officer
City Attorney
Controller, Room 1200
  Accounting Division, F&A
  Disbursement Division
Community Redevelopment Agency

RE: METROPOLITAN LOFTS MULTIFAMILY HOUSING PROJECT

At the meeting of the Council held AUGUST 16, 2002, the following action was taken:

| | |
|---|---|
| Attached report adopted | |
| Attached motion (Perry - Greuel) adopted | X |
| Attached resolution adopted | X |
| Ordinance adopted | |
| Ordinance number | |
| Publication date | |
| Effective date | |
| Mayor approved | |
| FORTHWITH | X |

J. Michael Carey

City Clerk
kw

steno\990697



Recyclable and made from recycled waste.

HOUSING & COMMUNITY DEVELOPMENT

~~ECONOMIC DEVELOPMENT & EMPLOYMENT~~

# MOTION

JUL 31 2002

**WHEREAS,** the Metropolitan Lofts multifamily housing project is a proposed 264 rental unit complex (the "Project") to be constructed by F.C. Metropolitan Lofts, Inc. (the "Owner") and located within the City Center Redevelopment Project Area; and

**WHEREAS,** the Community Redevelopment Agency of the City of Los Angeles ("Agency") adopted a reimbursement resolution on July 11, 2002 (the "Reimbursement Resolution") that declared the Agency's intent to issue, in one or more series, tax-exempt multifamily housing revenue bonds (the "Bonds") to finance certain development costs of the Project; and

**WHEREAS,** on July 12, 2002, the Los Angeles City Council approved the Reimbursement Resolution and certain other findings and actions of the Agency in connection with the Project; and

**WHEREAS,** Pursuant to section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations section 5f.103-2 (the "Regulations") promulgated under the Code, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes, a public hearing with respect to the Bonds must be held and the issuance of the Bonds must be approved by an "applicable elected representative"; and

**WHEREAS,** the City Council constitutes an "applicable elected representative" within the meaning of section 147 (f) of the Code; and

**WHEREAS,** notice of the public hearing required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was duly published and the public hearing was held by a designated representative of the Agency;

**NOW, THEREFORE, I MOVE** that the City Council does hereby adopt the attached Resolution approving the issuance of the Bonds, authorizing the Agency to prepare documents and take all necessary action to issue the Bonds, and finding that the Agency properly held a Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing on July 19, 2002, for purposes of section 147(f) of the Code and pursuant to notice as required by law.

MOVED BY: _____
Jan Perry
Council District 9

SECONDED BY: _____

Mo. & Resol.
ADOPTED
AUG 16 2002
LOS ANGELES CITY COUNCIL
FORTHWITH

45207585.2

5L

**CITY OF LOS ANGELES**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA REGARDING A TEFRA HEARING AND APPROVING THE ISSUANCE OF UP TO $55,000,000 PRINCIPAL AMOUNT OF MULTIFAMILY HOUSING REVENUE BONDS IN TWO OR MORE SERIES BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES TO FINANCE CERTAIN DEVELOPMENT COSTS OF METRO LOFTS APARTMENTS PROJECT**

**WHEREAS,** The Community Redevelopment Agency of the City of Los Angeles, California (the "Agency") is a redevelopment agency (a public body, corporate and politic) duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) (the "Law") and the powers of said Agency include the power to issue bonds for any of its corporate purposes; and

**WHEREAS,** the Agency intends to issue, in two or more series, tax exempt multifamily housing revenue bonds (the "Bonds") to finance certain development costs of the Metro Lofts Apartments Project (the "Project") located in the City of Los Angeles; and

**WHEREAS,** actions of the Agency related to the issuance of the Bonds are subject to the approval of this City Council and the Agency is desirous of obtaining such approval; and

**WHEREAS,** pursuant to section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations section 5f.103-2 (the "Regulations") promulgated under the Code, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes, a public hearing with respect to the Bonds must be held and the issuance of the Bonds must be approved by an applicable elected representative; and

**WHEREAS,** notice of the public hearing required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was duly published and the public hearing was held by a designated representative of the Agency;

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES:**

**Section 1.** The City Council hereby approves the issuance of the Bonds pursuant to the Law, for the purpose of financing certain development costs of the Project including, without limitation, the funding of a reserve fund for the Bonds and to pay costs of issuance for the Bonds (including any discount or premium in connection with the sale thereof), said Bonds to be issued in accordance with law in such manner and under such terms and conditions as shall be acceptable to the Agency, in the aggregate principal amount of $55,000,000.

**Section 2.** The Bonds may be issued so that the interest thereon shall be excluded from federal income taxation under the Internal Revenue Code of 1986, as amended, or

not so excluded or part excluded and part not excluded and may be issued bearing a fixed interest rate or a variable interest rate or part fixed and part variable; provided, however, that the Bonds shall be sold and awarded under procedures approved by the Agency, at public or private sale, and, provided further, that no Bonds shall bear interest at a rate in excess of the maximum rate permitted by law or have a maturity date in excess of thirty-five (35) years from the date of issuance. Any Bonds sold by the Agency consistent with this resolution shall be, and shall be deemed to be, the duly authorized action of the Agency with respect thereto hereby approved under Section 8.99.04 of the Administrative Code of the City of Los Angeles (the "Administrative Code") and not subject to the provisions of Section 8.99.05 of the Administrative Code.

**Section 3.** The Agency is hereby authorized and directed to prepare, approve and distribute its resolutions, trust indentures and/or trust agreements authorizing the issuance of the Bonds, one or more loan modification agreements, one or more official statements or private placement memoranda for the sale of the Bonds, one or more purchase contracts setting forth the details of the sale, and the Agency is hereby further authorized and directed to prepare, publish and distribute such other notices, documents, certificates, opinions and instruments as the Agency shall deem necessary or desirable to effectuate the sale of Bonds and any and all prior and future such actions taken consistent with this resolution shall be, and shall be deemed to be, the duly authorized actions of the Agency with respect thereto hereby approved, ratified and confirmed under Section 8.99.04 of the Administrative Code and not subject to the provisions of Section 8.99.05 of the Administrative Code.

**Section 4.** This Council confirms that the public hearing with respect to the Bonds required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was properly held by the Agency pursuant to notice as required by law.

**Section 5.** This Council approves the issuance of the Bonds for purposes of section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations.

**Section 6.** This Resolution shall take effect upon adoption.

**PASSED AND ADOPTED THIS** 16th **DAY OF** August,

*I hereby certify that the foregoing Resolution was adopted by the City Council of the City of Los Angeles, California, at its meeting held* August 16, *2002.*

*IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Los Angeles this* 16th *day of* August, *2002.*

*J. Michael Carey, City Clerk*

*By:* Elaine Jone

COUNCIL VOTE

Aug 16, 2002 11:14:48 AM, #4

Items for Which Public Hearings Have Not Been Held - Items 29-59
Voting on Item(s): 30-38,40-42a,42c-59
Roll Call

| | |
|---|---|
| BERNSON | Absent |
| GALANTER | Absent |
| GARCETTI | Yes |
| GREUEL | Yes |
| HAHN | Yes |
| HOLDEN | Yes |
| LABONGE | Yes |
| *MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PERRY | Yes |
| REYES | Yes |
| RIDLEY-THOMAS | Yes |
| WEISS | Absent |
| ZINE | Yes |
| PADILLA | Absent |

Present: 11, Yes: 11 No: 0

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

# TY OF LOS ANGELE
CALIFORNIA

JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

99-0697

CD 8

PLACE IN FILES
JUL 18 2002
DEPUTY

July 16, 2002

Councilmember Ridley-Thomas
Councilmember Garcetti
Honorable James Hahn, Mayor
Chief Legislative Analyst
City Administrative Officer
Controller: Room 1200
Accounting Division, F&A
Disbursement Division
City Attorney
Community Redevelopment Agency

RE: APPROVAL OF A FIRST AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT WITH F.C. METROPOLITAN LOFTS, INC. FOR THE CONSTRUCTION OF A RENTAL HOUSING PROJECT ON THE NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CITY CENTER PROJECT AREA

At the meeting of the Council held July 12, 2002, the following action was taken:

| | |
|---|---|
| Attached report adopted | |
| Attached motion (Ridley-Thomas - Garcetti) adopted | X |
| Attached resolutions adopted | X |
| FORTHWITH | X |
| Motion adopted to approve attached report recommendation(s) | |
| Motion adopted to approve communication recommendation(s) | |
| Findings adopted | |
| Mitigated Negative Declaration adopted | |

J. Michael Carey
City Clerk
et

steno\990697



Recyclable and made from recycled waste.

SM2A

# MOTION

**I MOVE** that Item No. ~~2~~ 3 (CF 99-0637) on today's City Council Special Meeting with respect to a communication from the Community Redevelopment Agency (CRA) and RESOLUTION dated July 11, 2002 relative to the approval of a first amended and restated Disposition and Development Agreement with F.C. Metropolitan Lofts, Inc, for the construction of a rental housing project on the northeast corner of Flower and Eleventh Streets in the South Park Area of the City Center Project Area of CD 9 BE ADOPTED; this matter was considered and approved by the Community Redevelopment Agency Board at its meeting of July 11, 2002, and the Housing and Community Development Committee at its meeting of July 12, 2002.

**PRESENTED BY:** ----------
Jan Perry
Councilmember, 9th District

**SECONDED BY:** _____

AP

July 12, 2002

Motion & Resol.

**ADOPTED**

JUL 12 2002

**LOS ANGELES CITY COUNCIL**

Forthwith

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**

**AND**

**THE LOS ANGELES CITY COUNCIL**

**RESOLUTION NO. 6072**

**JOINT RESOLUTION AUTHORIZING LEASE OF CERTAIN PROPERTY BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, APPROVING AND AUTHORIZING THE EXECUTION OF A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE AGENCY AND F.C. METROPOLITAN LOFTS, INC. AND MAKING FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 33433**

**WHEREAS**, by Ordinance No. 174,593 adopted on May 15, 2002, the City Council of the City of Los Angeles adopted the City Center Redevelopment Plan for the City Center Redevelopment Project Area (the "Project Area"); and

**WHEREAS**, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") is vested with the responsibility pursuant to the Community Redevelopment Law (Part 1 of Division 24 of Health and Safety Code of the State of California) (the "Law") to implement the Redevelopment Plan in and for the benefit of the Project Area; and

**WHEREAS**, the Agency adopted on May 15, 2002 the Five-Year Implementation Plan (FY2002 - FY2007) for the Project Area, (the "Implementation Plan"), pursuant to Section 33490 of the Law; and

**WHEREAS**, the Agency is the owner of certain parcels of real property within the Project Area located at the northeast corner of Flower and Eleventh Streets and the northwest corner of Hope and Eleventh Streets (the "Property"); and

**WHEREAS**, the Agency desires to cause the development of the Property through the construction of a rental housing project with 274 units and 413 parking spaces (the "Development"); and

**WHEREAS,** the Agency has selected F.C. Metropolitan Lofts, Inc., a California Corporation, as the developer of the Development on the Property; and

**WHEREAS,** the Agency desires to enter into an Amended and Restated Disposition and Development Agreement (the "Agreement"), with the Developer, substantially in the form on file with the Agency Secretary, under which the Agency will sell the Property to the Developer and the Developer would construct the Development on the Property in accordance with the Agreement; and

**WHEREAS,** the Agency has placed on file a copy of the Agreement and the summary required by Health and Safety Code Section 33433 (the "Section 33433 Summary"), and has made the Agreement and the Section 33433 Summary available for public inspection pursuant to Health and Safety Code Section 33433; and

**WHEREAS,** the Agency has conducted a duly noticed public hearing on the Agreement pursuant to Health and Safety Code Section 3343, and the City has conducted a duly noticed hearing on the Agreement pursuant to Health and Safety Code Section 33433, for the purpose of receiving input and comments from the public on the Agreement; and

**WHEREAS,** the Development will benefit the Project Area and serve major Redevelopment Plan goals and objectives by furthering the development of housing in the Project Area and providing a catalyst for additional private investment in the Project Area, and alleviating blight with the redevelopment of a vacant and underutilized site to its highest and best use under the Redevelopment Plan.

**NOW, THEREFORE, BE IT RESOLVED as follows:**

Section 1. The Agency and City Council hereby find the above recitals are true and correct, and the Agency and City Council have based the findings and actions set forth in this Resolution, in part, on such Recitals.

Section 2. Pursuant to Section 33433 of the Law, the Agency and the City Council hereby find and determine that the consideration of Ten Thousand ($10,000) per annum for the lease of the property and Three Million Dollars ($3,000,000) to be paid by the Developer for the purchase of the Property in the event the Developer exercises certain purchase options included in the Agreement is not less than the fair reuse value of the Property at the use and with the covenants, conditions and development costs required by the

Agreement. This finding is based on the facts and analysis set forth in the Staff Report and the Section 33433 Summary incorporated in the Resolution by this reference.

Section 3. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby finds that the conveyance of the Property to the Developer in accordance with the Agreement will serve major Redevelopment Plan goals and objectives by strengthening the downtown area with the development of market rate and affordable housing in conjunction with the previously completed 182 units of low and moderate income housing that the Development will assist in the elimination of blight in the Project Area, and that the Development is consistent with the Implementation Plan for the City Center Redevelopment Project.

Section 4. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby approves the Agreement and all ancillary documents; authorizes the execution of the Agreement and related documents by the Agency Administrator or designee in substantially the form on file with the City Clerk and Agency Secretary; and approves the lease of the Property by the Agency to the Developer for Ten Thousand Dollars ($10,000) per annum pursuant to the provisions of the Agreement. The Agency and the City Council directs the Agency Administrator to take all actions necessary and appropriate to carry out the terms of the Agreement.

**Adopted:** July 11, 2002

WE HEREBY CERTIFY that the foregoing Resolution was introduced at a regular meeting of the Community Redevelopment Agency of the City of Los Angeles on July 11, 2002 and the City Council of the City of Los Angeles on _____, 2002 who moved its adoption and approval.

I CERTIFY THAT THE FOREGOING RESOLUTION WAS ADOPTED BY THE COUNCIL OF THE CITY OF LOS ANGELES AT ITS MEETING OF JUL 12 2002 BY A MAJORITY OF ALL ITS MEMBERS.
J. MICHAEL CAREY, CITY CLERK
BY _____ DEPUTY

THE COMMUNITY REDE_LOPMENT AGENCY OF THE CIT. OF LOS ANGELES, CA

RESOLUTION NO. 6070

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, FINDING THAT THE ADDENDUM TO MITIGATED NEGATIVE DECLARATION FOR THE METROPOLITAN LOFTS PROJECT, IN THE CITY CENTER REDEVELOPMENT PROJECT, HAS BEEN PREPARED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND STATE AND AGENCY GUIDELINES ADOPTED PURSUANT THERETO; CERTIFYING THAT THE AGENCY HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED IN THE ADDENDUM AND APPROVING THE ADDENDUM

WHEREAS, on May 3, 2001 the Community Redevelopment Agency of the City of Los Angeles, California ("Agency") adopted by Resolution No. 6070 the Mitigated Negative Declaration for the Metropolitan Lofts, City Center Redevelopment Project; and

WHEREAS, in implementation of the Central Business District Redevelopment Plan, the Agency entered into an Disposition and Development Agreement ("DDA") with F. C. Metropolitan Lofts ("Developer") for the construction, development and operation of residential and commercial/retail, uses for the project known as Metropolitan Lofts; and

WHEREAS, the City Center Redevelopment Project boundaries were amended by the Agency and Los Angeles City Council on May 15, 2002, and the boundary changes remove the site of the Metropolitan Lofts from the Central Business District Redevelopment Project; and

WHEREAS, the City Center Redevelopment Project was adopted by the Agency and the Los Angeles City Council on May 15, 2002 and includes the site of the Metropolitan Lofts; and

WHEREAS, minor modifications to the project description of the Metropolitan Lofts are now proposed; and

WHEREAS, the Agency proposes to execute an Amended and Restated DDA regarding the disposition and development of the Agency-owned site; and

WHEREAS, the Agency has caused to be prepared an Addendum ("the Addendum") to the MND for the Metropolitan Lofts pursuant to the California Environmental Quality Act ("CEQA"), and State and local guidelines adopted pursuant thereto ("Guidelines"); and

WHEREAS, the Agency has reviewed and considered the information contained in the Addendum to the MND and other

documents in the record with respect to the Metropolitan Lofts in the City Center Redevelopment Project.

NOW, THEREFORE, BE IT RESOLVED by The Community Redevelopment Agency of the City of Los Angeles, California, as follows:

1. The Agency hereby finds that the Addendum to the MND for the Metropolitan Lofts has been prepared in accordance with CEQA and the Guidelines.

2. The Agency hereby certifies that the information contained in the Addendum to the MND with respect to the Metropolitan Lofts has been reviewed and considered by the Agency Commissioners.

3. The Agency hereby finds and determines that:

a. No substantial changes are proposed in the project, which will require major revisions of the MND due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

b. No substantial changes have occurred with respect to the circumstances under which the project will be undertaken which will require major revisions of the MND due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

c. No new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the MND was adopted, has become available which shows any of the following:

1) The project will have one or more significant effects not discussed in the MND;

2) Significant effects previously examined will be substantially more severe than shown in the MND;

3) Mitigation measures or alternatives previously found not to be feasible would in fact be feasible, and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or

4) Mitigation measures or alternatives, which are considerably different from those analyzed in the MND, would substantially reduce one or more significant effects on the

environment, but the project proponents decline to adopt the mitigation measure or alternative.

4. The Agency hereby approves the Addendum to the MND for the Metropolitan Lofts, City Center Redevelopment Project.

ADOPTED: July 11, 2002

I CERTIFY THAT THE FOREGOING RESOLUTION WAS ADOPTED BY THE COUNCIL OF THE CITY OF LOS ANGELES AT ITS MEETING OF JUL 12 2002 BY A MAJORITY OF ALL ITS MEMBERS.
J. MICHAEL CAREY, CITY CLERK
BY _____ DEPUTY

**RESOLUTION NO. 6071**

**RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA DECLARING ITS OFFICIAL INTENT TO ISSUE BONDS AND TO ALLOW FOR THE REIMBURSEMENT OF EXPENDITURES MADE IN CONNECTION WITH THE ACQUISITION AND DEVELOPMENT OF A PROPOSED RENTAL HOUSING PROJECT**

**WHEREAS**, The Community Redevelopment Agency of the City of Los Angeles, California (the "Agency") is a redevelopment agency and public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) and the powers of the Agency include the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, the Agency has previously entered into a Disposition and Development Agreement (the "DDA") with F.C. Metropolitan Lofts, Inc. (the "Developer") in connection with the development of an all market rate housing project at a site owned by the Agency (the "Project") and located in the South Park Area of the Agency's City Center Redevelopment Project (the "Redevelopment Project"); and

**WHEREAS**, to facilitate the development of affordable housing in the Redevelopment Project, the Developer has redesigned the Project to increase the total number of housing units and to make at least 20% of the total number of units in the Project affordable to households earning 50% or less of the area median income, and the Agency and the Developer intend to amend and restate the DDA and convey the Project site to the Developer pursuant to a long term lease; and

**WHEREAS**, the Agency wishes to assist in the financing of the Project for the Developer in order to further the redevelopment of the Redevelopment Project and to provide affordable housing for persons with low to moderate income, and the Agency has determined that it can best aid in such financing by issuing multifamily housing revenue bonds for the Project; and

**WHEREAS**, in order to satisfy the requirements of the Internal Revenue Service regulations pertaining to tax-exempt financing for the Project, and any other and subsequent requirements, whether regulatory or statutory, relating to the official intent of the Agency to reimburse any expenditure for the Project made prior to the issuance of such bonds, it is necessary and desirable that the Agency adopt this Resolution;

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA:**

**Section 1.** The above recitals, and each of them, are true and correct.

**Section 2.** In order to induce the Developer to proceed with the Project, the Agency hereby declares its official intent to issue multifamily housing revenue bonds for the Project in an amount up to $55,000,000 (the "Bonds") on terms and conditions mutually acceptable to the Agency and the Developer, which terms and conditions may involve the utilization of security mechanisms. This action does not constitute approval of the Project or commit the Agency to provide financing.

**Section 3.** Certain costs will be incurred by the Developer in connection with the Project prior to the issuance of the Bonds. The Agency expects to reimburse such costs with proceeds of Bonds.

**Section 4.** This Resolution is consistent with budgetary and financial circumstances of the Agency. No funds from sources other than bonds are, or are reasonably expected to be, received or allocated on a long-term basis or otherwise set aside by the Agency for the Project.

**Section 5.** It is intended that this Resolution shall constitute a declaration of "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations promulgated under Section 150 of the Internal Revenue Code of 1986.

**Section 6.** The action of the Agency in adopting this Resolution, in carrying out the provisions of this Resolution or in determining not to provide financing for the Project shall not result in any pecuniary liability whatsoever on the part of the Agency.

**Section 7.** The officers and staff of the Agency are hereby directed to take such further action as may be necessary to carrying out the intent and purpose of this Resolution.

**Section 8.** This Resolution supersedes all prior resolutions concerning the subject matter hereof to the extent inconsistent herewith.

**Section 9.** This Resolution shall take effect immediately.

APPROVED AND ADOPTED this 11 day of July, 2002.

Chairperson

ATTEST:

Secretary

I CERTIFY THAT THE FOREGOING RESOLUTION WAS ADOPTED BY THE COUNCIL OF THE CITY OF LOS ANGELES AT ITS MEETING OF JUL 12 2002 BY A MAJORITY OF ALL ITS MEMBERS.

J. MICHAEL CAREY, CITY CLERK

BY DEPUTY

COUNCIL VOTE

Jul 12, 2002 11:25:42 AM, #5

ITEM(S)
Voting on Item(s): 1,2,3,4
Roll Call

| | |
|---|---|
| BERNSON | Absent |
| GALANTER | Absent |
| GARCETTI | Yes |
| GREUEL | Yes |
| HAHN | Yes |
| HOLDEN | Yes |
| LABONGE | Yes |
| MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PERRY | Yes |
| REYES | Yes |
| RIDLEY-THOMAS | Yes |
| WEISS | Yes |
| ZINE | Absent |
| *PADILLA | Yes |

Present: 12, Yes: 12 No: 0

Spcl Mtg

DATE: 7/12/02 ITEM #: 1, 2, 3 4

| NAME | DEPT. | POSITION |
|---|---|---|
| Mike Cracraft | CRA Underwriting | Sr. Hsg Finance Officer |
| David Ricciello | CRA | Project Manager |
| Alvin Jenkins | CRA | Project Manager |
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**HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE**
**Report/Communication for Signature**

Council File Number: 99-0697

Committee Meeting Date: 07-12-02

Council Date: 07-12-02

| COMMITTEE MEMBER | YES | NO | ABSENT |
|---|---|---|---|
| Councilmember Greuel, Chair | ✓ | | |
| Councilmember Garcetti | ✓ | | |
| Councilmember Reyes | ✓ | | |
| Councilmember Ridley-Thomas | ✓ | | |
| Councilmember Hahn | | | ✓ |

Remarks F.C. Metropolitan Lofts - CRA Project

Miranda Paster, Legislative Assistant ---------- Telephone 978-1076

**HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE**
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 99-0697

- ☑ Council Member(s) 9
- ☐ Interested Department
- ☑ Mayor (with/without file)
- ☑ Chief Legislative Analyst
- ☑ City Administrative Officer
- ☑ Controller
- ☐ City Clerk
  - ☐ City Clerk, Chief Administrative Services
- ☐ Treasurer
- ☑ City Attorney (with / without file)
- ☐ General Services Department
- ☐ Department of Transportation
- ☐ Personnel Department
- ☑ Los Angeles Housing Department
- ☐ Community Development Department, Lillian Y. Kawasaki, General Manager
  - ☑ cc: Contact Person
- ☑ Community Redevelopment Agency
- ☐ Board of Public Works
- ☐ Workforce Investment Board
- ☐ Workforce Investment Board, Youth Council
- ☐
- ☐

**Community Redevelopment Agency**

of the City
of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

An Affirmative Action
Equal Opportunity
Employer

99-0697

Date JUL 11 2002

File Code

Council District: 9
Contact Person: D. Riccitiello 977-1794
M. Cracraft 977-1826

Honorable Council of the City of Los Angeles
Room 395, City Hall

**COUNCIL TRANSMITTAL:**

CRA
LA

Transmitted herewith, is a Board Memorandum adopted by the Agency Board on July 11, 2002, for City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

**PUBLIC HEARING AND VARIOUS ACTIONS INCLUDING APPROVAL OF A FIRST AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT WITH F.C. METROPOLITAN LOFTS, INC. FOR THE CONSTRUCTION OF RENTAL HOUSING PROJECT ON THE AGENCY-OWNED SITE LOCATED AT THE NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CITY CENTER REDEVELOPMENT PROJECT AREA.**
**PROJECT AREA. CD 9**

**RECOMMENDATION**

That the City Council adopt the Joint Resolution relating to Section 33433 of State Law and approve recommendations 8 and 9 on the attached Board Memorandum.

**ENVIRONMENTAL REVIEW**

In 2000, the Agency adopted a Mitigated Negative Declaration ("MND") for the Metro Lofts project and received an Addendum to MND. The addendum concludes that the changes to the project would produce no new significant environmental effects or major revisions which would require the preparation of a subsequent MND.

**FISCAL IMPACT STATEMENT**

There is no fiscal impact to the City's General Fund, as a result of this action.

Richard L. Benbow
for Jerry A. Scharlin, Administrator

Peggy Moore, Chair

Armando Vergara, Sr., Vice Chair
Javier O. Lopez, Treasurer
Greta T. Hutton
Coby A. King
Douglas R. Ring
Christine M. Robert

Jerry A. Scharlin
Administrator

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

# CITY OF LOS ANGELES
CALIFORNIA

JAMES K. HAHN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 395, City Hall
Los Angeles, CA 90012
Council File Information - (213) 978-1043
General Information - (213) 978-1133
Fax: (213) 978-1040

HELEN GINSBURG
Chief, Council and Public Services Division

99-0697
CD 9

July 12, 2002

HOUSING & COMMUNITY DEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from the CRA relative to various actions, including approval of a First Amended and Restated Disposition and Development Agreement with F.C. Metropolitan Lofts, Inc. for the construction of rental housing project on the Agency-owned site located at the northeast corner of Flower and 11th Streets in the South Park Area of the City Center Redevelopment Project Area, was referred on July 12, 2002, to the HOUSING & COMMUNITY DEVELOPMENT COMMITTEE.

J. Michael Carey

City Clerk
amm

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

CITY OF LOS ANGELES
CALIFORNIA

JAMES K. HAHN
MAYOR

Office of the
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Los Angeles, CA 90012
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HELEN GINSBURG
Chief, Council and Public Services Division

99-0697
CD 9

July 12, 2002

HOUSING & COMMUNITY DEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from the CRA relative to Various actions, including approval of a First Amended and Restated Disposition and Development Agreement with F.C. Metropolitan Lofts, Inc. for the construction of rental housing project on the Agency-owned site located at the northeast corner of Flower and 11th Streets in the South Park Area of the City Center Redevelopment Project Area, was referred on July 12, 2002, to the HOUSING & COMMUNITY DEVELOPMENT COMMITTEE.

J. Michael Carey
City Clerk
amm

**Community Redevelo ment Agency**

of the City
of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

An Affirmative Action
Equal Opportunity
Employer

99-0697

Date July 10, 2002

File Code CT2190

Council District: 9
Contact Person: D. Riccitiello 977-1794
M. Cracraft 977-1826

RECEIVED
CITY CLERK'S OFFICE
2002 JUL 10 PM 4:32
BY
CITY CLERK
DEPUTY

Honorable Council of the City of Los Angeles
Room 395, City Hall

**COUNCIL TRANSMITTAL:**

Transmitted herewith, is a Board Memorandum which is anticipated upon being adopted by the Agency Board on July 11, 2002, for City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

CRA
LA

**PUBLIC HEARING AND VARIOUS ACTIONS INCLUDING APPROVAL OF A FIRST AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT WITH F.C. METROPOLITAN LOFTS, INC. FOR THE CONSTRUCTION OF RENTAL HOUSING PROJECT ON THE AGENCY-OWNED SITE LOCATED AT THE NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CITY CENTER REDEVELOPMENT PROJECT AREA.**
**PROJECT AREA. CD 9**

## RECOMMENDATION

That the City Council adopt the Joint Resolution relating to Section 33433 of State Law and approve recommendations 8 and 9 on the attached Board Memorandum.. There is a time urgency for these action in order for the developer to apply to the State Debt Limit Allocation Committee ("CDLAC") application for their July 17th deadline.

## ENVIRONMENTAL REVIEW

In 2000, the Agency adopted a Mitigated Negative Declaration ("MND") for the Metro Lofts project and received an Addendum to MND. The addendum concludes that the changes to the project would produce no new significant environmental effects or major revisions which would require the preparation of a subsequent MND.

## FISCAL IMPACT STATEMENT

There is no fiscal impact to the City's General Fund, as a result of this action.

for Richard D. Benbow
Jerry A. Scharlin, Administrator

Peggy Moore, Chair
Armando Vergara, Sr., Vice Chair
Javier O. Lopez, Treasurer
Greta T. Hutton
Coby A. King
Douglas R. Ring
Christine M. Robert

Jerry A. Scharlin
Administrator

HOUSING & COMMUNITY DEVELOPMENT

JUL 12 2002

cc: Alan Alietti, Office of the City Clerk (Original to Clerk Index & 10 Copies to Alan)
Miranda Paster, Office of the City Clerk
Lisa Johnson, Office of the CAO
Paul Smith, Ivania Sobalvarro, Office of the CLA
Jonathan Kevles, Office of the Mayor
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Councilmember Jan Perry CD 9

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THE COMMUNITY REL ELOPMENT AGENCY OF THE CI OF LOS ANGELES, CA

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M E M O R A N D U M

DATE: JULY 11, 2002 CT 2190

TO: AGENCY COMMISSIONERS

FROM: JERRY A. SCHARLIN, ADMINISTRATOR

SUBJECT: PUBLIC HEARING AND VARIOUS ACTIONS INCLUDING APPROVAL OF A FIRST AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT WITH F. C. METROPOLITAN LOFTS, INC. FOR THE CONSTRUCTION OF A RENTAL HOUSING PROJECT ON THE AGENCY-OWNED SITE LOCATED AT THE NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CITY CENTER REDEVELOPMENT PROJECT AREA
CD 9

RECOMMENDATION

That the Agency:

1. Adopt the attached Resolution finding that the Addendum to the Mitigated Negative Declaration ("MND") for the Metropolitan Lofts project has been prepared in compliance with the California Environmental Quality Act (CEQA) and State and Agency CEQA Guidelines; certifying that the Addendum, which addresses minor modifications and revisions to the implementation of the Metropolitan Lofts project, has been reviewed and considered by the Agency Commissioners in approving the Addendum to the MND;

2. Authorize staff to conduct a "TEFRA" public hearing for issuance of tax-exempt bonds for the Metropolitan Loft Apartments (the "Project") in accordance with federal tax law with the Administrator or his designee acting as hearing officer, and transmit the public testimony simultaneously to the Board and City Council.

3. Adopt the attached Reimbursement Resolution stating the Agency's official intent to issue tax-exempt bonds for the Project and to allow for the reimbursement of expenditures made in connection with the acquisition and development for a proposed rental housing project.

4. Hold a Public Hearing pursuant to Health and Safety Code Section 33431 regarding the proposed disposition of the Agency-owned property (the "Site") on the block bordered by Flower, Eleventh, and Hope Streets and Olympic Boulevard in the South Park Area of the City Center Redevelopment Project.

5. Request the City Council hold a public hearing pursuant to Section 33433 of the California Redevelopment Law and find that (i) the proposed project will assist in eliminating blight; (ii) the ground lease of property is consistent with the Five-Year Implementation Plan for the City Center Redevelopment Project; and the consideration to be received is not less than the fair reuse value of the property in keeping with Section 33433 of the California Redevelopment Law;

6. Approve the Revised Schematic Design Drawings for the proposed project involving the construction of a 274-unit rental housing project.

That the Agency and the City Council:

7. Adopt the attached Joint Resolution making findings pursuant to Section 33433 relating to the disposition of Agency-owned property to F.C. Metropolitan Lofts, Inc. (the "Developer") for the development of the Site.

That the Agency, subject to City Council review and approval:

8. Authorize the Administrator or his designee to negotiate and execute a First Amended and Restated Disposition and Development Agreement (DDA) with the Developer regarding the disposition and development of the Agency-owned Site.

9. Authorize the Administrator or his designee to execute a Contract with Fulbright & Jaworski L.L.P. for a period of not more twelve (12) months, in an amount not to exceed $68,000, including $3,000 for reimbursable expenses, for Bond Counsel services in connection with drafting or reviewing the legal documents for this tansaction and advising the Agency.

RE

May 3, 2001 - Agency approved various actions relating to the approval of a disposition and development agreement, environmental considerations, and schematic plan approvals.

May 31, 2001- City Council approved these actions.

SOURCE OF FUNDS

No Agency funds are required for the recommended actions.

ENVIRONMENTAL REVIEW

On May 3, 2001 the Agency adopted the MND for the Metropolitan Lofts project. The MND analyzed a development of an eight-story structure consisting of 230 residential units with approximately 3,000 square feet of ground floor retail and a seven story parking garage with a total of 374 parking spaces.

The Addendum to the MND evaluates the proposed changes to the project of adding an additional 44 residential units for a total of 274 units and adding and additional 9,500 square feet of commercial/retail space for a total of 12,500 square feet. The addendum concludes that project changes would produce no new significant environmental effects or major revisions that would require the preparation of a subsequent MND.

SUMMARY

The recommended actions will authorize the Agency to enter into an Amended and Restated Disposition and Development Agreement (DDA) with F.C. Metropolitan Lofts, Inc. for the development of the Agency-owned Site. In May 2001, the Agency and the City Council approved a DDA with the Developer for the development of an all-market-rate housing project. Subsequent discussions with the Council Office resulted in a redesign of the Project to increase the total number of units from 230 to 274 with a minimum of 20% of the units affordable to households earning 50% or less of the area median income.

Under the previous DDA, the Agency property was to be sold to the Developer for $3 million, the fair reuse value of the site, as determined by an analysis prepared by Keyser Marston Associates. The reuse value takes into consideration the costs of Agency-imposed requirements including prevailing wages, and the South Park Open Space Maintenance Fee, and provides for a fair return to the Developer.

In an effort to facilitate the development of much needed affordable housing, staff is recommending changes to the financial terms of the DDA. The revised project increases the number of units constructed with 20% of the units made affordable to very low-income households. The proposed First Amended and Restated DDA will convey the site to the Developer under a 55-year ground lease with four options to extend the term of the lease for ten years each. The initial rental rate will be $10,000 per annum. The rental rate would increase annually commencing upon the third anniversary after the completion of the Project based on the CPI, capped at five percent. The Developer may purchase the site from the Agency at the end of the initial term of the ground lease or at the end of each option term for the original agreed upon price of $3.0 million adjusted annually by the CPI, also capped at five percent.

The Developer has requested that the Agency issue tax exempt bonds in the amount of $55,000,000, which would cover the cost of developing the Site along with the various bond issuance costs of issuing such tax-exempt bonds. A preliminary development budget with the sources and uses of the project funds is attached to this report.

Adoption of a Reimbursement Resolution is typically the initial step in the bond issuance process. Once the Reimbursement Resolution has been adopted, certain predevelopment and subsequent construction costs become eligible for reimbursement from tax-exempt bond proceeds.

The Developer must satisfy certain conditions prior to conveyance including submitting evidence of financing, final construction plans and a final art plan for Agency review and approval. In addition to Agency standard DDA requirements, the Developer is required to make an annual payment of the South Park Open Space Maintenance Fee in the amount of $35,000. To ensure the timely start and completion of the Project, the DDA requires the Developer to post a security letter of credit in the amount of $500,000 upon Agency approval of the DDA, a construction completion bond and the posting of a corporate guarantee by the parent company in the event such a guarantee is not required by the construction lender for the Project. The Developer is required to begin construction by March 1, 2003.

Prior to the conveyance of the Site, the Agency and the Developer shall execute a Reciprocal Easement Agreement for the construction and shared use and maintenance of a private drive to be located on Flower Street. The private driveway will provide vehicular and emergency access to the other completed developments on the block. The easement also completes an east-west pedestrian walkway connecting Hope and Flower Streets.

The firm of Johnson Fain Architects has prepared Schematic Design Drawings for the proposed development depicting floor plans, elevations and preliminary landscape features. The revised Project design includes a total of 263 rental units. The units will be characterized as "lofts" by higher than normal ceilings, platform sleeping areas in the one bedroom units, concrete construction, and larger than normal windows. The Project will include 173 one-bedroom units (24 traditional layouts and 149 platform units), 79 two-bedroom units, and 11 street-level, live/work units, and one studio apartment. The eight-story residential building will include an attached, above grade parking structure along Hope Street. The parking structure will be lined with live/work duplex units along its lower two floors. The main pedestrian entrance to the Project will be from Flower Street.

The courtyard will be generously landscaped and visually open to the other developments in the block and to pedestrians walking past the building on Eleventh and Flower Streets. Amenities for the tenants will include a generously landscaped courtyard, health and fitness center, a resort style spa, 24-hour business center, and high-speed Internet connections in each unit.

The Project incorporates off-site improvements along Hope Street that include the Agency-approved Lawrence Halprin design of special paving and edge band treatment, the use of the historic 1906 Street Lamp standards and certain street trees/grates along Flower, Eleventh and Hope Streets.

Agency staff have reviewed the Schematic Design Plans and have found them to be consistent with City Center Redevelopment Plan, the South Park Design Guidelines and the Downtown Strategic Plan.

PROGRAM AND BUDGET IMPACT

The recommended actions implement the Agency's adopted FY02 Work Program and proposed FY03 Work Program for the City Center Redevelopment Project. The actions are consistent with the Five-Year Implementation Plan for the City Center Redevelopment Project. The Agency imposes an administration fee of $25,000 to cover its staff costs associated with the issuance of tax exempt bonds and an annual fee of $25,000 to cover staff costs to complete and submit various bond compliance reports associated with the bond.

BACKGROUND

Between 1988 and 1992 the Agency acquired approximately 3.25 acres in the block bounded by Olympic Boulevard, Hope, Eleventh and Flower Streets; the only parcel not acquired by the Agency is the property owned by the First Methodist Church at the southeast corner of Flower Street and Olympic Boulevard. Development of the block began in 1991 with the conveyance of the historic 5-story NCR Building located at 1031 South Hope Street to TELACU. This building was converted by TELACU with funding provided by HUD and the Agency into 40 units of housing for the physically handicapped and elderly. Following several unsuccessful attempts, the next phase of development occurred in 1997 with the conveyance of a 16,400 square foot parcel of Agency property on Flower Street to the 1010 Development Corporation (First United Methodist Church). When combined with 11,000 square feet of the Church's property, this parcel formed the site for the construction of Villa Flores, a 75-unit project for very low-income elderly, completed in 1998.

In 1999, the Agency entered into a Disposition and Development Agreement with the 1010 Development Corporation for the construction of Hope Village, a 67-unit family housing project with childcare and a community center located on Hope Street at Olympic Boulevard. The Hope Village project was completed in April 2001.

The last remaining undeveloped parcel is located on the southern portion of the block at 11$^{th}$ and Flower Streets. In accordance with a master plan for the development of the block, this parcel way designated for market rate housing. City-adopted policies for South Park call for the development of a mixed-income community of both market rate and affordable housing.

The development entity selected by the Agency and approved by City Council for this site is F. C. Metropolitan Lofts, Inc., a single-purpose California corporation wholly owned by Forest City Properties Corporation, which is headquartered in Cleveland, Ohio with a local office at 949 South Hope Street in Los Angeles. Forest City is a large residential developer with vast experience in the development of large mixed-income and market rate, in-fill residential projects. Its parent, Forest City Industries, is publicly traded on the American Stock Exchange. Forest City was responsible for the two residential developments on an adjacent block in the South Park neighborhood, Skyline Condominiums and Metropolitan Apartments.

Jerry A. Scharlin

There is no conflict of interest known to me that exists with regard to any Agency officer or employee concerning this action.

Attachments

THE COMMUNITY REL ELOPMENT AGENCY OF THE CI OF LOS ANGELES, CA

RESOLUTION NO. _____

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, FINDING THAT THE ADDENDUM TO MITIGATED NEGATIVE DECLARATION FOR THE METROPOLITAN LOFTS PROJECT, IN THE CITY CENTER REDEVELOPMENT PROJECT, HAS BEEN PREPARED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND STATE AND AGENCY GUIDELINES ADOPTED PURSUANT THERETO; CERTIFYING THAT THE AGENCY HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED IN THE ADDENDUM AND APPROVING THE ADDENDUM

WHEREAS, on May 3, 2001 the Community Redevelopment Agency of the City of Los Angeles, California ("Agency") adopted by Resolution No. _____ the Mitigated Negative Declaration for the Metropolitan Lofts, City Center Redevelopment Project; and

WHEREAS, in implementation of the Central Business District Redevelopment Plan, the Agency entered into an Disposition and Development Agreement ("DDA") with F. C. Metropolitan Lofts ("Developer") for the construction, development and operation of residential and commercial/retail, uses for the project known as Metropolitan Lofts; and

WHEREAS, the City Center Redevelopment Project boundaries were amended by the Agency and Los Angeles City Council on May 15, 2002, and the boundary changes remove the site of the Metropolitan Lofts from the Central Business District Redevelopment Project; and

WHEREAS, the City Center Redevelopment Project was adopted by the Agency and the Los Angeles City Council on May 15, 2002 and includes the site of the Metropolitan Lofts; and

WHEREAS, minor modifications to the project description of the Metropolitan Lofts are now proposed; and

WHEREAS, the Agency proposes to execute an Amended and Restated DDA regarding the disposition and development of the Agency-owned site; and

WHEREAS, the Agency has caused to be prepared an Addendum ("the Addendum") to the MND for the Metropolitan Lofts pursuant to the California Environmental Quality Act ("CEQA"), and State and local guidelines adopted pursuant thereto ("Guidelines"); and

WHEREAS, the Agency has reviewed and considered the information contained in the Addendum to the MND and other

documents in the record with respect to the Metropolitan Lofts in the City Center Redevelopment Project.

NOW, THEREFORE, BE IT RESOLVED by The Community Redevelopment Agency of the City of Los Angeles, California, as follows:

1. The Agency hereby finds that the Addendum to the MND for the Metropolitan Lofts has been prepared in accordance with CEQA and the Guidelines.

2. The Agency hereby certifies that the information contained in the Addendum to the MND with respect to the Metropolitan Lofts has been reviewed and considered by the Agency Commissioners.

3. The Agency hereby finds and determines that:

a. No substantial changes are proposed in the project, which will require major revisions of the MND due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

b. No substantial changes have occurred with respect to the circumstances under which the project will be undertaken which will require major revisions of the MND due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

c. No new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the MND was adopted, has become available which shows any of the following:

1) The project will have one or more significant effects not discussed in the MND;

2) Significant effects previously examined will be substantially more severe than shown in the MND;

3) Mitigation measures or alternatives previously found not to be feasible would in fact be feasible, and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or

4) Mitigation measures or alternatives, which are considerably different from those analyzed in the MND, would substantially reduce one or more significant effects on the

environment, but the project proponents decline to adopt the mitigation measure or alternative.

4. The Agency hereby approves the Addendum to the MND for the Metropolitan Lofts, City Center Redevelopment Project.

ADOPTED:

**RESOLUTION NO. _____**

**RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA DECLARING ITS OFFICIAL INTENT TO ISSUE BONDS AND TO ALLOW FOR THE REIMBURSEMENT OF EXPENDITURES MADE IN CONNECTION WITH THE ACQUISITION AND DEVELOPMENT OF A PROPOSED RENTAL HOUSING PROJECT**

**WHEREAS**, The Community Redevelopment Agency of the City of Los Angeles, California (the "Agency") is a redevelopment agency and public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) and the powers of the Agency include the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, the Agency has previously entered into a Disposition and Development Agreement (the "DDA") with F.C. Metropolitan Lofts, Inc. (the "Developer") in connection with the development of an all market rate housing project at a site owned by the Agency (the "Project") and located in the South Park Area of the Agency's City Center Redevelopment Project (the "Redevelopment Project"); and

**WHEREAS**, to facilitate the development of affordable housing in the Redevelopment Project, the Developer has redesigned the Project to increase the total number of housing units and to make at least 20% of the total number of units in the Project affordable to households earning 50% or less of the area median income, and the Agency and the Developer intend to amend and restate the DDA and convey the Project site to the Developer pursuant to a long term lease; and

**WHEREAS**, the Agency wishes to assist in the financing of the Project for the Developer in order to further the redevelopment of the Redevelopment Project and to provide affordable housing for persons with low to moderate income, and the Agency has determined that it can best aid in such financing by issuing multifamily housing revenue bonds for the Project; and

**WHEREAS**, in order to satisfy the requirements of the Internal Revenue Service regulations pertaining to tax-exempt financing for the Project, and any other and subsequent requirements, whether regulatory or statutory, relating to the official intent of the Agency to reimburse any expenditure for the Project made prior to the issuance of such bonds, it is necessary and desirable that the Agency adopt this Resolution;

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA:**

**Section 1.** The above recitals, and each of them, are true and correct.

**Section 2.** In order to induce the Developer to proceed with the Project, the Agency hereby declares its official intent to issue multifamily housing revenue bonds for the Project in an amount up to $55,000,000 (the "Bonds") on terms and conditions mutually acceptable to the Agency and the Developer, which terms and conditions may involve the utilization of security mechanisms. This action does not constitute approval of the Project or commit the Agency to provide financing.

**Section 3.** Certain costs will be incurred by the Developer in connection with the Project prior to the issuance of the Bonds. The Agency expects to reimburse such costs with proceeds of Bonds.

**Section 4.** This Resolution is consistent with budgetary and financial circumstances of the Agency. No funds from sources other than bonds are, or are reasonably expected to be, received or allocated on a long-term basis or otherwise set aside by the Agency for the Project.

**Section 5.** It is intended that this Resolution shall constitute a declaration of "official intent" within the meaning of Section 1.150-2 of the Treasury Regulations promulgated under Section 150 of the Internal Revenue Code of 1986.

**Section 6.** The action of the Agency in adopting this Resolution, in carrying out the provisions of this Resolution or in determining not to provide financing for the Project shall not result in any pecuniary liability whatsoever on the part of the Agency.

**Section 7.** The officers and staff of the Agency are hereby directed to take such further action as may be necessary to carrying out the intent and purpose of this Resolution.

**Section 8.** This Resolution supersedes all prior resolutions concerning the subject matter hereof to the extent inconsistent herewith.

**Section 9.** This Resolution shall take effect immediately.

APPROVED AND ADOPTED this _____ day of _____, 2002.

_____
Chairperson

ATTEST:

_____
Secretary

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**

**AND**

**THE LOS ANGELES CITY COUNCIL**

**RESOLUTION NO._____**

**JOINT RESOLUTION AUTHORIZING LEASE OF CERTAIN PROPERTY BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, APPROVING AND AUTHORIZING THE EXECUTION OF A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE AGENCY AND F.C. METROPOLITAN LOFTS, INC. AND MAKING FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 33433**

**WHEREAS**, by Ordinance No. 174,593 adopted on May 15, 2002, the City Council of the City of Los Angeles adopted the City Center Redevelopment Plan for the City Center Redevelopment Project Area (the "Project Area"); and

**WHEREAS,** the Community Redevelopment Agency of the City of Los Angeles (the "Agency") is vested with the responsibility pursuant to the Community Redevelopment Law (Part 1 of Division 24 of Health and Safety Code of the State of California) (the "Law") to implement the Redevelopment Plan in and for the benefit of the Project Area; and

**WHEREAS**, the Agency adopted on May 15, 2002 the Five-Year Implementation Plan (FY2002 - FY2007) for the Project Area, (the "Implementation Plan"), pursuant to Section 33490 of the Law; and

**WHEREAS**, the Agency is the owner of certain parcels of real property within the Project Area located at the northeast corner of Flower and Eleventh Streets and the northwest corner of Hope and Eleventh Streets (the "Property"); and

**WHEREAS**, the Agency desires to cause the development of the Property through the construction of a rental housing project with 274 units and 413 parking spaces (the "Development"); and

**WHEREAS,** the Agency has selected F.C. Metropolitan Lofts, Inc., a California Corporation, as the developer of the Development on the Property; and

**WHEREAS,** the Agency desires to enter into an Amended and Restated Disposition and Development Agreement (the "Agreement"), with the Developer, substantially in the form on file with the Agency Secretary, under which the Agency will sell the Property to the Developer and the Developer would construct the Development on the Property in accordance with the Agreement; and

**WHEREAS**, the Agency has placed on file a copy of the Agreement and the summary required by Health and Safety Code Section 33433 (the "Section 33433 Summary"), and has made the Agreement and the Section 33433 Summary available for public inspection pursuant to Health and Safety Code Section 33433; and

**WHEREAS**, the Agency has conducted a duly noticed public hearing on the Agreement pursuant to Health and Safety Code Section 3343, and the City has conducted a duly noticed hearing on the Agreement pursuant to Health and Safety Code Section 33433, for the purpose of receiving input and comments from the public on the Agreement; and

**WHEREAS,** the Development will benefit the Project Area and serve major Redevelopment Plan goals and objectives by furthering the development of housing in the Project Area and providing a catalyst for additional private investment in the Project Area, and alleviating blight with the redevelopment of a vacant and underutilized site to its highest and best use under the Redevelopment Plan.

**NOW, THEREFORE, BE IT RESOLVED as follows:**

Section 1. The Agency and City Council hereby find the above recitals are true and correct, and the Agency and City Council have based the findings and actions set forth in this Resolution, in part, on such Recitals.

Section 2. Pursuant to Section 33433 of the Law, the Agency and the City Council hereby find and determine that the consideration of Ten Thousand ($10,000) per annum for the lease of the property and Three Million Dollars ($3,000,000) to be paid by the Developer for the purchase of the Property in the event the Developer exercises certain purchase options included in the Agreement is not less than the fair reuse value of the Property at the use and with the covenants, conditions and development costs required by the

Agreement. This finding is based on the facts and analysis set forth in the Staff Report and the Section 33433 Summary incorporated in the Resolution by this reference.

Section 3. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby finds that the conveyance of the Property to the Developer in accordance with the Agreement will serve major Redevelopment Plan goals and objectives by strengthening the downtown area with the development of market rate and affordable housing in conjunction with the previously completed 182 units of low and moderate income housing that the Development will assist in the elimination of blight in the Project Area, and that the Development is consistent with the Implementation Plan for the City Center Redevelopment Project.

Section 4. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby approves the Agreement and all ancillary documents; authorizes the execution of the Agreement and related documents by the Agency Administrator or designee in substantially the form on file with the City Clerk and Agency Secretary; and approves the lease of the Property by the Agency to the Developer for Ten Thousand Dollars ($10,000) per annum pursuant to the provisions of the Agreement. The Agency and the City Council directs the Agency Administrator to take all actions necessary and appropriate to carry out the terms of the Agreement.

**Adopted:**_____

WE HEREBY CERTIFY that the foregoing Resolution was introduced at a regular meeting of the Community Redevelopment Agency of the City of Los Angeles on July 11, 2002 and the City Council of the City of Los Angeles on _____, 2002 who moved its adoption and approval.

**SUMMARY PURSUANT TO THE CALIFORNIA REDEVELOPMENT LAW AND HEALTH AND SAFETY CODE SECTION 33433 OF THE PROPOSED LEASE OF AGENCY PROPERTY TO F.C. METROPOLITAN LOFTS, INC. FOR THE DEVELOPMENT OF A 274-UNIT RESDENTIAL BUILDING IN THE SOUTH PARK AREA OF THE CITY CENTER REDEVELOPMENT PROJECT**

## A. INTRODUCTION

Pursuant to a First Amended and Restated Disposition and Development Agreement ("DDA"), the Agency proposes to lease property located at the northeast corner of Flower and Eleventh Streets to F.C. Metropolitan Lofts, Inc. for the development of a mid-rise residential building with 274 units and 413 parking spaces; 20% of the units will be affordable to households at 50% of the median income or below. The project is scheduled to break ground in the first quarter of 2003 and be completed within 24 months from the start of construction, provided the projects obtains an bond allocation from the California Debt Unit Allocation Committee ("CDLAC").

## B. IDENTITY OF DEVELOPER

The proposed developer is F. C. Metropolitan Lofts Inc. a California corporation, wholly owned by Forest City Enterprises, Inc, a national real estate company headquartered in Cleveland, Ohio with a local office at 949 S. Hope, Suite 100, Los Angeles, Ca. 90015. Forest City Enterprises is a large real estate development company, which has successfully completed two projects in South Park, the Skyline Condominiums and the Metropolitan Apartments, and numerous residential and commercial developments throughout the country.

## C. FAIR MARKET VALUE

The highest and best use permitted under the Redevelopment Plan for the Site would be to develop the site with housing. The zoning designation of the site is QR5, High Density Multiple Dwelling Zone. This zoning allows for density of up to 217 dwelling units per acre (200 square feet of lot area for each dwelling unit having less than four habitable rooms); there is no limitation on building height.

The fair market value of the fee title to the site, unencumbered with Agency requirements including the payment of prevailing wages, Public Art Program and the South Open Space Maintenance Fee, and affordable housing limitations, is $4,750,000.

## D. COST OF THE AGREEMENT TO THE AGENCY

The Agency acquired the site and existing improvements with tax increment funds. Accordingly the City Council must approve the proposed lease with purchase option, after considering information about the cost of the agreement to the Agency, and after a noticed public hearing.

The Agency proposes to convey a leasehold interest in the Site to the Developer for an initial period of 55 years. The market value of the fee interest of the Site is $4,750,000. The fair reuse rental value based upon a pro forma for the project that provides a fair return to the developer and takes into account Agency-imposed development requirements including the payment of prevailing wages, affordable housing limitations, the South Park Open Space Maintenance Fee, and the Public Art Program, is not more than $10,000 per year. The fair reuse value for the fee interest, unencumbered with the affordable housing requirement, is $3,000,000. The total cost to the Agency in the event the Developer exercise the purchase option for the proposed project is the difference between the fair market value ($4,750,000) and the reuse value for the unencumbered fee ($3,000,000) or $1,750,000.

**ESTIMATED COST OF THE AGREEMENT TO THE AGENCY**

| | |
|---|---|
| ACQUISITION COST OF LAND | $ 5,947,000 |
| RELOCATION | $ 0 |
| DEMOLITION | $ 10,000 |
| PUBLIC IMPROVEMENTS | $ 0 |
| SUBTOTAL | $ 5,957,000 |
| | |
| LESS (REUSE FEE VALUE) | $ 3,000,000 |
| PLUS INTEREST ON BOND FINANCING | $ 0 |
| TOTAL LAND WRITEDOWN* | $ 2,957,000 |
| | |
| FAIR MARKET VALUE | $ 4,750,000 |
| LESS (REUSE VALUE) | $ 3,000,000* |
| TOTAL COST TO THE AGENCY | $ 1,750,000 |

* Assuming the Developer exercises the purchase option at the end of the initial term of the lease or at the end of one of the extension periods.

## E. SITE PURCHASE AND CONSTRUCTION FINANCING PLAN

The proposed project will be located on a 73,350 square foot Agency-owned site located at the northeast corner of Flower and 11th Streets in the South Park Area of the City Center Redevelopment Project.

Financing for the development will be provided by the Developer and through funds secured from private lenders vice a tax exempt housing revenue bond.

The projected total development costs are as follows:

**USES**

| | |
|---|---|
| Land Acquisition | $ N/A |
| Construction Hard Costs | $39,284,500 |
| Soft/Other Development Costs | $12,123,853 |
| Contingency | $ 2,710,000 |
| Total Development Costs | $54,118,353 |

**SOURCES**

| | |
|---|---|
| First Mortgage | $39,013,214 |
| Developer Equity | $15,105,139 |
| Total Sources | $54,118,353 |

**F. DEVELOPER RESPONSIBILITIES**

The Developer's primary responsibilities under the DDA include:

1. The Developer will prepare construction plans and obtain all necessary governmental approvals for the construction of the proposed project including complying with the applicable conditions of approval for the vacation of the public alley which bi-sects the Site.

2. The Developer will obtain debt and equity funds sufficient to pay for the cost to acquire the site from the Agency and for all construction related expenditures.

3. The Developer will lease the Site from the Agency for an initial lease payment of $10,000 per year with an option to purchase for the Property. One lease payment will begin to escalate in year 3 by the CPI. Developer may purchase Property at an initial price of $3 million at the end of the initial term of the lease. The purchase price increases each year by CPI until the option is exercised.

4. The Developer will construct the project in accordance with the approved plans.

5. The Developer will comply with all of the terms and conditions of the DDA including the payment of prevailing wages, meeting Agency MBE/WBE policy, implementing a Public Art Program including making the

Cultural Trust Fund payment prior to the close of escrow, and participating in the South Park Open Space Maintenance Program by paying an annual fee in the amount of $35,000 which will be applied toward the cost of maintaining public open space in South Park.

6. Twenty percent (20%) of the units will be maintained affordable to households at or below 50% of the median income.

7. The Developer shall maintain and operate the completed project in a manner commensurate with other first class developments in the City Center Redevelopment Project.

**G. ELIMINATION OF BLIGHT AND OTHER PUBLIC BENEFITS**

This proposed project is located in the South Park area of the new City Center Redevelopment Project (formerly located in the Central Business District Redevelopment Project) adopted in 2002 by Ordinance Number 174593. The City Center Plan calls for the development of a residential community in South Park for various income groups and family sizes. The provision of housing and open space are to be accomplished as a first priority of the Plan. The proposed project furthers the Agency's mission to eliminate blight in the City Center Project Area by developing a vacant, underutilized site into housing to serve the growing downtown workforce. The proposed project furthers the redevelopment objectives for South Park by providing market rate and affordable housing to complement the completed affordable housing projects on the block: TELACU (special needs housing), Villa Flores (seniors) and Hope Village (families). The development of market rate and affordable housing is necessary for sustaining existing retail and entertainment uses in the area and making downtown more attractive to businesses, visitors and tourists. The proposed project is included in the City Center Redevelopment Project Five-Year Implementation Plan (FY2002 - FY2007) approved by the Agency on May 15, 2002.

*Metropolitan Lofts*
*Total Units: 274*
5/7/2002
**File Name: MetroLoftsCityAFF5**

| **Development Cost Summary** | Assumption | Total Cost | Cost Per Unit |
|---|---|---|---|
| Land Acquisition | | 0 | 0 |
| On/Offsite Costs | | 1,500,000 | 5,474 |
| Construction Costs - Residential | | 37,784,500 | 137,900 |
| Developer Fee | 3.00% | 1,620,000 | 5,912 |
| General & Administrative Costs | 3.00% | 1,620,000 | 5,912 |
| A & E | | 2,000,000 | 7,299 |
| F,F, & E | | 400,000 | 1,460 |
| Marketing | | 250,000 | 912 |
| Taxes | | 50,000 | 182 |
| Insurance | | 25,000 | 91 |
| Interest Reserve/Operating Deficit | | 1,756,325 | 6,410 |
| Financing Costs | 4.00% | 1,560,529 | 5,695 |
| City Fees | | 2,192,000 | 8,000 |
| Legal Fees | | 250,000 | 912 |
| Predevelopment Cost | | 400,000 | 1,460 |
| Contingency | 5.00% | 2,710,000 | 9,891 |
| **Total Residential Dev Cost** | | 54,118,353 | 197,512 |
| **Total Commercial Cost** | | 0 | |
| **Total Development Costs** | | 54,118,353 | |

**Summary of Key Financial Factors**

| **Source of Funds** | | |
|---|---|---|
| Loan | 6.00% | 39,013,214 |
| Equity | | 9,052,658 |
| LIHTC | | 2,932,481 |
| City Funds | | 1,500,000 |
| FC Fee | | 1,620,000 |

| | | |
|---|---|---|
| EGI | | 5,770,121 |
| Oper Exp | (6,656) | (1,823,800) |
| Southpark Fee | | (35,000) |
| Land Lease Pymt | | (10,000) |
| NOI | | 3,901,321 |
| Debt Service | | (2,834,268) |
| Cash Available | | 1,067,054 |
| % Return On Cash Available | | 12% |
| Return On Total Investment | | 8% |

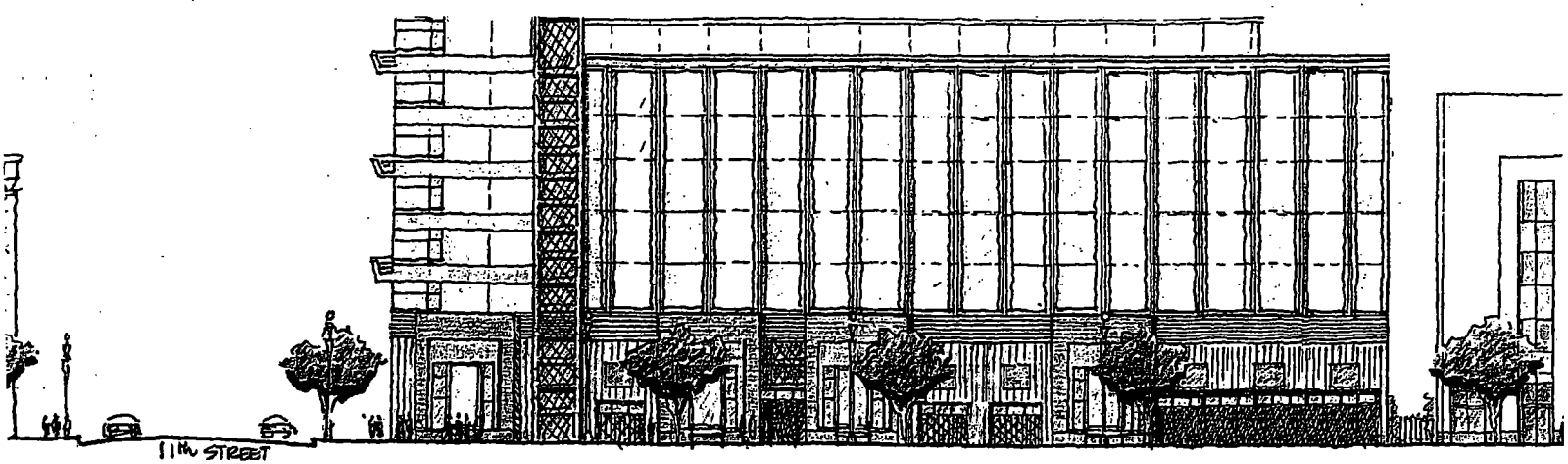
# Metropolitan lofts

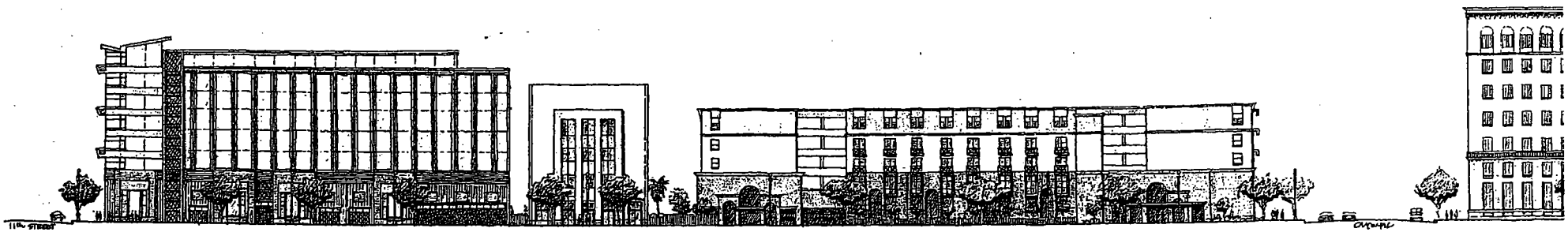
## CRA Presentation

MAY 16, 2002

FORESTCITY
RESIDENTIAL WEST, INC.

JOHNSON FAIN PARTNERS



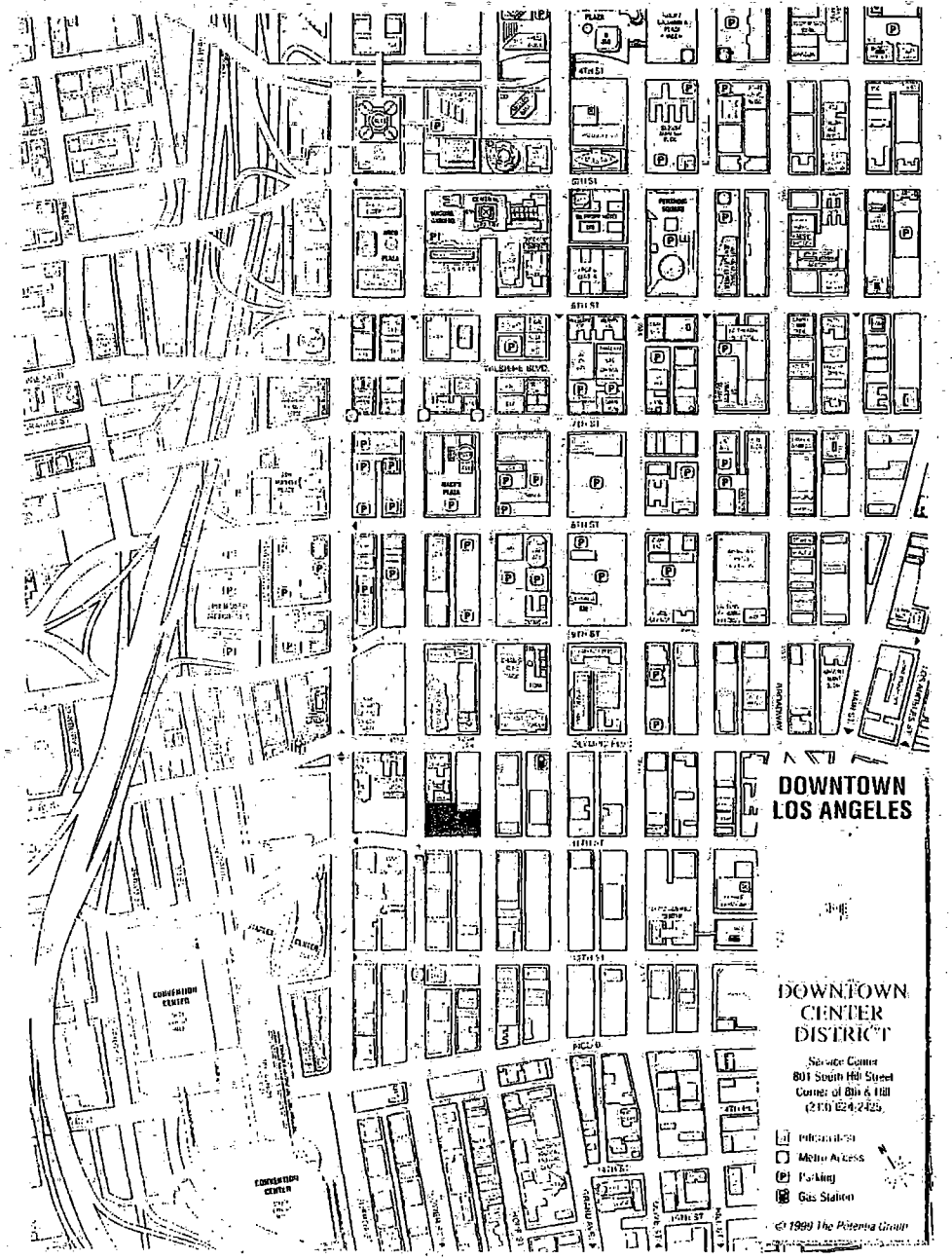



**Elevations**

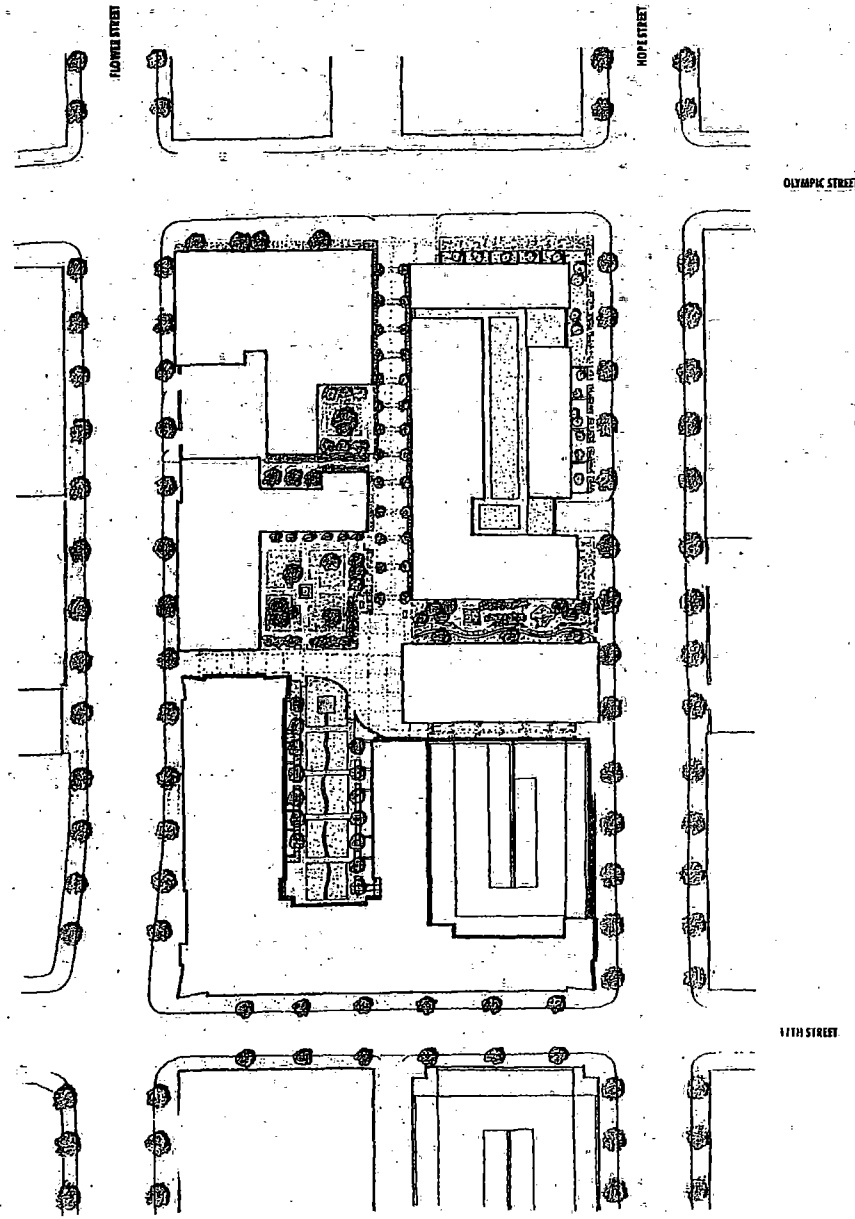
# metropolitan lofts

JOHNSON FAIN PARTNERS

FORESTCITY
RESIDENTIAL WEST, INC.




**Downtown Los Angeles Vicinity Map**

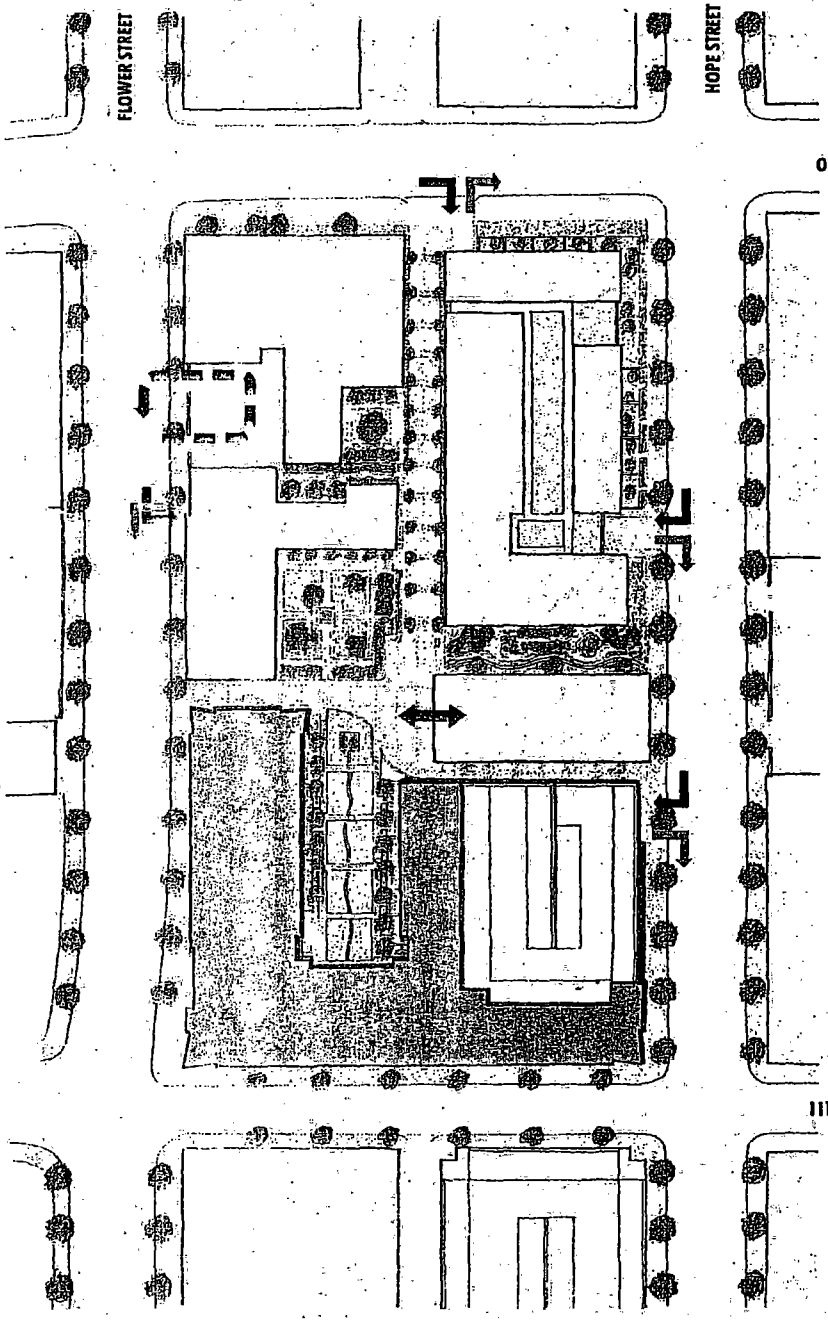



**Site Plan**

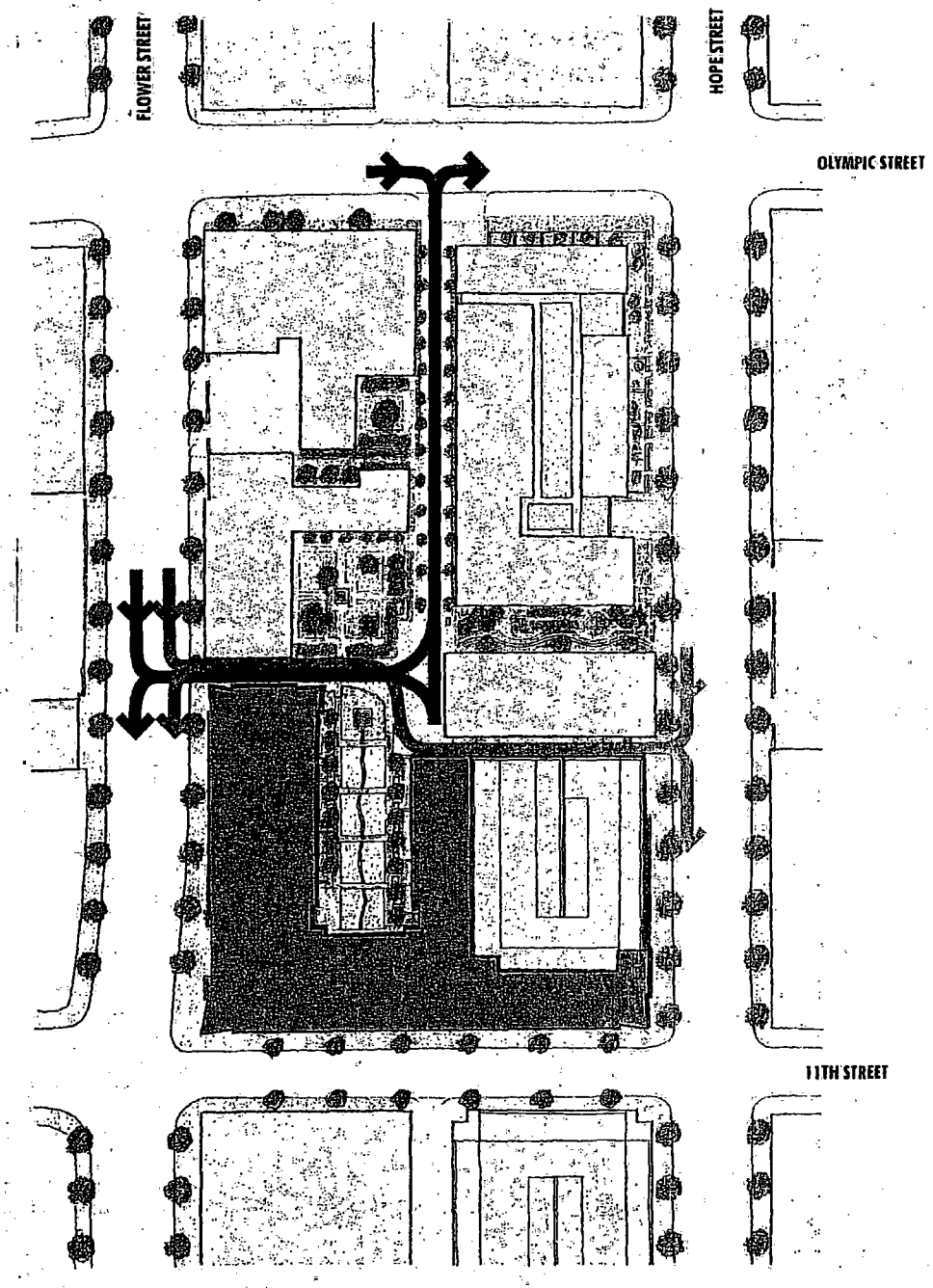
# metropolitan lofts

JOHNSON FAIN PARTNERS

FORESTCITY
RESIDENTIAL WEST, INC.




Parking Access



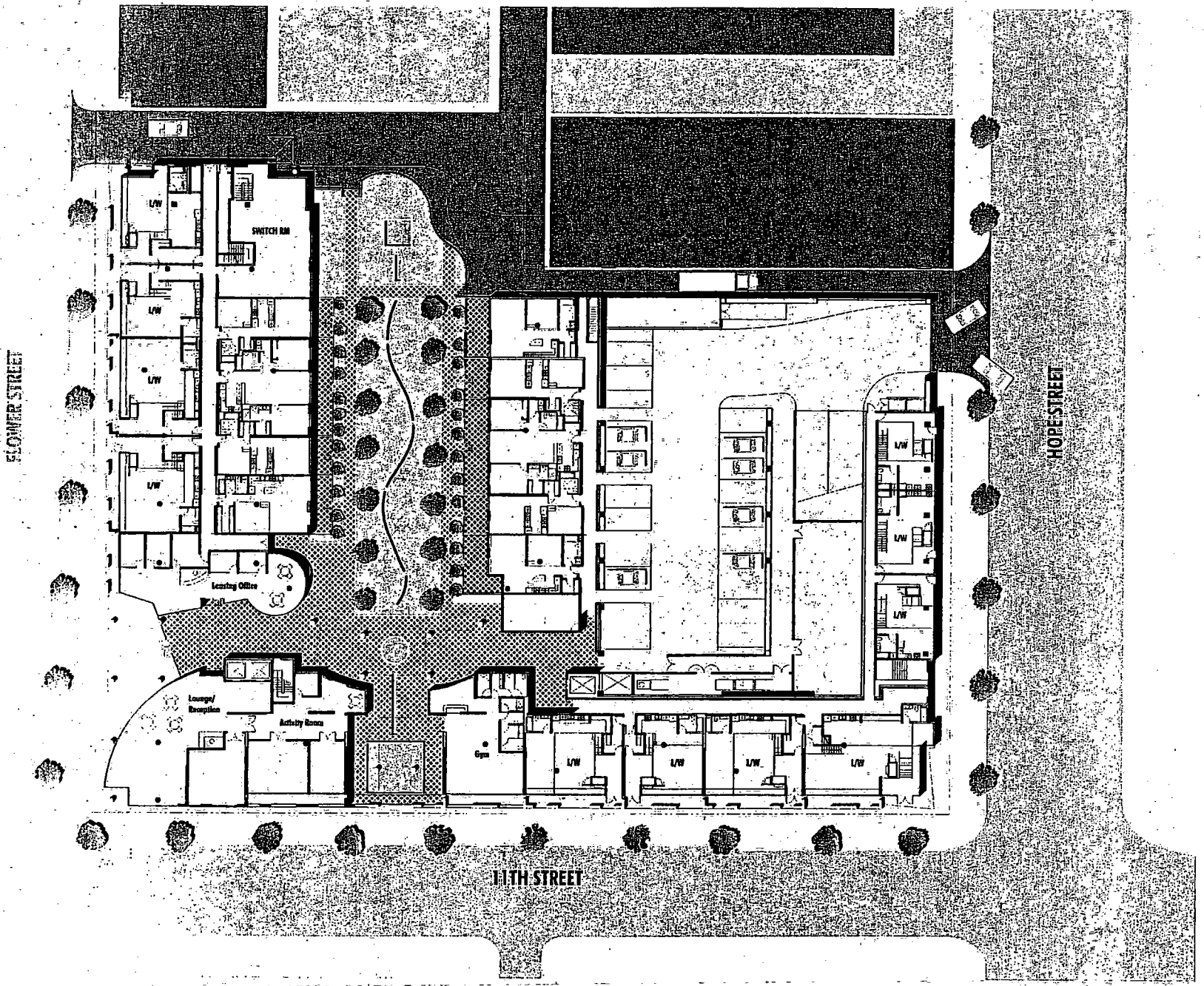

Fire & Service Access

Service for Metro Lofts
Fire Access for Full Block

# metropolit lofts

JOHNSON FAIN PARTNERS

FOREST CITY
RESIDENTIAL WEST, INC.

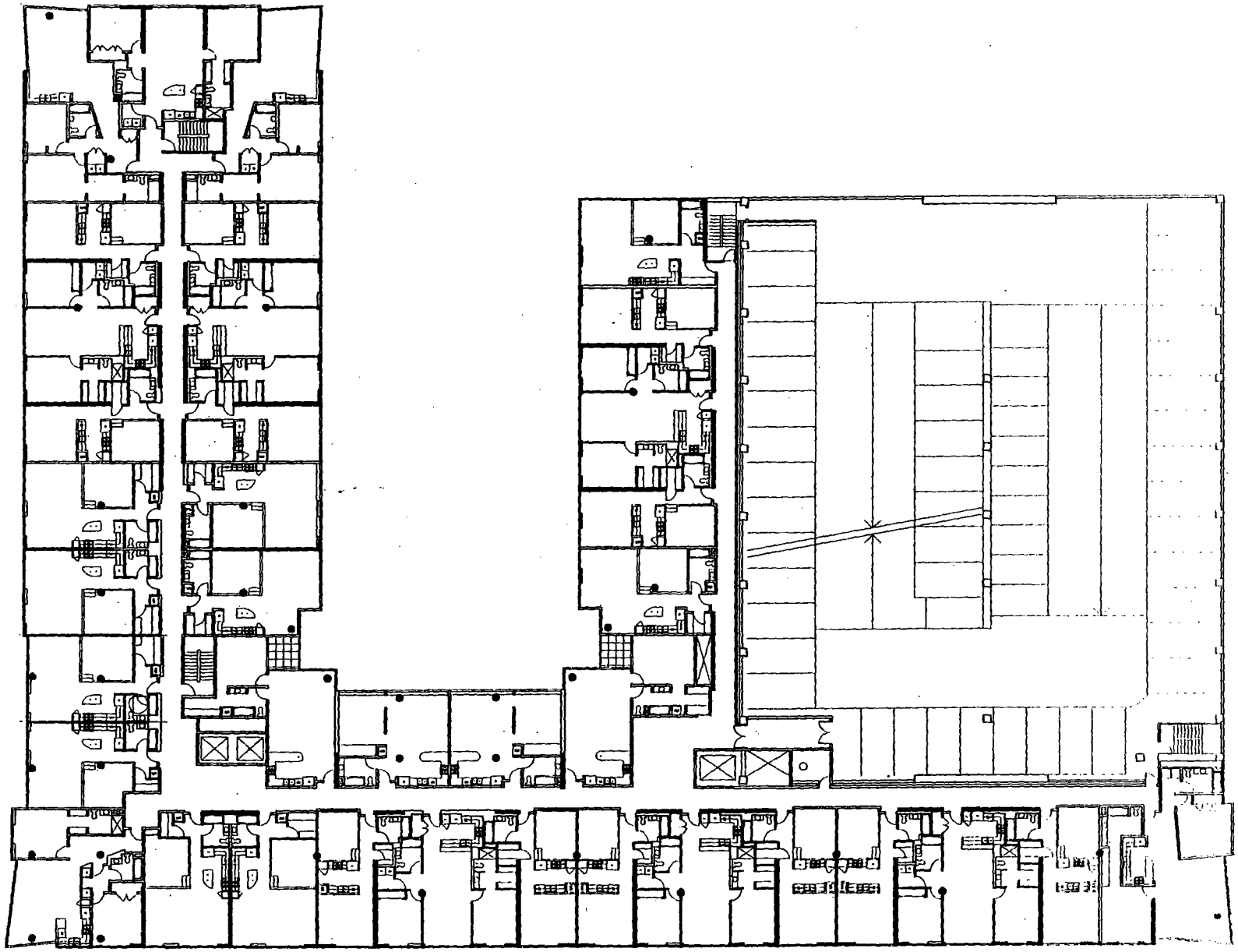



Ground Floor plan

# metropolitan lofts

JOHNSON FAIN PARTNERS

FOREST CITY
RESIDENTIAL WEST, INC.

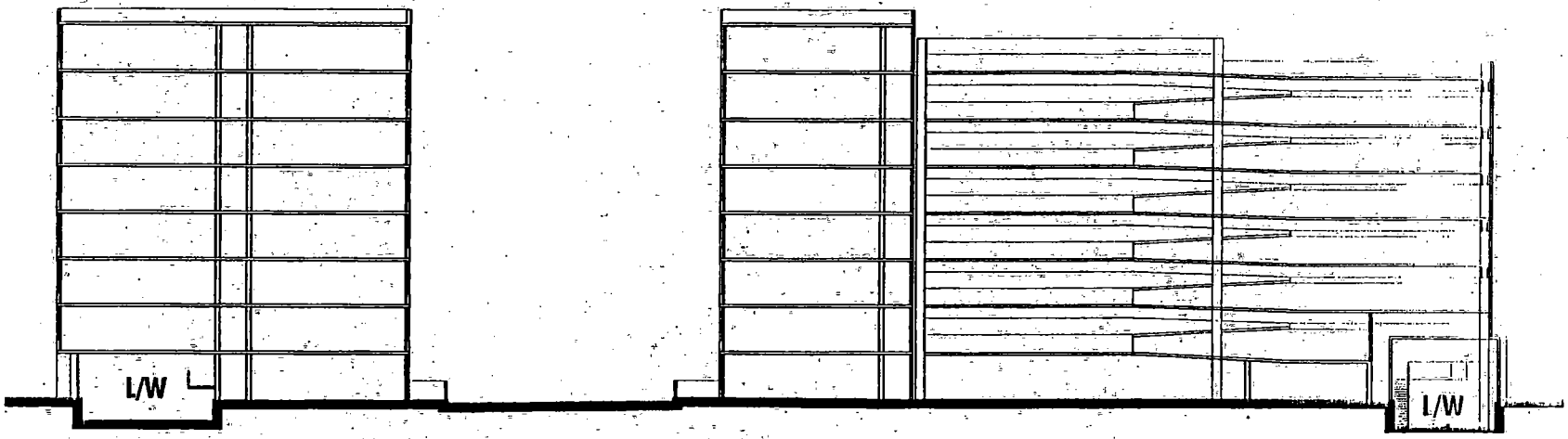


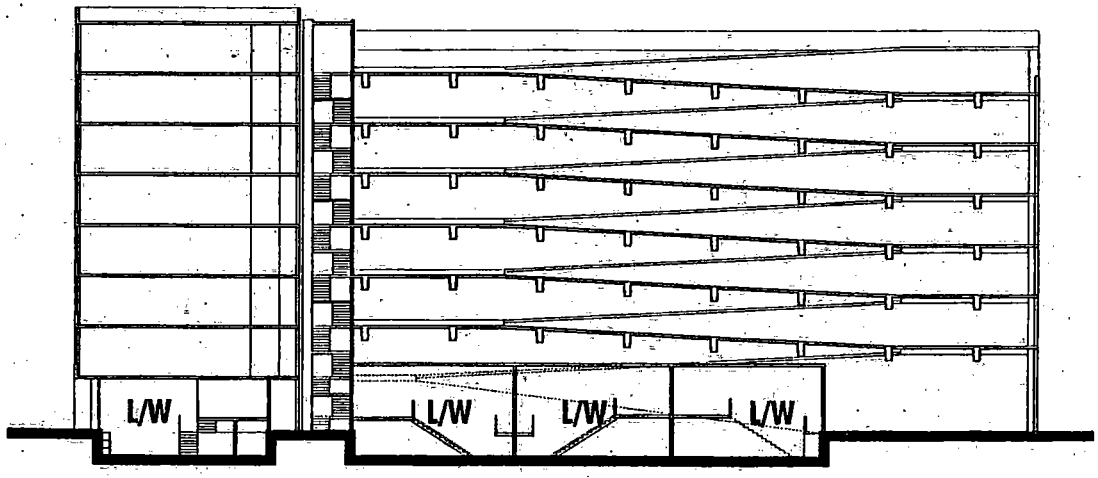
**Typical Floor Plan**
Scale: 1"=40'-0"

# metropolitan lofts

JOHNSON FAIN PARTNERS

FORESTCITY
RESIDENTIAL WEST, INC.



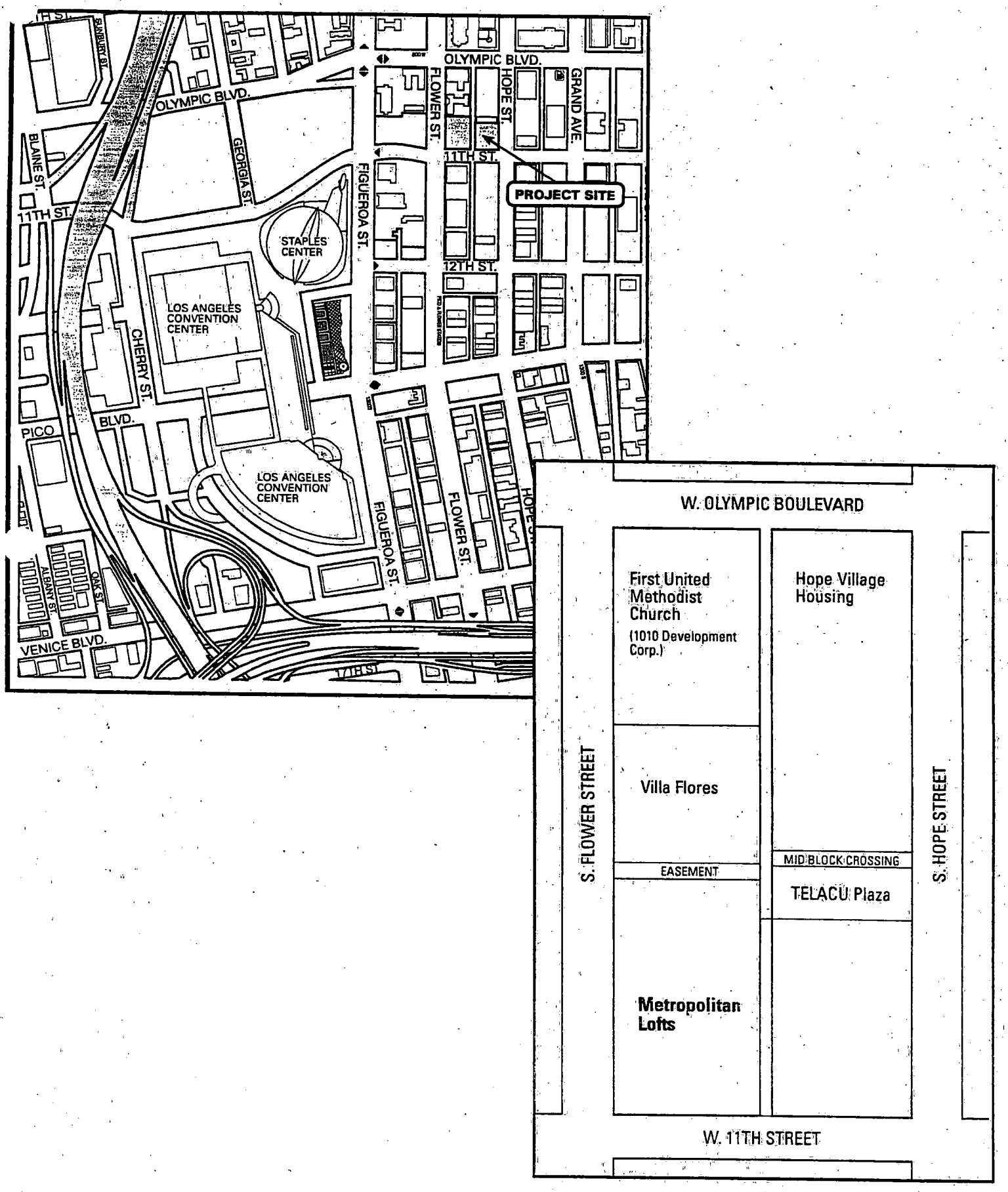

**Sections**
Scale: 1"=40'-0"

# metropolitan lofts

JOHNSON FAIN PARTNERS

FOREST CITY
RESIDENTIAL WEST, INC.

# Proposed Metropolitan Lofts Project



16

HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE
~~Report~~/Communication for Signature

Council File Number 99-0697

Committee Meeting Date 5-23-01

Council Date 5-29-01

| COMMITTEE MEMBER | YES | NO | ABSENT |
|---|---|---|---|
| COUNCILMEMBER PACHECO, CHAIR | ✓ | | |
| Vacant | | | |
| COUNCILMEMBER HOLDEN | | | ✓ |

Remarks Metropolitan Lofts

Cynthia Landis, Legislative Assistant ★★★★ Telephone 485-5733

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

99-0697

# CITY OF LOS ANGELES
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705
Fax: (213) 847-0636
Fax: (213) 485-8944

HELEN GINSBURG
Chief, Council and Public Services Division

CD 9

May 31, 2001

Honorable Richard Riordan, Mayor
Chief Legislative Analyst
Office of Administrative
and Research Services

Councilmember Walters
Community Redevelopment Agency
(Admin. Office)

RE: VARIOUS ACTIONS RELATIVE TO THE METROPOLITAN LOFTS RENTAL HOUSING PROJECT IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT AREA

At the meeting of the Council held May 29, 2001, the following action was taken:

| | |
|---|---|
| Attached report adopted | |
| Attached motion ( - ) adopted | |
| Attached resolution adopted | X |
| Motion adopted to approve communication | X |
| To the Mayor FORTHWITH | |
| Mayor failed to act - deemed approved | |
| Findings adopted | |
| Negative Declaration adopted | |

J. Michael Carey

City Clerk
aff
steno\990697

DOC IN FILES
JUN 06 2000

6 aff cat 6/7/01



Recyclable and made from recycled waste.

**COMMUNICATION**

**TO:** **LOS ANGELES CITY COUNCIL** **File No. 99-0697**

**FROM:** **COUNCIL MEMBER NICK PACHECO, Chair**
**HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE**

| | Yes | No |
|---|---|---|
| **Public Comments** | ___ | XX |

COMMUNICATION FROM CHAIR, HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE and RESOLUTION relative to various actions related to the Metropolitan Lofts Rental Housing Project in the South Park Area of the Central Business District Redevelopment Project Area (CBDRPA).

Recommendations for Council action, substantially as approved by the Community Redevelopment Agency (CRA) Board:

1. ADOPT the accompanying RESOLUTION of the CRA and City Council with findings pursuant to the California Health and Safety code, Section 33433, related to the disposition of CRA-owned property to F.C. Metropolitan Lofts, Inc. (Developer) for the development of the Metropolitan Lofts Rental Housing Development (Project).

2. AUTHORIZE the Administrator, CRA, or designee, to negotiate and execute a Disposition and Development Agreement (DDA) with the Developer for the construction of the Project in the South Park community of the CBDRPA.

3. AUTHORIZE the Administrator, CRA, or designee, upon receipt of the proceeds from the sale of the CRA-owned property related to the DDA and the Project, to amend the CRA fiscal year 2000-01 budget to recognize such proceeds and allocate those proceeds to CRA Objective SP1090, South Park Land Acquisition.

4. INSTRUCT the Administrator, CRA, or designee, to report back to the City Council by June 30, 2002, with the status of the Project in regards to the commencement of construction as specified in the Schedule of Performance in the proposed DDA (June 1, 2002).

Fiscal Impact Statement: The Office of Administrative and Research Services (OARS) reports that there will be no additional impact to the City's General Fund. Proceeds from the sale of the CRA-owned property will be allocated to CRA Objective SP 1090, South Park Land Acquisition, for future utilization in the CBDRPA.

SUMMARY:

On May 23, 2001, the Chair of the Housing and Community Redevelopment Committee considered OARS and CRA reports relative to various actions related to the Metropolitan Lofts Rental Housing Project in the South Park Area of the Central Business District Redevelopment Project Area (CBDRPA).

The CRA reported that the project is an all market-rate development. It's part of a master plan development for the block. Most of the block was acquired by the CRA in the 1980s and '90s. The first phases of development on the block were all affordable housing projects. The first project was the Telacu, which was 40 units of special needs housing. The second phase of development was the Villa Flores project with 75 units for seniors. The third phase, which just opened last month, is the Hope Village with 67 units, which is a family housing project with child care. So far a total of 182 units of affordable housing have been built on the block. This last phase of development represents the market rate housing component to the master plan, which will bring the ratio of affordable units to 44% versus 56% market rate. The Council-adopted policy for the South Park area is 30% affordable and 70% market rate, so the CRA reported it had exceeded Council expectations.

The project under consideration represents the last phase of development initiated by the CRA. The First United Methodist Church will be coming forward with the final phase of development on the block: a sanctuary at the corner of Olympic and Flower.

The disposition of the property will result in funds being received by the CRA and it proposes earmarking those funds for additional low-moderate housing in South Park. The CRA has a couple of affordable rental housing projects that are in need of rehabilitation assistance.

The property was acquired for $6 million and the sales price is now set at $3 million. The CRA reported that the land was bought when the office market was at its peak. The CRA will now sell it at its reuse value, $3 million, which is in keeping with other market rate transactions that have taken place in the downtown LA area. The appraisal of $4.7 million fair market value was done in February. The use restrictions and other requirements imposed by the CRA reduce the value.

The OARS recommended amending the CRA recommendations to include a report back.

The Chair of the HCR Committee concurred with the OARS

recommendations and forwarded the matter to Council for its consideration.

Respectfully submitted,

COUNCIL MEMBER NICK PACHECO, Chair
Housing and Community Redevelopment Committee

CD 9

CAL
5/24/01
#990697

Reso.
ADOPTED
MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION
MAY 29 2001
LOS ANGELES CITY COUNCIL

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**

**AND**

**THE LOS ANGELES CITY COUNCIL**

**RESOLUTION NO._____**

**RESOLUTION AUTHORIZING SALE OF CERTAIN PROPERTY BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, APPROVING AND AUTHORIZING THE EXECUTION OF A DISPOSITION AND DEVELOMENT AGREEMENT BY AND BETWEEN THE AGENCY AND F.C. METROPOLITAN LOFTS, INC. AND MAKING FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 33433**

**WHEREAS**, by Ordinance No. 147,480 adopted on July 18, 1975, the City Council of the City of Los Angeles adopted the Central Business District (CBD) Redevelopment Plan for the CBD Redevelopment Project Area (the "Project Area"); and

**WHEREAS**, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") is vested with the responsibility pursuant to the Community Redevelopment Law (Part 1 of Division 24 of Health and Safety Code of the State of California) (the "Law") to implement the Redevelopment Plan in and for the benefit of the Project Area; and

**WHEREAS**, the Agency adopted on October 19, 2000 the Five-Year Implementation Plan (FY2000 - FY2004) for the Project Area, (the "Implementation Plan"), pursuant to Section 33490 of the Law; and

**WHEREAS**, the Agency is the owner of certain parcels of real property within the Project Area located at the northeast corner of Flower and Eleventh Streets and the northwest corner of Hope and Eleventh Streets (the "Property"); and

**WHEREAS**, the Agency desires to cause the development of the Property through the construction of an approximately 230-unit rental housing project with parking and 3,000 square feet of ground level retail (the "Development"); and

**WHEREAS**, the Agency has selected F.C. Metropolitan Lofts, Inc., a California Corporation, as the developer of the Development on the Property; and

**WHEREAS**, the Agency desires to enter into a Disposition and Development Agreement (the "Agreement"), with the Developer, substantially in the form on file with the Agency Secretary, under which the Agency will sell the Property to the Developer and the Developer would construct the Development on the Property in accordance with the Agreement; and

**WHEREAS**, the Agency has placed on file a copy of the Agreement and the summary required by Health and Safety Code Section 33433 (the "Section 33433 Summary"), and has made the Agreement and the Section 33433 Summary available for public inspection pursuant to Health and Safety Code Section 33433; and

**WHEREAS**, the Agency has conducted a duly notice public hearing on the Agreement pursuant to Health and Safety Code Section 33433 for the purpose of receiving input and comments from the public on the Agreement; and

**WHEREAS**, the Development will benefit the Project Area and serve major Redevelopment Plan goals and objectives by furthering the development of housing in the Project Area and providing a catalyst for additional private investment in the Project Area, and alleviating blight with the redevelopment of a vacant and underutilized site to its highest and best use under the Redevelopment Plan.

**NOW, THEREFORE, BE IT RESOLVED as follows:**

Section 1. The Agency and City Council hereby find the above recitals are true and correct, and the Agency and City Council have based the findings and actions set forth in this Resolution, in part, on such Recitals.

Section 2. Pursuant to Section 33433 of the Law, the Agency and the City Council hereby find and determine that the consideration of Three Million Dollars ($3,000,000) to be paid by the Developer for the purchase of the Property is not less than the fair reuse value of the Property at the use and with the covenants, conditions and development costs required by the Agreement. This finding is based on the facts and analysis set forth in the Staff Report and the Section 33433 Summary incorporated in the Resolution by this reference.

Section 3. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby finds that the conveyance of the Property to the Developer in accordance with the Agreement will serve major Redevelopment Plan goals and objectives by strengthening the downtown area with the development of market rate housing in conjunction with the previously completed 182 units of low and moderate income housing, and that the Development is consistent with the Implementation Plan for the CBD Redevelopment Project.

Section 4. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby approves the Agreement and all ancillary documents; authorizes the execution of the Agreement and related documents by the Agency Administrator or designee in substantially the form on file with the City Clerk and Agency Secretary; and approves the sale of the Property by the Agency to the Developer for Three Million Dollars ($3,000,000) pursuant to the provisions of the Agreement. The Agency and the City Council directs the Agency Administrator to take all actions necessary and appropriate to carry out the terms of the Agreement.

WE HEREBY CERTIFY that the foregoing Resolution was introduced at a regular meeting of the Community Redevelopment Agency of the City of Los Angeles on May 3, 2001 and the City Council of the City of Los Angeles on _____, 2001 who moved its adoption and approval.

**Adopted:**_____

**SUMMARY PURSUANT TO THE CALIFORNIA REDEVELOPMENT LAW AND HEALTH AND SAFETY CODE SECTION 33433 OF THE PROPOSED SALE OF AGENCY PROPERTY TO F.C. METROPOLITAN LOFTS, INC. FOR THE DEVELOPMENT OF A 230-UNIT RESDENTIAL BUILDING IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT (CBD) REDEVELOPMENT PROJECT**

## A. INTRODUCTION

Pursuant to a Disposition and Development Agreement ("DDA"), the Agency proposes to sell property located at the northeast corner of Flower and Eleventh Streets to F.C. Metropolitan Lofts, Inc. for the development of a mid-rise residential building with 374 parking spaces and approximately 3,000 square feet of ground level retail. The project will include approximately 230 loft-style apartments (studio, one and two bedroom units). The project is expected to break ground in the second quarter of 2002 and be completed within 24 months.

## B. IDENTITY OF DEVELOPER

The proposed developer is F. C. Metropolitan Lofts Inc. a California corporation, wholly owned by Forest City Enterprises, Inc, a national real estate company headquartered in Cleveland, Ohio with a local office at 949 S. Hope, Suite 100, Los Angeles, Ca. 90015. Forest City Enterprises is a large real estate development company, which has successfully completed two projects in South Park, the Skyline Condominiums and the Metropolitan Apartments, and numerous residential and commercial developments throughout the country.

## C. FAIR MARKET VALUE

The highest and best use permitted under the Redevelopment Plan for the Site would be to develop the site with a market rate apartment complex. The zoning designation of the site is QR5, High Density Multiple Dwelling Zone. This zoning allows for density of up to 217 dwelling units per acre (200 square feet of lot area for each dwelling unit having less than four habitable rooms); there is no limitation on building height.

Based on recent sales, it is estimated that the fair market value of this site, unencumbered with Agency requirements including the payment of prevailing wages, Public Art Program and the South Open Space Maintenance Fee, is $4,750,000.

## D. COST OF THE AGREEMENT TO THE AGENCY

The Agency acquired the site and existing improvements with Central Business District tax increment funds. Accordingly the City Council must approve the proposed sale, after considering information about the cost of the agreement to the Agency, and after a noticed public hearing.

The Agency proposes to convey the fee interest in the Site to the Developer. The market value of the Site is $4,750,000. The reuse value based upon a pro forma for the project that provides a fair return to the developer and takes into account Agency-imposed development requirements including the payment of prevailing wages, the South Park Open Space Maintenance Fees and the Public Art Program, and the additional costs associated with the construction of a Type 1 building (poured-in-place concrete), is $3,000,000. The total cost to the Agency for the proposed project is the difference between the fair market value ($4,750,000) and the reuse value ($3,000,000) or $1,750,000.

**ESTIMATED COST OF THE AGREEMENT TO THE AGENCY**

| | |
|---|---|
| ACQUISITION COST OF LAND | $ 5,947,000 |
| RELOCATION | $ 0 |
| DEMOLITION | $ 10,000 |
| PUBLIC IMPROVEMENTS | $ 0 |
| SUBTOTAL | $ 5,957,000 |
| | |
| LESS (REUSE VALUE) | $ 3,000,000 |
| PLUS INTEREST ON BOND FINANCING | $ 0 |
| TOTAL LAND WRITEDOWN | $ 2,957,000 |
| | |
| FAIR MARKET VALUE | $ 4,750,000 |
| LESS (REUSE VALUE) | $ 3,000,000* |
| TOTAL COST TO THE AGENCY | $ 1,750,000 |

* The DDA provides for the Agency to reimburse the Developer for soil remediation costs up to an amount not to exceed $125,000. A Phase I report prepared by Harding Lawson Associates dated December 1999 concludes that there are no environmental issues associated with the Site.

## E. SITE PURCHASE AND CONSTRUCTION FINANCING PLAN

The proposed project will be located on a 73,350 square foot Agency-owned site located at the northeast corner of Flower and 11th Streets in the South Park Area of the Central Business District Redevelopment Project.

Financing for the development will be provided by the Developer and through funds secured from private lenders.

The projected total development costs are as follows:

**USES**

| | |
|---|---|
| Land Acquisition | $ 3,000,000 |
| Construction Hard Costs | $36,363,000 |
| Soft/Other Development Costs | $11,640,000 |
| Contingency | $ 1,818,000 |
| Total Development Costs | $52,821,000 |

**SOURCES**

| | |
|---|---|
| First Mortgage | $43,868,000 |
| Developer Equity-10% | $ 5,300,000 |
| Total Sources | $52,821,000 |

**F. DEVELOPER RESPONSIBILITIES**

The Developer's primary responsibilities under the DDA include:

1. The Developer will prepare construction plans and obtain all necessary governmental approvals for the construction of the proposed project including complying with the applicable conditions of approval for the vacation of the public alley which bi-sects the Site.

2. The Developer will obtain debt and equity funds are sufficient to pay for the cost to acquire the site from the Agency and for all construction related expenditures.

3. The Developer will purchase the Site from the Agency for $3,000,000 minus the cost of any soil remediation that may required up to an amount not to exceed $125,000.

4. The Developer will construct the project in accordance with the approved plans.

5. The Developer will comply with all of the terms and conditions of the DDA including the payment of prevailing wages, meeting Agency MBE/WBE policy, implementing a Public Art Program including making the Cultural Trust Fund payment prior to the close of escrow, and participating in the South Park Open Space Maintenance Program by paying an annual fee in the amount of $35,000 which will be applied toward the cost of maintaining public open space in South Park.

6. The Developer shall maintain and operate the completed project in a manner commensurate with other first class developments in the CBD Redevelopment Project.

**G. ELIMINATION OF BLIGHT AND OTHER PUBLIC BENEFITS**

This proposed project is located in the South Park area of the CBD Redevelopment Project adopted in 1975 by Ordinance Number 147,480. The CBD Plan calls for the development of a residential community in South Park for various income groups and family sizes. The provision of housing and open space are to be accomplished as a first priority of the Plan. The proposed project furthers the Agency's mission to eliminate blight in the CBD Project Area by developing a vacant, underutilized site into housing to serve the growing downtown workforce. The proposed project furthers the redevelopment objectives for South Park by providing market housing to complement the completed affordable housing projects on the block, TELACU (special needs housing), Villa Flores (seniors) and Hope Village (families). The development of market rate housing in addition to affordable housing is critical to sustaining existing retail and entertainment uses in the area making downtown more attractive to businesses, visitors and tourists. The proposed project is included in the CBD Redevelopment Project Five-Year Implementation Plan (FY2000 - FY2004) approved by the Agency on October 19, 2000.

COUNCIL VOTE

29-May-01 10:35:51 AM, #2

Items for Which Public Hearings Have Not Been Held - Items 9-34
Voting on Item(s): 9,11-14,16-17,19-34,~~37-38~~
Roll Call

| | |
|---|---|
| BERNSON | Yes |
| CHICK | Yes |
| FEUER | Yes |
| HERNANDEZ | Yes |
| HOLDEN | Absent |
| MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PADILLA | Yes |
| RIDLEY-THOMAS | Yes |
| SVORINICH | Yes |
| WACHS | Yes |
| WALTERS | Absent |
| *GALANTER | Yes |
| | Absent |
| | Absent |

Present: 11, Yes: 11 No: 0

# HOUSING AND COMMUNITY REDEVELOPMENT COMMITT

SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 99-0697

- [x] Council Member(s) 9
- [ ] Interested Department
- [ ] Mayor (with/without file)
- [x] Chief Legislative Analyst
- [x] Office of Administrative and Research Services
- [ ] City Attorney (with / without file)
- [x] Community Redevelopment Agency (Admin. Office)
- [ ] Community Redevelopment Agency(Budget Office)
- [ ] Los Angeles Housing Department (LAHD)
- [ ] LAHD (Bond Issues) Attn: Bobkin Simonian, Rm 714
- [ ] Housing Authority of City of L.A.
- [ ] Community Development Dept.
- [ ] Controller
- [ ] City Clerk
- [ ] City Clerk, Administrative Services (for BIDs)
- [ ] City Clerk, Special Assessments (for BIDs)
- [ ] Department of Transportation
- [ ] City Planning Department
- [ ]

**REPORT** FROM

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BY _____ DEPUTY

# OFFICE OF ADMINISTRATIVE and RESEARCH SERVICES

Date: May 17, 2001

CAO File No. 0220-00013-1808
Council File No. 99-0697
Council District: 9

To: The City Council

From: William T Fujioka, Director

Reference: Community Redevelopment Agency (CRA) transmittal dated May 4, 2001

Subject: Various Actions Related to the Metropolitan Lofts Rental Housing Project in the South Park Area of the Central Business District Redevelopment Project Area (CBDRPA)

## SUMMARY

The CRA requests authority to execute a Disposition and Development Agreement (DDA) with F.C. Metropolitan Lofts, Inc. (Developer), a single purpose corporation wholly owned by Forest City Properties Corporation, for the construction of the Metropolitan Lofts (Project), a 230-unit market-rate housing development in the South Park community of the CBDRPA. Included in the terms of the DDA is the sale of the CRA-owned property (Property), approximately 73,350 square feet, to the Developer for $3,000,000. The CRA originally purchased the Property with CBDRPA tax increment funds in 1992. Also included in the terms of the sale is the deduction of costs associated with any required soil remediation, up to a maximum of $125,000, from the sale price of $3,000,000. The proposed Project is located at the northeast corner of Flower and 11th Streets and is expected to be a seven-story residential rental apartment development with an adjacent seven-story parking structure with approximately 374 parking spaces.

On May 25, 1999, a verbal motion (Svorinich-Alatorre) was adopted by the City Council authorizing the CRA to negotiate and execute an Exclusive Right to Negotiate Agreement (ENA) with Forest City Residential West, Inc., a company wholly owned by Forest City Properties Corporation (C.F. 99-0697). In subsequent actions on April 4, 2000 and November 28, 2000, the City Council authorized the CRA to execute two 180-day extensions to the ENA. Both 180-day extensions were executed to provide the CRA with additional time to fully negotiate an agreement with the Developer as specified in two separate reports (Attachments 1 & 2). On May 3, 2001, a public hearing on the DDA was conducted and approved by the CRA Board and then forwarded for City Council review and approval.

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(Summary continued)

HOUSING & COMMUNITY REDEVELOP.

MAY 17 2001

City Council approval of the various actions requested by the CRA will allow the receipt of up to $3,000,000 in proceeds from the Developer for the sale of the Property. The CRA plans to reallocate these funds, up to $3,000,000, into two future rehabilitation projects within the CBDRPA. The following two projects are currently in pre-development and a request for approval of these CRA projects may be forwarded shortly for City Council consideration.

| Tentative Project Name | Location | Project Expectations |
|---|---|---|
| Bristol Hotel | 423 W. 8th Street | Very Low/Low Affordable Housing |
| Olympic Property | 845 W. Olympic Blvd. | Very Low/Low Affordable Housing |

The CRA expects the completed Project to include 230 units ranging from 665 square feet for a live/work unit to 2,260 square feet for a three-bedroom unit. The monthly prices for the units are expected to range between $1,813 and $2,375, with monthly parking expected to cost approximately $75 per month. The Developer has projected that the Project development costs, including the acquisition of the Property, will total $52.8 million or nearly $230,000 per unit. The breakdown of the 230 units for the proposed project are as follows:

| Unit Type/Description | No. Of Units | Total Units (%) | Expected Rent (Monthly) |
|---|---|---|---|
| Live-Work/Studio | 69 | 30% | $ 2,198 |
| Junior One Bedroom | 46 | 20% | 1,813 |
| One Bedroom | 35 | 15% | 1,836 |
| Two Bedroom | 69 | 30% | 2,317 |
| Three Bedroom | 11 | 5% | 2,375 |
| | **230 total units** | | |

The terms of the DDA also include approximately 3,000 square feet of retail space, off-site improvements along Hope Street, annual payments of the South Park Open Space Maintenance Fee ($35,000/year), and the payment of prevailing wages on the Project. A reciprocal easement agreement has also been included in the DDA that will provide residents a private driveway to access Flower Street. The proposed Project, which is the final redevelopment project within the block bounded by Olympic Boulevard and 11th, Flower and Hope Streets (Block), exceeds the CRA and City Council affordable housing goals for the South Park area (30 percent low and moderate income affordable housing). Upon completion of the Project, the overall affordable to market-rate housing mix is expected to be 44 percent and 56 percent (44%/56%).

(Summary continued)

| Project Name | Type of Residence | Affordable Units | Market-Rate Units |
|---|---|---|---|
| Metropolitan Lofts | Rental | | 230 |
| TELACU | Special Needs | 40 | |
| Villa Flores | Senior | 75 | |
| Hope Village | Low & Moderate | 67 | |
| | Total Units: | 182 | 230 |
| | Percentage of Total Units (412): | **44%** | **56%** |

We concur with the CRA request to adopt a Joint CRA/CityCouncil Resolution authorizing the sale of CRA property (Attachment 3) and to execute a DDA with the Developer for the construction of the Project located in the South Park community of the CBDRPA. In addition, the City Council should instruct the CRA to report back by June 30, 2002 with the status of the Project concerning the commencement of construction as specified in the Schedule of Performance in the proposed DDA (June 1, 2002).

**RECOMMENDATIONS**

That the City Council:

1. Adopt the Joint Community Redevelopment Agency (CRA)/City Council Resolution (Attachment) with findings pursuant to the California Health and Safety Code, Section 33433, related to the disposition of CRA-Owned property to F.C. Metropolitan Lofts, Inc. (Developer) for the development of the Metropolitan Lofts Rental Housing Development (Project);

2. Authorize the CRA Administrator, or designee, to negotiate and execute a Disposition and Development Agreement (DDA) with the Developer for the construction of the Project in the South Park community of the Central Business District Redevelopment Project Area;

3. Authorize the CRA Administrator, or designee, upon receipt of the proceeds from the sale of the CRA-owned property related to the DDA and the Project, to amend the CRA fiscal year 2000-01 budget to recognize such proceeds and allocate those proceeds to CRA Objective SP1090, South Park Land Acquisition; and,

4. Instruct the CRA Administrator, or designee, to report back to the City Council by June 30, 2002 with status of the Project in regards to the commencement of construction as specified in the Schedule of Performance in the proposed DDA (June 1, 2002).

(Fiscal Impact Statement attached)

**FISCAL IMPACT STATEMENT**

There will be no additional impact to the City's General Fund. Proceeds from the sale of the CRA-owned property will be allocated to CRA Objective SP 1090, South Park Land Acquisition, for future utilization in the Central Business District Redevelopment Project Area.

WTF:RMK:tah

Attachments (3):

1. City Administrative Office report (0220-00013-1748)
2. Office of Administrative and Research Services report (0220-00013-1781)
3. Joint Resolution Authorizing the Sale of CRA Property

REPORT FROM

# CITY ADMINISTRATIVE OFFICE

Date: March 21, 2000

CAO File No. 0220-00013-1748
Council File No. 99-0697
Council District 9

To: The Council

From: William T Fujioka, City Administrative Officer WTF by mt

Reference: Community Redevelopment Agency transmittal dated March 2, 2000

Subject: Request for Authority to Execute an Amendment to an Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc.

## SUMMARY

The Community Redevelopment Agency (CRA) requests authority to execute an amendment to an Exclusive Right to Negotiate agreement (Agreement) with Forest City Residential West, Inc. (Forest) extending the Agreement for an additional 180 days. The Agreement is for the development of a CRA owned parcel at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District. Forest's current proposal is for the development of 210 loft-style residential units.

The time extension will allow the CRA to continue negotiations with Forest to further refine the project deal points and complete required processes including environmental documentation. The time extension will also allow the CRA to convey the CRA owned parcel to Forest. Currently, the CRA cannot convey the parcel until the fall of 2000 due to the replacement parking stipulation in the Arena (Staples Center) Disposition and Development Agreement.

Forest is a large residential developer and an owner-participant in the South Park neighborhood that has completed two (2) residential developments on an adjacent block, Skyline Condominiums and Metropolitan Apartments.

## RECOMMENDATION

That the City Council authorize the Administrator, or his designee, to execute an amendment to an Exclusive Right to Negotiate agreement for an additional 180 days with Forest City Residential West, Inc.

(Recommendation continued)

for the CRA owned parcel located at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District.

## FISCAL IMPACT STATEMENT

There will be no impact to the City's General Fund. Funding for CRA staff work regarding negotiations and pre-development has already been approved in the CRA 1999-2000 budget.

WTF:RMK:lm

35153

37355

**REPORT** FROM

# OFFICE OF ADMINISTRATIVE and RESEARCH SERVICES

Date: *November 15, 2000*

CAO File No. 0220-00013-1781
Council File No. 99-0697
Council District: 9

To: The City Council

From: William T Fujioka, Director

Reference: Community Redevelopment Agency (CRA) transmittal dated October 19, 2000

Subject: Request for Authority to Execute a Second Amendment to an Exclusive Right to Negotiate Agreement (ENA) with Forest City Residential West, Inc. (Forest City)

## SUMMARY

The CRA requests authority to execute a second amendment to an ENA with Forest City extending the ENA for an additional 180 days for the development of a CRA owned parcel (Property) at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District Redevelopment Project Area (CBDRPA). The CRA's current request for authority to amend the ENA with Forest City will amount to a total ENA period of 540 days. Forest City's current proposal has been expanded to include an additional 10 loft-style units and retail space. Therefore, the apartment complex will now consist of 220 loft-style units with ground floor retail space. The CRA expects the completion of all activities prior to the end of the requested additional time.

On May 25, 1999, a verbal motion (Svornich-Alatorre) was adopted by Council authorizing the CRA to negotiate and execute an ENA with Forest City for a period of 180 days (C.F. 99-0697). A subsequent City Administrative Officer (CAO) report, adopted by Council on April 4, 2000, (C.F. 99-0697) authorized a 180-day extension of the ENA which allowed the CRA additional time to complete negotiations with Forest City. The CAO report detailed that the 180-day extension would allow the CRA to continue negotiations with Forest City to refine the project deal points and complete required processes, including environmental documentation. The CRA had reported that Forest City's proposal was an apartment complex with 210 loft-style units. The CRA had also reported that the Property could not be conveyed to Forest City until the fall of 2000, due to the replacement parking stipulation in the Arena (Staples Center) Disposition and Development Agreement (DDA).

(Summary continued)

The CRA requests the current ENA extension because it reports that additional time is required to complete the environmental review and finalize the DDA. A Reciprocal Easement Agreement, a ground lease, and a pending alley vacation request with the Bureau of Engineering are also in progress. The CRA expects approval of the alley vacation request, a process typically three months or longer, within the proposed 180-day extension period. The CRA has stated that the delay in this ENA process is a result of a shortfall in CRA staffing levels and was beyond the control of Forest City. The CRA has requested Forest City to retain the services of an environmental consultant to assist in the timely completion of all the required ENA actions. All costs related to the work completed by the environmental consultant will be paid by Forest City. The CRA has also retained the services of outside legal counsel to facilitate the timely completion of the required ENA actions.

The CRA is currently negotiating with Forest City regarding the number of market rate units in the complex proposed to meet the mixed-income goal intended for the South Park area of the CBDRPA. Forest City has proposed 220 market rate units because most of the block has already been developed to include affordable housing for seniors, families, and persons with disabilities. The inclusion of the market rate housing units is expected to provide the intended mixed-income community intended for the South Park area.

The Office of Administrative and Research Services (OARS) concurs with the CRA request for a second amendment to the ENA with Forest City extending the period an additional 180 days. In addition, the OARS proposes that the Council require the CRA to report back with project information and affordable housing data for the properties bounded by Hope, Flower and 11th Streets and Olympic Boulevard to detail the expected income composition of the area.

**RECOMMENDATIONS**

1. The City Council authorize the Administrator, or his designee, to negotiate and execute a second amendment for an additional 180 days to the Exclusive Right to Negotiate Agreement (ENA) with Forest City Residential West, Inc. for the CRA owned parcel located at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District Redevelopment Project Area; and,

2. The City Council instruct the CRA Administrator, or his designee, to report back to Council, upon completion of the ENA and Disposition and Development Agreement with Forest City, with the following information regarding all of the properties bounded by Hope, Flower and 11th Streets and Olympic Boulevard:

(Recommendations continued)

a. Name of the Property/Project and Developer(s);
b. Total Units per Property/Project;
c. Number of Affordable Housing Units per Property/Project;
d. Type(s) of Units (i.e., loft, one-bedroom, two-bedroom, etc); and,
e. Minimum Percentage of Area Median Income for each Affordable Housing Property/Project.

**FISCAL IMPACT STATEMENT**

There will be no impact to the City's General Fund. Funding for CRA staff work regarding negotiations and pre-development is available in the approved CRA 2000-01 budget.

WTF:RMK:jhl

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

CITY OF LOS ANGELES
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

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HELEN GINSBURG
Chief, Council and Public Services Division

99-0697
CD 9

May 8, 2001

HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from the Community Redevelopment Agency (CRA) relative to a Disposition and Development Agreement with F. C. Metropolitan Lofts, Inc. for the construction of a rental housing project on an Agency-owned parcel at the northeast corner of Flower and 11th Streets in the South Park Area (Central Business District Project Area), was referred on May 8, 2001, to the HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE.

J. Michael Carey

City Clerk
amm



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**Community Redevelopment Agency**

of the City
of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

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Date MAY 04 2001

File Code 4025

Council File:
CRA File:
Council District: 9
Contact Person: D. Riccitiello 977-1994
M. Cracraft 977-1826

Honorable City Council of the City of Los Angeles
Room 615, City Hall East

CRA
LA

**COUNCIL TRANSMITTAL:**

APPROVAL OF A DISPOSITION AND DEVELOPMENT AGREEMENT WITH F. C. METROPOLITAN LOFTS, INC. FOR THE CONSTRUCTION OF A RENTAL HOUSING PROJECT ON AN AGENCY- OWNED PARCEL LOCATED AT NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT PROJECT AREA.

**RECOMMENDATION**

That the City Council adopt the attached Joint Resolution and approve recommendations 5 and 6 of the Agency Board Memo dated May 3, 2001.

**ENVIRONMENTAL REVIEW**

The project was previously evaluated according to the California Environmental Quality Act (CEQA) and a Mitigated Negative Declaration was adopted by the Agency Board of Commissioners effective May 3, 2001.

**FISCAL IMPACT STATEMENT:**

No Agency funds are required for the project.

The Agency has agreed to sell its property to F. C. Metropolitan Lofts, Inc. for three million dollars ($3,000,000). The land sale proceeds are to be placed back into general tax increment and housing trust accounts for the Central Business District for future housing projects.

There is no fiscal impact to the City's General Fund as a result of the recommendations.

Jerry Scharlin, Administrator

Peggy Moore, Chair

Armando Vergara, Sr., Vice Chair
Javier O. Lopez, Treasurer
Greta T. Hutton
Coby A. King
Douglas R. Ring
Christine M. Robert

Jerry A. Scharlin
Administrator

HOUSING & COMMUNITY REDEVELOP

MAY 8 2001

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Paul Smith, Office of the CLA
James Santa Maria, CD14
Mirta Ocana, CD 13
Neil Blumenkopf, City Attorney's Office
Stacey Anthony, CD 10
Honorable Councilperson, Rita Walters CD 9
Mr. Scott Carleson, F.C. Metropolitan Lofts, Inc.

bcc: Jerry Scharlin
Don Spivack
Mark Johnson
Mark Nelson
David Riccitiello
Mike Cracraft
Ras Mallari
Craig Keys (2 copies)
Records Center (2)
Nenita Tan (Office of the City Controller, 5th Floor)

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CA

2

M E M O R A N D U M

DATE: MAY 3, 2001 SP1500

TO: AGENCY COMMISSIONERS

FROM: JERRY A. SCHARLIN, ADMINISTRATOR

SUBJECT: PUBLIC HEARING AND VARIOUS ACTIONS INCLUDING APPROVAL OF A DISPOSITION AND DEVELOPMENT AGREEMENT WITH F. C. METROPOLITAN LOFTS, INC. FOR CONSTRUCTION OF A RENTAL HOUSING PROJECT ON THE AGENCY-OWNED SITE LOCATED AT THE NORTHEAST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT AREA
CD 9

RECOMMENDATION

That the Agency:

1. Adopt the attached Resolution making a finding of no significant effect on the environment, adopting a Mitigated Negative Declaration and Mitigation Monitoring Program for the proposed project;

2. Hold a Public Hearing pursuant to Health and Safety Code Section 33433 regarding the proposed disposition of the Agency-owned property (the "Site") bordered by Flower, Eleventh, and Hope Streets in the South Park Area of the Central Business District (CBD) Redevelopment Project; and

3. Approve the Schematic Design Drawings for the proposed project involving the construction of approximately 230 units of market rate apartments.

That the Agency and City Council:

4. Adopt the attached Joint Resolution making findings pursuant to Section 33433 relating to the disposition of Agency-owned property to F.C. Metropolitan Lofts, Inc. for the development of the Site.

That the Agency, subject to City Council review and approval:

5. Authorize the Administrator or designee to negotiate and execute a Disposition and Development Agreement (DDA) with F.C. Metropolitan Lofts Inc., regarding the disposition and development of the Agency-owned Site; and

6. Upon receipt of the land sale proceeds, amend the Agency Budget to recognize such proceeds and allocate the proceeds to SP1090 (South Park Land Acquisition).

RE

October 19, 2000 - Agency approval of an amendment to the Exclusive Right to Negotiate extending the term an additional 180 days.

November 8, 2000- City Council approval of this action.

SOURCE OF FUNDS

No Agency funds are required for the recommended actions.

ENVIRONMENTAL REVIEW

In accordance with the California Environmental Quality Act and State and Agency environmental guidelines, an Initial Study for the proposed Metropolitan Lofts development was prepared. The Initial Study, which included the preparation of a traffic study, concluded that the proposed project qualifies for a Mitigated Negative Declaration. Certain mitigation measures have been identified to reduce impacts to a level of insignificance, and will be incorporated into the project. Notice of the availability of the environmental documents was published in the Los Angeles Times on March 9, 2001. The environmental documents were made available for public review and comment for 27 days. To complete the environmental review process, the Board is requested to adopt the attached Resolution adopting the Mitigated Negative Declaration.

SUMMARY

The recommended actions will implement the final phase of residential development for the block bounded by Olympic Boulevard, Hope Street, Eleventh Street and Flower Street. Previously completed developments involved three affordable housing projects: the adaptive-reuse of the NCR Building by

TELACU into 40-units of special needs housing, and the 75-unit Villa Flores for seniors, and the 67-unit Hope Village for low and moderate income families, both of which were developed by the 1010 Development Corporation (First United Methodist Church). The 230-unit Metropolitan Lofts project, an all market-rate housing development, is the final phase of housing for the block, furthering the goal of creating a mixed-income community in South Park and resulting in an overall 44%/56% affordable/market rate housing mix in the block. The Agency and Council adopted housing production goal for South Park calls for no less than 30% of the units produced be affordable to low and moderate income households; for this block.

The recommended actions will authorize the Agency to enter into a Disposition and Development Agreement (DDA) providing for sale of the Site to F.C. Metropolitan Lofts, Inc. The Developer has agreed to pay the fair reuse value of the site, as determined by an analysis performed by Keyser Marston Associates, in the amount of $3 million, less the costs of any soil remediation work that may be required (capped at $125,000); the reuse value takes into consideration the costs of Agency-imposed requirements including prevailing wages, the South Park Open Space Maintenance Fee, and a fair return to the Developer. The Developer must satisfy certain conditions prior to the conveyance including submitting evidence of financing, final construction plans and a final art plan for Agency review and approval. In addition to Agency standard DDA requirements, the Developer is required to make an annual payment for South Park Open Space Maintenance Fee in the amount of $35,000 following the completion of construction. To ensure completion of the project once the Agency has conveyed the Site to the Developer, the DDA requires the developer to post a security letter of credit in the amount of $500,000, a construction completion bond and the posting of a corporate guarantee by the parent company in the event such a guarantee is not required by the construction lender for the project. In the event the completion guarantee is provided to the Agency rather than to the construction lender, the Agency will reduce the security letter of credit to $250,000. Staff believes these requirements will achieve the desired result and is thus recommending approval of the DDA without a right of reverter.

Prior to the conveyance of the Site, the Agency and the Developer shall execute a Reciprocal Easement Agreement for the construction and shared use and maintenance of a private drive to be located on Flower Street. The private driveway will provide vehicular and emergency access to the other completed

developments on the block. The easement also completes an east-west pedestrian walkway connecting Hope and Flower Streets.

The firm of David Baker Associates Architects is under contract to the Developer, and has produced Schematic Design Drawings for the proposed development depicting floor plans, elevations and preliminary landscape features. The units in the project will range in size from 665 square foot lofts to 2,260 square foot penthouse units. The unit breakdown for the project is as follows: 30% studios, 20% junior on bedrooms, 15% one bedrooms, 30% two bedrooms and 5% three bedrooms. The residential portion of the development will be seven stories, or approximately 75 feet in height. The Project will also include a seven level parking structure with approximately 374 spaces (to be located in the interior of the rectangular-shaped development), approximately 3,000 square feet of retail space at the corner of Flower and Eleventh Street, and a leasing office. The main pedestrian entrance, as well as vehicular access to the parking garage, will be provided off of Flower Street. Amenities for the Project will include a common open courtyard area with swimming pool. Agency staff have reviewed the Schematic Design Plans and have found them to be consistent with Central Business District Redevelopment Plan, the South Park Design Guidelines and the Downtown Strategic Plan.

The project incorporates off-site improvements along Hope Street that include the Agency-approved Lawrence Halprin design of special paving and edge band treatment, the use of the historic 1906 Street Lamp standards and certain street trees/grates along Flower, Eleventh and Hope Streets.

## PROGRAM AND BUDGET IMPACT

The recommended actions implement the Agency's FY01 Work Program for the CBD Redevelopment Project. The actions are consistent with the Five-Year Implementation Plan for the CBD Redevelopment Project. The $3 million, minus the cost of possible site remediation costs capped at $125,000, to be received upon close of escrow from the sale of the site will be programmed for additional housing development in the South Park area and will be recognized in the FY02 Budget upon receipt as additional resources.

## BACKGROUND

Between 1988 and 1992 the Agency acquired approximately 3.25 acres in the block bounded by Olympic Boulevard, Hope, Eleventh

and Flower Streets; the only parcel not acquired by the Agency is the property owned by the First Methodist Church at the southeast corner of Flower Street and Olympic Boulevard. Development of the block began in 1991 with the conveyance of the historic 5-story NCR Building located at 1031 South Hope Street to TELACU. This building was converted by TELACU with funding provided by HUD and the Agency into 40 units of housing for the physically handicapped and elderly. Following several unsuccessful attempts, the next phase of development occurred in 1997 with the conveyance of a 16,400 square foot parcel of Agency property on Flower Street to the 1010 Development Corporation (First United Methodist Church). When combined with 11,000 square feet of the Church's property, this parcel formed the site for the construction of Villa Flores, a 75-unit project for very low-income elderly. In 1999, the Agency entered into a Disposition and Development Agreement with the 1010 Development Corporation for the construction of Hope Village, a 67-unit family housing project with childcare and a community center located on Hope Street at Olympic Boulevard. The Hope Village project was completed in April 2001.

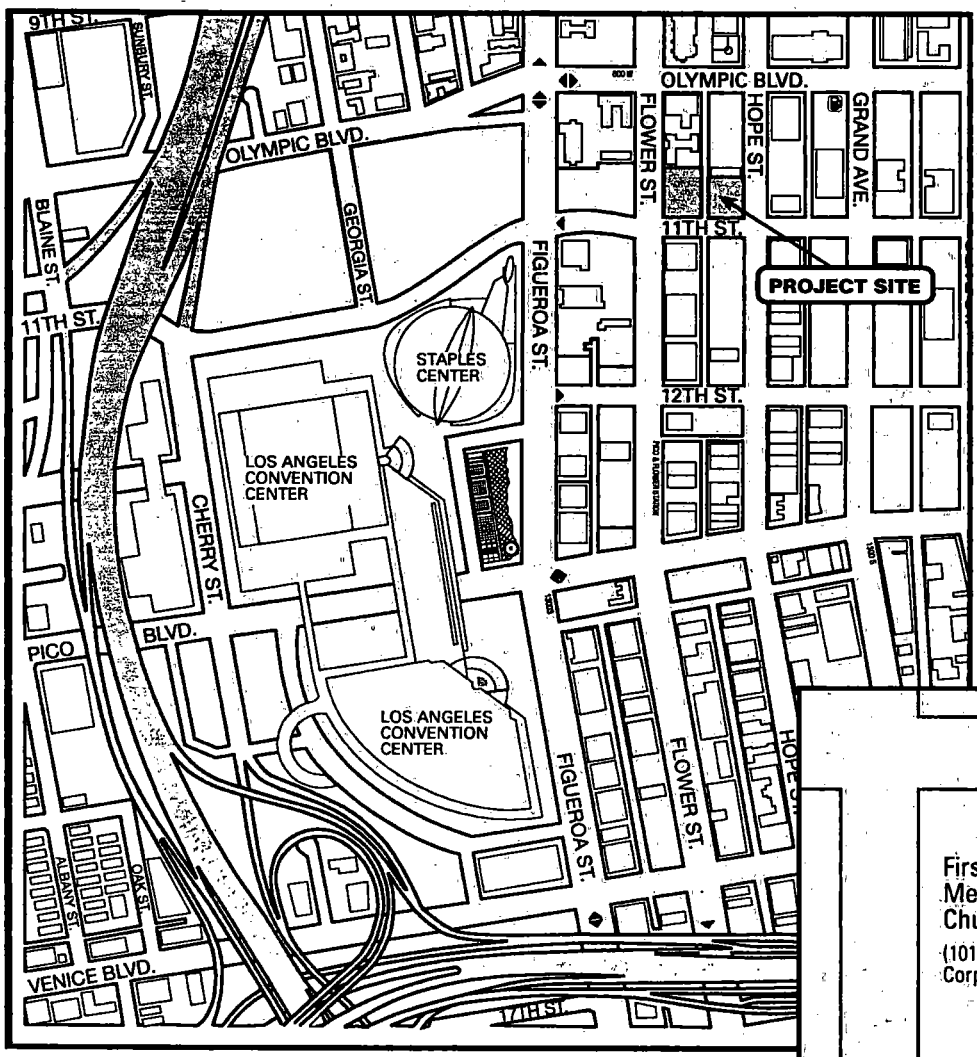
The Agency entered into a 180-day Exclusive Right to Negotiate with Forest City on April 15, 1999. Two subsequent extensions on the Exclusive were approved by the Agency on April 15, 1999 and on October 19, 2000. The development entity, F. C. Metropolitan Lofts, Inc., is a single-purpose California Corporation wholly owned by Forest City Properties Corporation, which is headquartered in Cleveland, Ohio with a local office at 949 South Hope Street. Forest City is a large residential developer with vast experience in the development of large market rate, in-fill residential projects. Its parent, Forest City Industries, is publicly traded on the American Stock Exchange. Forest City was responsible for two larger residential developments on an adjacent block in the South Park neighborhood, Skyline Condominiums and Metropolitan Apartments.

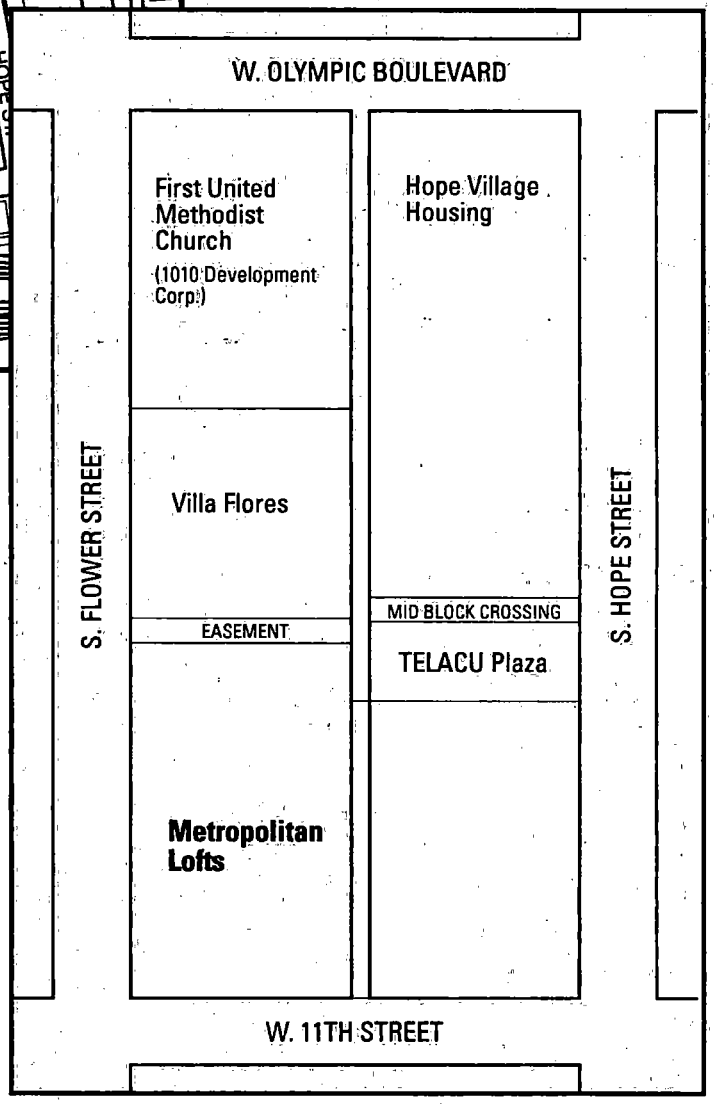
Jerry A. Scharlin

There is no conflict of interest known to me that exists with regard to any Agency officer or employee concerning this action.

Attachments

# Proposed Metropolitan Lofts Project



THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

RESOLUTION NO._____

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, MAKING A FINDING OF NO SIGNIFICANT EFFECT ON THE ENVIRONMENT AND ADOPTING A MITIGATED NEGATIVE DECLARATION AND A MITIGATION MONITORING PROGRAM FOR THE PROPOSED METROPOLITAN LOFTS, IN THE CENTRAL BUSINESS DISTRICT REDVELOPMENT PROJECT.

WHEREAS, F. C. Metropolitan Lofts, Inc. proposes to develop certain real property, referred to as Metropolitan Lofts development in the Central Business District Redevelopment Project; and

WHEREAS, a Final Environmental Impact Report (EIR) for the Central Business District Redevelopment Plan was prepared by the Agency and certified by the City Council in May 1975; and

WHEREAS, said Final EIR is a program EIR as defined by the California Environmental Quality Act Statutes and Guidelines; and

WHEREAS, in compliance with the California Environmental Quality Act of 1970, as amended, and State and local guidelines adopted pursuant thereto, the Community Redevelopment Agency of the City of Los Angeles, California (Agency) prepared an Initial Study of the environmental effects of the proposed Metropolitan Lofts development; and

WHEREAS, based on the findings of said Initial Study, a Mitigated Negative Declaration for the proposed project was prepared and executed on March 12, 2001; and

WHEREAS, said Negative Declaration was made available for review and comment pursuant to said statutes and guidelines; and

WHEREAS, the Agency has reviewed and considered the information contained in said Initial Study and Mitigated Negative Declaration.

NOW, THEREFORE, BE IT RESOLVED by the Community Redevelopment Agency of the City of Los Angeles, California as follows:

1. The Community Redevelopment Agency hereby certifies that the Mitigated Negative Declaration prepared for the proposed project has been prepared and circulated in compliance with the California Environmental Quality Act of 1970, as amended, and State and local guidelines adopted pursuant thereto.

2. The Community Redevelopment Agency further certifies that the information contained in said Mitigated Negative Declaration and the comments received have been reviewed and considered by the Agency Commissioners.

3. The Community Redevelopment Agency hereby finds and determines that approval or implementation of the proposed project will not have a significant effect on the environment because of the mitigation measures set forth in said Mitigated Negative Declaration.

4. The Community Redevelopment Agency hereby adopts the Mitigated Negative Declaration and Mitigation Monitoring Program prepared for the proposed Metropolitan Lofts development and finds on the basis of the whole record before it, that there is no substantial evidence that the project will have a significant effect on the environment and that the Mitigated Negative Declaration reflects the Agency's independent judgment and analysis.

5. The Agency hereby designates that the location and custodian of the documents and other materials that constitute the record of proceedings upon which the Agency's decision to adopt the Mitigated Negative Declaration is the Records Department, Community Redevelopment Agency of the City of Los Angeles, 354 South Spring Street, Los Angeles, CA 90013.

ADOPTED:

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**

**AND**

**THE LOS ANGELES CITY COUNCIL**

**RESOLUTION NO._____**

**RESOLUTION AUTHORIZING SALE OF CERTAIN PROPERTY BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, APPROVING AND AUTHORIZING THE EXECUTION OF A DISPOSITION AND DEVELOMENT AGREEMENT BY AND BETWEEN THE AGENCY AND F.C. METROPOLITAN LOFTS, INC. AND MAKING FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 33433**

**WHEREAS**, by Ordinance No. 147,480 adopted on July 18, 1975, the City Council of the City of Los Angeles adopted the Central Business District (CBD) Redevelopment Plan for the CBD Redevelopment Project Area (the "Project Area"); and

**WHEREAS**, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") is vested with the responsibility pursuant to the Community Redevelopment Law (Part 1 of Division 24 of Health and Safety Code of the State of California) (the "Law") to implement the Redevelopment Plan in and for the benefit of the Project Area; and

**WHEREAS**, the Agency adopted on October 19, 2000 the Five-Year Implementation Plan (FY2000 - FY2004) for the Project Area, (the "Implementation Plan"), pursuant to Section 33490 of the Law; and

**WHEREAS**, the Agency is the owner of certain parcels of real property within the Project Area located at the northeast corner of Flower and Eleventh Streets and the northwest corner of Hope and Eleventh Streets (the "Property"); and

**WHEREAS**, the Agency desires to cause the development of the Property through the construction of an approximately 230-unit rental housing project with parking and 3,000 square feet of ground level retail (the "Development"); and

**WHEREAS**, the Agency has selected F.C. Metropolitan Lofts, Inc., a California Corporation, as the developer of the Development on the Property; and

**WHEREAS**, the Agency desires to enter into a Disposition and Development Agreement (the "Agreement"), with the Developer, substantially in the form on file with the Agency Secretary, under which the Agency will sell the Property to the Developer and the Developer would construct the Development on the Property in accordance with the Agreement; and

**WHEREAS**, the Agency has placed on file a copy of the Agreement and the summary required by Health and Safety Code Section 33433 (the "Section 33433 Summary"), and has made the Agreement and the Section 33433 Summary available for public inspection pursuant to Health and Safety Code Section 33433; and

**WHEREAS**, the Agency has conducted a duly notice public hearing on the Agreement pursuant to Health and Safety Code Section 33433 for the purpose of receiving input and comments from the public on the Agreement; and

**WHEREAS**, the Development will benefit the Project Area and serve major Redevelopment Plan goals and objectives by furthering the development of housing in the Project Area and providing a catalyst for additional private investment in the Project Area, and alleviating blight with the redevelopment of a vacant and underutilized site to its highest and best use under the Redevelopment Plan.

**NOW, THEREFORE, BE IT RESOLVED as follows:**

Section 1. The Agency and City Council hereby find the above recitals are true and correct, and the Agency and City Council have based the findings and actions set forth in this Resolution, in part, on such Recitals.

Section 2. Pursuant to Section 33433 of the Law, the Agency and the City Council hereby find and determine that the consideration of Three Million Dollars ($3,000,000) to be paid by the Developer for the purchase of the Property is not less than the fair reuse value of the Property at the use and with the covenants, conditions and development costs required by the Agreement. This finding is based on the facts and analysis set forth in the Staff Report and the Section 33433 Summary incorporated in the Resolution by this reference.

Section 3. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby finds that the conveyance of the Property to the Developer in accordance with the Agreement will serve major Redevelopment Plan goals and objectives by strengthening the downtown area with the development of market rate housing in conjunction with the previously completed 182 units of low and moderate income housing, and that the Development is consistent with the Implementation Plan for the CBD Redevelopment Project.

Section 4. Pursuant to Health and Safety Code Section 33433, the Agency and the City Council hereby approves the Agreement and all ancillary documents; authorizes the execution of the Agreement and related documents by the Agency Administrator or designee in substantially the form on file with the City Clerk and Agency Secretary; and approves the sale of the Property by the Agency to the Developer for Three Million Dollars ($3,000,000) pursuant to the provisions of the Agreement. The Agency and the City Council directs the Agency Administrator to take all actions necessary and appropriate to carry out the terms of the Agreement.

WE HEREBY CERTIFY that the foregoing Resolution was introduced at a regular meeting of the Community Redevelopment Agency of the City of Los Angeles on May 3, 2001 and the City Council of the City of Los Angeles on _____, 2001 who moved its adoption and approval.

**Adopted:**_____

**SUMMARY PURSUANT TO THE CALIFORNIA REDEVELOPMENT LAW AND HEALTH AND SAFETY CODE SECTION 33433 OF THE PROPOSED SALE OF AGENCY PROPERTY TO F.C. METROPOLITAN LOFTS, INC. FOR THE DEVELOPMENT OF A 230-UNIT RESDENTIAL BUILDING IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT (CBD) REDEVELOPMENT PROJECT**

## A. INTRODUCTION

Pursuant to a Disposition and Development Agreement ("DDA"), the Agency proposes to sell property located at the northeast corner of Flower and Eleventh Streets to F.C. Metropolitan Lofts, Inc. for the development of a mid-rise residential building with 374 parking spaces and approximately 3,000 square feet of ground level retail. The project will include approximately 230 loft-style apartments (studio, one and two bedroom units). The project is expected to break ground in the second quarter of 2002 and be completed within 24 months.

## B. IDENTITY OF DEVELOPER

The proposed developer is F. C. Metropolitan Lofts Inc. a California corporation, wholly owned by Forest City Enterprises, Inc, a national real estate company headquartered in Cleveland, Ohio with a local office at 949 S. Hope, Suite 100, Los Angeles, Ca. 90015. Forest City Enterprises is a large real estate development company, which has successfully completed two projects in South Park, the Skyline Condominiums and the Metropolitan Apartments, and numerous residential and commercial developments throughout the country.

## C. FAIR MARKET VALUE

The highest and best use permitted under the Redevelopment Plan for the Site would be to develop the site with a market rate apartment complex. The zoning designation of the site is QR5, High Density Multiple Dwelling Zone. This zoning allows for density of up to 217 dwelling units per acre (200 square feet of lot area for each dwelling unit having less than four habitable rooms); there is no limitation on building height.

Based on recent sales, it is estimated that the fair market value of this site, unencumbered with Agency requirements including the payment of prevailing wages, Public Art Program and the South Open Space Maintenance Fee, is $4,750,000.

## D. COST OF THE AGREEMENT TO THE AGENCY

The Agency acquired the site and existing improvements with Central Business District tax increment funds. Accordingly the City Council must approve the proposed sale, after considering information about the cost of the agreement to the Agency, and after a noticed public hearing.

The Agency proposes to convey the fee interest in the Site to the Developer. The market value of the Site is $4,750,000. The reuse value based upon a pro forma for the project that provides a fair return to the developer and takes into account Agency-imposed development requirements including the payment of prevailing wages, the South Park Open Space Maintenance Fees and the Public Art Program, and the additional costs associated with the construction of a Type 1 building (poured-in-place concrete), is $3,000,000. The total cost to the Agency for the proposed project is the difference between the fair market value ($4,750,000) and the reuse value ($3,000,000) or $1,750,000.

**ESTIMATED COST OF THE AGREEMENT TO THE AGENCY**

| | |
|---|---|
| ACQUISITION COST OF LAND | $ 5,947,000 |
| RELOCATION | $ 0 |
| DEMOLITION | $ 10,000 |
| PUBLIC IMPROVEMENTS | $ 0 |
| SUBTOTAL | $ 5,957,000 |
| | |
| LESS (REUSE VALUE) | $ 3,000,000 |
| PLUS INTEREST ON BOND FINANCING | $ 0 |
| TOTAL LAND WRITEDOWN | $ 2,957,000 |
| | |
| FAIR MARKET VALUE | $ 4,750,000 |
| LESS (REUSE VALUE) | $ 3,000,000* |
| TOTAL COST TO THE AGENCY | $ 1,750,000 |

* The DDA provides for the Agency to reimburse the Developer for soil remediation costs up to an amount not to exceed $125,000. A Phase I report prepared by Harding Lawson Associates dated December 1999 concludes that there are no environmental issues associated with the Site.

## E. SITE PURCHASE AND CONSTRUCTION FINANCING PLAN

The proposed project will be located on a 73,350 square foot Agency-owned site located at the northeast corner of Flower and 11th Streets in the South Park Area of the Central Business District Redevelopment Project.

Financing for the development will be provided by the Developer and through funds secured from private lenders.

The projected total development costs are as follows:

**USES**

| | |
|---|---|
| Land Acquisition | $ 3,000,000 |
| Construction Hard Costs | $36,363,000 |
| Soft/Other Development Costs | $11,640,000 |
| Contingency | $ 1,818,000 |
| Total Development Costs | $52,821,000 |

**SOURCES**

| | |
|---|---|
| First Mortgage | $43,868,000 |
| Developer Equity-10% | $ 5,300,000 |
| Total Sources | $52,821,000 |

**F. DEVELOPER RESPONSIBILITIES**

The Developer's primary responsibilities under the DDA include:

1. The Developer will prepare construction plans and obtain all necessary governmental approvals for the construction of the proposed project including complying with the applicable conditions of approval for the vacation of the public alley which bi-sects the Site.

2. The Developer will obtain debt and equity funds are sufficient to pay for the cost to acquire the site from the Agency and for all construction related expenditures.

3. The Developer will purchase the Site from the Agency for $3,000,000 minus the cost of any soil remediation that may required up to an amount not to exceed $125,000.

4. The Developer will construct the project in accordance with the approved plans.

5. The Developer will comply with all of the terms and conditions of the DDA including the payment of prevailing wages, meeting Agency MBE/WBE policy, implementing a Public Art Program including making the Cultural Trust Fund payment prior to the close of escrow, and participating in the South Park Open Space Maintenance Program by paying an annual fee in the amount of $35,000 which will be applied toward the cost of maintaining public open space in South Park.

6. The Developer shall maintain and operate the completed project in a manner commensurate with other first class developments in the CBD Redevelopment Project.

## G. ELIMINATION OF BLIGHT AND OTHER PUBLIC BENEFITS

This proposed project is located in the South Park area of the CBD Redevelopment Project adopted in 1975 by Ordinance Number 147,480. The CBD Plan calls for the development of a residential community in South Park for various income groups and family sizes. The provision of housing and open space are to be accomplished as a first priority of the Plan. The proposed project furthers the Agency's mission to eliminate blight in the CBD Project Area by developing a vacant, underutilized site into housing to serve the growing downtown workforce. The proposed project furthers the redevelopment objectives for South Park by providing market housing to complement the completed affordable housing projects on the block, TELACU (special needs housing), Villa Flores (seniors) and Hope Village (families). The development of market rate housing in addition to affordable housing is critical to sustaining existing retail and entertainment uses in the area making downtown more attractive to businesses, visitors and tourists. The proposed project is included in the CBD Redevelopment Project Five-Year Implementation Plan (FY2000 - FY2004) approved by the Agency on October 19, 2000.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

The Community Redevelopment Agency
Of the City of Los Angeles
354 South Spring Street, Suite 700
Los Angeles, CA 90013
Attn: Administrator

No fee for recording pursuant
to Government Code Section 27383

# DISPOSITION AND DEVELOPMENT AGREEMENT

by and between

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

and

F C METROPOLITAN LOFTS, INC.

for

METROPOLITAN LOFTS .

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# DISPOSITION AND DEVELOPMENT AGREEMENT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT (the "Agreement") is made as of this __ day of June, 2001 by and between The Community Redevelopment Agency of the City of Los Angeles, a public body corporate and politic (the "Agency"), and F C Metropolitan Lofts, Inc., a California corporation, (the "Developer"), with reference to the following facts, purposes, and understandings.

## RECITALS

A. Pursuant to authority granted under the California Community Redevelopment Law, the Agency is charged with administration and enforcement of the Redevelopment Plan for the Central Business District Redevelopment Project approved and adopted by the City Council of the City of Los Angeles by Ordinance No. 147480 on July 18, 1975 (the "Plan"). The Plan affects and controls the development and use of all real property located within the Central Business District Redevelopment Project (the "Project Area"). The area which is the subject of this Agreement is within the Project Area. This Agreement is subject to the terms and conditions of the Redevelopment Plan.

B. The Agency is the owner of a parcel of real property within the Project Area consisting of approximately 75,000 square feet generally bordered at the corner of Flower Street and Eleventh Street in Los Angeles, California, as more particularly described in Exhibit A (the "Property").

C. The Parties desire to cause the development and operation on the Property of approximately two hundred thirty (230) units of rental housing, parking facilities, landscaping, and other common areas (the "Project").

D. Upon satisfaction of specified preconditions to be performed by the Developer as set forth in Article 2 of this Agreement, the Agency will convey its fee estate in the Property to the Developer for the consideration and upon the terms set forth in this Agreement, and the Developer shall construct and cause the Project to be operated in the manner specified in this Agreement.

E. The Agency and the City Council of the City have conducted a duly noticed public hearing on the DDA and have made the findings, determinations and approvals necessary pursuant to the California Community Redevelopment Law for approval and implementation of this Agreement.

F. The Developer has represented that it has the necessary expertise, skill, and ability to carry out the commitments contained in this Agreement.

G. Pursuant to the California Environmental Quality Act ("CEQA") and its implementing guidelines, the Agency (in its capacity as "lead agency") has prepared, reviewed and approved a negative declaration (including an initial study) (the "Negative Declaration") for the transactions contemplated by this Agreement (including the development of the Project), following conduct of a duly noticed public hearing. The Negative Declaration has served as the environmental documentation for the Agency's consideration and approval of this Agreement and the transactions contemplated by this Agreement.

NOW, THEREFORE, the Agency and the Developer agree as follows:

## ARTICLE 1.
## DEFINITIONS

Section 1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following capitalized words shall have the following meanings:

(a) "Agency" shall mean The Community Redevelopment Agency of the City of Los Angeles, a public body corporate and politic, organized and existing pursuant to the California Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.).

(b) "Agency Board" shall mean the governing body of the Agency.

(c) "Agreement" shall mean this Disposition and Development Agreement.

(d) "Building Permit" shall mean all building and grading permits required to be obtained from the City for the construction of the Improvments.

(e) "Certificate of Completion" shall mean that certificate issued by the Agency to the Developer pursuant to Section 5.5 of this Agreement.

(f) "City" shall mean the City of Los Angeles, California, a municipal corporation, operating through its governing body, the City Council, and its various departments.

(g) "City Approvals" shall mean all the approvals required to be obtained by the Developer from the City to commence and complete construction of the Improvements. For definitional purposes in this Agreement, "City Approvals" do not include the Building Permit.

(h) "Close of Escrow" shall mean the close of escrow for conveyance of the fee estate in the Property by the Agency to the Developer as provided in Article 3.

(i) "Deposit" shall mean a letter of credit, certificate of deposit, cash or cash equivalent or such other security, each reasonably acceptable to the Agency, in the amount of Five Hundred Thousand Dollars ($500,000) provided to the Agency by the Developer to secure the Developer's performance during the negotiation and implementation of this Agreement. The Deposit shall replace the letter of credit in the amount of $150,000 provided to the Agency by

Forest City Residential West, Inc. an Affiliate of the Developer, under the terms of that certain Exclusive Negotiating Rights Agreement by and between the Agency and Forest City Residential West, Inc.

(j) "Design Development Drawings" shall mean the construction drawings described in Section 4.4(a) of this Agreement.

(k) "Developer" shall mean F C Metropolitan Lofts, Inc., a California corporation.

(l) "Developer Affiliate" means an limited liability company, partnership, joint venture, trust, or corporation who now or hereafter directly or indirectly controls, is controlled by, is under common control with the Developer. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to vote fifty percent (50%) or more of the securities, having ordinary voting power for the entity, or the direct or indirect power to direct the management and policies of a business.

(m)"Escrow Holder" shall mean Stewart Title of California, Inc., Glendale, California office, or any other escrow holder selected by both Parties to administer the escrow.

(n) "Final Construction Drawings" shall mean the construction drawings described in Section 4.4(b) of this Agreement.

(o) "Financing Plan" shall mean a plan evidencing the availability of the funds necessary to develop the Project, as approved by the Agency pursuant to Section 2.3.

(p) "Grant Deed" shall mean the grant deed by which the Agency conveys its fee estate in the Property to the Owner. A form of the Grant Deed is attached to this Agreement as Exhibit D.

(q) "Hazardous Materials" means:

(1) any "hazardous substance" as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14)) or Section 25281(d) or 25316 of the California Health and Safety Code at such time;

(2) any "hazardous waste," "infectious waste" or "hazardous material" as defined in Section 25117, 25117.5 or 25501(j) of the California Health and Safety Code at such time;

(3) any other waste, substance or material designated or regulated in any way as "toxic" or "hazardous" in the RCRA (42 U.S.C. Section 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. Section 1521 et seq.), Safe Drinking Water Act (42 U.S.C. Section 3000 (f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), Clean Air Act (42 U.S.C. Section 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 3900 et seq.), or California Water Code (Section 1300 et seq.) at such time; and

(4) any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Property.

The term "Hazardous Materials" shall not include: construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of commercial property, or commonly used or sold by hardware, home improvement stores, or medical clinics and which are used and stored in accordance with all applicable environmental, ordinances and regulations.

(r) "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Project or any portion thereof.

(s) "Improvements" shall mean the approximately two hundred thirty (230) units of rental housing, approximately 3000 square feet of retail space, parking facilities, landscaping, and other common areas to be located on the Property, all as more fully set forth in the Scope of Development.

(t) "Parties" shall mean the Agency and the Developer.

(u) "Permitted Exceptions" shall mean the following exceptions to title with respect to the Property:

(1) applicable building and zoning laws and regulations;

(2) the provisions of the Plan;

(3) the provisions of this Agreement;

(4) the South Park Open Space Covenant

(5) any lien for taxes accrued subsequent to Close of Escrow;

(6) conditions, covenants, restrictions and easements as provided in this Agreement;

(7) such other conditions, covenants, restrictions or easements of record as may be approved by the Developer; and

(8) the liens, encumbrances, clouds and conditions set forth as exceptions in the preliminary title report for the Property attached as Exhibit B.

(v) "Plan" shall mean the Redevelopment Plan for the Central Business District Redevelopment Project, adopted by the City pursuant to the California Community Redevelopment Law, as it now exists or may hereafter be amended.

(w) "Project Area" shall mean the Redevelopment Plan for the Central Business District Redevelopment Project Area as more particularly described in the Plan.

(x) "Project Documents" shall mean all construction documentation prepared by the Developer pursuant to Section 4.3 upon which the Developer and the Developer's contractor shall rely in constructing the Improvements on the Property, as approved by the Agency pursuant to Section 4.7

(y) "Project" shall mean (i) the Developer's acquisition of the Property and (ii) the Improvements, all as more fully set forth in the Scope of Development.

(z) "Property" shall mean the property consisting of approximately 75,000 square feet generally bordered at the corner of Flower Street and Eleventh Street in Los Angeles, California as more particularly described in Exhibit A, upon which the Improvements will be constructed pursuant to this Agreement.

(aa) "Purchase Price" has the meaning given in Section 3.2.

(bb) "Reciprocal Easement Agreement" shall mean the easement agreement which governs the use and maintenance of the private way , a form of which is attached as Exhibit G.

(cc) "Schedule of Performance" means the schedule of actions to be taken by the Parties pursuant to this Agreement to achieve disposition of the Property to the Developer and construction of the Improvements. The Schedule of Performance is attached to this Agreement as Exhibit F.

(dd) "Schematic Design Drawings" means the initial drawings for the Project showing floor plans, elevations and landscape features for the Improvements approved by the Agency.

(ee) "Scope of Development" shall mean the description of the basic physical characteristics of the Project that will serve as a basis for the Developer's application for the City Approvals and for the preparation of the Project Documents. The Scope of Development is attached to this Agreement as Exhibit C.

(ff) "Security Financing Interest" has the meaning given in Section 8.1.

(gg) "South Park Open Space Covenant" shall mean the covenant recorded against the Property in the Official Records of the County of Los Angeles which requires the payment of the South Park Open Space Fee by the owner of the Property.

(hh) "South Park Open Space Fee" means that annual fee not to exceed Thirty Five Thousand Dollars ($35,000) to be paid by the Developer pursuant to the terms of the South Park Open Space Covenant.

(ii) "Term" shall mean the term of this Agreement, commencing as of the date of this Agreement and ending on the earlier of (1) the date which is thirty five (35) years following the date of recordation of the Grant Deed, or (2) the date of any termination of this Agreement in accordance with the provisions hereof.

(jj) "Transfer" shall mean a transfer of this Agreement or an interest in the Developer, as more particularly described in Section 7.1.

Section 1.2 Exhibits. The following exhibits are attached to and incorporated into this Agreement:

Exhibit A: Legal Description of the Property

Exhibit B: Preliminary Title Report for the Property

Exhibit C: Scope of Development

Exhibit D: Form of Grant Deed

Exhibit E: Preliminary Development Proforma

Exhibit F: Schedule of Performance

Exhibit G: Form of Reciprocal Easement Agreement

Exhibit H: Art Policy

Exhibit I: Policy on Prevailing Wage

Exhibit J: Map

## ARTICLE 2.
## DEVELOPER PREDISPOSITION REQUIREMENTS

Section 2.1 Conditions Precedent. As conditions precedent to the Close of Escrow, the conditions set forth in this Article 2 must first be met by the Developer by the times specified for such conditions in the Schedule of Performance. Satisfaction of these conditions depends on performance by the Developer. Only the Agency can waive satisfaction of the conditions in this Article 2.

Section 2.2 City and Other Governmental Approvals. No later than the date specified in the Schedule of Performance, the Developer shall apply for the City Approvals and any other governmental permits or approvals (other than from the City) necessary for construction of the Project, and shall diligently pursue and obtain such permits and approvals. The Developer's application for the City Approvals shall be consistent with the Scope of Development and the terms and conditions of this Agreement. The Agency shall render all reasonable assistance to the Developer in obtaining the City Approvals and any other necessary governmental permits or approvals, including joining with the Developer as the applicant for such permits or approvals.

Section 2.3 Financing Plan. The Developer has provided the Agency with a preliminary development proforma, a copy of which is attached as Exhibit E, setting forth the Developer's current estimate of costs and revenue sources for development of the Project. The preliminary development proforma is intended to serve as a guide for the preparation of the Financing Plan, although the Parties acknowledge that the actual Financing Plan will be based on more refined cost estimates and upon further discussions with proposed lenders.

No later than the date specified in the Schedule of Performance, the Developer shall submit to the Agency a proposed Financing Plan. The Financing Plan shall include: (1) a cash flow projection for operation of the Project; (2) a cost breakdown for development based upon government permits and approvals and any design documents; (3) a true copy of each firm binding commitment for loans for construction and permanent financing and for other financing from external sources in the amounts necessary to fully finance the development of the Project; (4) evidence that the Developer is contributing equity in an amount not less than ten percent (10%) of the total project costs; and (5) evidence reasonably satisfactory to the Agency that the Developer has sufficient additional funds available and is committing such funds to cover the difference, if any, between costs of development of the Project and the amount available to the Developer from external sources. The Agency shall review the proposed Financing Plan and shall approve or disapprove the Financing Plan within fourteen (14) days of receipt. Failure of the Agency to approve or disapprove the Financing Plan within fourteen (14) days of receipt shall be deemed to be approval by the Agency.

The Agency's review of the Financing Plan shall be for the purposes of determining if the contemplated financing will be reasonably available, will provide sufficient funds for construction of the Project and for its operation consistent with the terms of this Agreement and will otherwise be provided on terms consistent with the terms and conditions of this Agreement.

Any disapproval of a proposed Financing Plan shall state in writing the reasons for disapproval and the changes which the Agency requests. The Developer shall thereafter submit a revised Financing Plan to the Agency for its approval within thirty (30) days of the Agency's notification of disapproval. The Agency shall either approve or disapprove the revised Financing Plan within fourteen (14) days of receipt. Failure of the Agency to approve or disapprove the Financing Plan within fourteen (14) days of receipt shall be deemed to be approval by the Agency. If the revised Financing Plan is disapproved, then the Developer shall have thirty (30) days to submit a further revised Financing Plan. The periods for submission of a revised Financing Plan, review, and approval or disapproval shall continue to apply until a Financing Plan has been approved by the Agency; however, a Financing Plan must be approved by the

Agency no later than three hundred sixty five days (365) days following execution of this Agreement, or this Agreement may be terminated by either Party pursuant to Section 9.2.

Section 2.4 Reciprocal Easement Agreement. The Property abuts a private way as more particularly designated on the map attached as Exhibit J The private way also runs along the boundary line of and serves four other parcels in the block. The owners of the other parcels and the Agency have previously discussed the need for a reciprocal easement agreement that will provide for the use of the private way for pedestrian and vehicular ingress and egress and that will allocate maintenance responsibility among the owners. Prior to the conveyance of the Property to the Developer by the Agency, the Agency and the Developer shall agree on the form of Reciprocal Easement Agreement to be recorded against the Property at the Close of Escrow.

Section 2.5 Final Construction Drawings. No later than the date specified in the Schedule of Performance, the Developer shall submit to the Agency the proposed Final Construction Drawings for the Project. The Agency shall review the proposed Final Construction Drawings pursuant to the provisions of Section 4.7.

Section 2.6 Building Permit. No later than the date specified in the Schedule of Performance, the Developer shall submit the Final Construction Drawings to the City and shall apply for a building permit for construction of the Improvements. Thereafter, the Developer shall diligently pursue and obtain such a permit.

Section 2.7 Construction Contract. No later than the date specified in the Schedule of Performance, the Developer shall submit to the Agency for review and approval a copy of each construction contract that the Developer proposes to enter into for construction of the Project. The Agency's review and approval of a proposed construction contract shall be limited to a determination of the following in the exercise of its reasonable judgment: that the scope and cost of work have been clearly fixed and are consistent with the scope and cost set forth in the Project Documents and the Financing Plan; that the provisions of the construction contract are consistent with the provisions of this Agreement. Within ten (10) days after receiving a proposed construction contract, the Agency shall approve or disapprove the proposed construction contract based on its reasonable review. Failure of the Agency to approve or disapprove the construction contract within ten (10) days of receipt shall be deemed to be approval by the Agency. Any disapproval of a proposed construction contract shall state in writing the reasons for disapproval and the changes which the Agency requests. The Developer shall thereafter submit a revised construction contract to the Agency for its approval within ten (10) days of the Agency's notification of disapproval. If the revised construction contract is disapproved, then the Developer shall have ten (10) days to submit a further revised construction contract. The periods for submission of a revised construction contract, review, and approval or disapproval shall continue to apply until a construction contract has been approved by the Agency; however, if the Developer is unable to obtain Agency approval of the construction contract within one hundred eighty (180) days after issuance of a building permit by the City, then this Agreement may be terminated pursuant to Section 9.2.

Section 2.8 Construction Bonds. No later than the date specified in the Schedule of Performance, the Developer shall deliver to the Agency copies of labor and material bonds and

payment and performance bonds, each in a penal sum of not less than one hundred percent (100%) of the scheduled cost of construction of the Project and naming the Agency as a co-obligee. Said bonds should be issued by an insurance company which is licensed to do business in California and named in the current list of "Surety Companies Acceptable on Federal Bonds" as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department and for amounts which are not in excess of the acceptable amount set forth on such list for the respective surety. The insurance company shall have a rating equivalent to a Best rating of A or FSC rating of 9. The Agency shall consider (but have no obligation to approve) alternate forms of reasonable assurance that the Project will be completed in the manner contemplated by this Agreement.

Section 2.9 Deposit. The Deposit shall be in form of a letter of credit, a certificate of deposit, cash or cash equivalent or such other form of security, each in a form reasonably acceptable to the Agency. The Deposit shall be in full force and effect and shall have a term which shall be automatically extended until at least the date that the Certificate of Completion is issued to the Developer by the Agency. The terms of the Deposit shall allow the Agency to draw upon it in the event of an uncured Event of Developer Default as defined in Section 9.4. Any interest earned on the Deposit shall accrue to the Developer. As additional security for the performance of the Developer's obligations under this Agreement, the Developer shall cause a completion guaranty to be provided to the Agency in a form and from an affiliated entity reasonably satisfactory to the Agency in the event that a completion guaranty from an affiliate of the Developer is not required by the Developer's construction lender for the Project. In the event that the Developer provides an acceptable completion guaranty to the Agency, the Deposit shall be reduced to a total of Two Hundred Fifty Thousand Dollars ($250,000).

Section 2.10 Insurance. Prior to the Close of Escrow, the Developer has furnished the Agency with evidence of the insurance coverage meeting the requirements contained in this Agreement.

## ARTICLE 3.
## DISPOSITION OF PROPERTY

Section 3.1 Sale and Purchase. Provided the predisposition requirements set forth in Article 2 and the additional closing conditions set forth in Section 3.4 have been satisfied, the Agency shall sell to the Developer, and the Developer shall purchase from the Agency, the Property pursuant to the terms, covenants, and conditions of this Agreement.

Section 3.2 Purchase Price. The Purchase Price for the Property shall be Three Million Dollars ($3,000,000) to be paid by the Developer at the Close of Escrow.

Section 3.3 Opening Escrow. To accomplish the conveyance of the Property from the Agency to the Developer, by the date specified in the Schedule of Performance, the Parties shall establish an escrow and execute and deliver to the Escrow Holder written instructions that are consistent with this Agreement.

Section 3.4 Close of Escrow. Subject to the satisfaction of all predisposition conditions set forth in Article 2 and the further conditions to Close of Escrow set forth in this section, the Close of Escrow shall occur and the Agency shall convey, and the Developer shall accept conveyance of, a fee interest in the Property pursuant to the Grant Deed.

The following shall constitute conditions to the completion of the Close of Escrow:

(a) The conditions precedent set forth in Article 2 above shall have been satisfied.

(b) The Developer has deposited the purchase price with the Escrow Holder.

(c) There shall exist no condition, event or act which would constitute a breach or default under this Agreement or which, upon the giving of notice or the passage of time, or both, would constitute such a breach or default.

(d) The Deposit has been made and is in full force and effect.

(e) The representations, warranties, and covenants of the Developer set forth in this Agreement shall be true and correct, and fully observed, as of the date of execution of this Agreement and as of the date of the Close of Escrow.

(f) The construction financing for the Project is ready to close simultaneously with the conveyance of the Property.

Section 3.5 Condition of Title. The Agency shall convey the fee interest in the Property free of all liens, encumbrances, clouds, conditions, and rights of occupancy and possession, except the Permitted Exceptions.

Section 3.6 Condition of the Property.

(a) Disclosure. In fulfillment of the requirements of Health and Safety Code Section 25359.7(a), the Agency has provided the Developer with true copies of the following (collectively the "Environmental Studies"):

(1) Environmental Site Assessment Property Bordered by Flower Street, 11th Street and Hope Street, Northwest Corner of 11th Street and Hope Street, Los Angeles, California 90015 prepared by Harding Lawson Associates, dated December 8, 1999.

(2) Geotechnical Engineering Investigation Proposed Mixed Used Development Southeast Corner Olympic Boulevard and Flower Street, Los Angeles, California, prepared by Jerry Kovacs and Associates, Inc., dated April 3, 2000

To the best of the Agency's knowledge, the Environmental Studies have been professionally prepared and depict the condition of the Property with respect to the matters covered in the Environmental Studies as of the date thereof.

(b) Due Diligence. The Developer acknowledges that it has availed itself of the opportunity granted by the Agency prior to execution of this Agreement to conduct all studies and investigations of the Property that it has deemed necessary to assure itself of the physical condition of the Property and the suitability of the Property for the development contemplated by this Agreement.

(c) "As Is" Conveyance. The Property shall be conveyed to the Developer in "as is" condition, and the Agency shall not be responsible for demolition, site preparation, any other removal or placement of improvements, soil conditions, or removing any subsurface obstruction or correcting any subsurface condition. The Agency shall have no responsibility for the suitability of the Property for the development of the Project, and if the conditions of the Property are not entirely suitable for the development of the Project, then the Developer shall put the Property in a condition suitable for the Project to be constructed. Except as otherwise set forth in Section 6.5(c) of this Agreement, the Developer waives any right of reimbursement or indemnification from the Agency for the Developer's costs related to any physical conditions on the Property. This waiver shall survive termination of this Agreement.

Section 3.7 Costs of Escrow. Ad valorem taxes, if any, for the Property shall be prorated as of the date of the Close of Escrow. The lien of any bond or assessment related to the Property shall be assumed by the Developer and assessments payable thereon shall be prorated as of the date of the Close of Escrow. All costs of escrow (including, without limitation, any Escrow Holder's fee, costs of title company document preparation, recording fees, and transfer tax) shall be borne one-half (1/2) by the Agency and one-half (1/2) by the Developer.

Section 3.8 Real Estate Commissions. Each Party represents and warrants that it has not entered into any agreement, and has no obligation, to pay any real estate commission in connection with the transaction contemplated by this Agreement. If a real estate commission is claimed through either Party in connection with the transaction contemplated by this Agreement, then the Party through whom the commission is claimed shall indemnify, defend and hold the other Party harmless from any liability related to such commission. The provisions of this section shall survive termination of this Agreement.

## ARTICLE 4.
## DESIGN REQUIREMENTS

Section 4.1 Description of Project. The Project consists of the construction of approximately two hundred thirty (230) units of rental housing as well as certain infrastructure improvements necessary to serve the Project as further described in the Scope of Development.

Section 4.2 Design in Conformance with Scope of Development and Schematic Design Drawings. In designing and constructing the Project, the Developer shall cause all subsequent design documents to be consistent with the Scope of Development attached as Exhibit C and the Schematic Design Drawings. The Scope of Development and the Schematic Design Drawings shall establish the baseline design standards from which the Developer shall prepare all subsequent Project Documents.

Section 4.3 Project Documents. The Developer shall cause its architect to proceed diligently to prepare Design Development Drawings and Final Construction Drawings for the proposed Project, consistent with the Scope of Development and the Schematic Design Drawings, including, without limitation, such drawings as may reasonably be required to show the location, bulk, height and other principal external features of the proposed Project. In connection with its submittal to the Agency for its approval, the Developer shall provide to the Agency such elevations, sections, plot plans, specifications, diagrams and other design documents at each of the stages described in Section 4.4 ("Project Documents") , as may reasonably be required by the Agency for its review. The Project Documents shall incorporate the relevant mitigation measures adopted by the Agency in conjunction with its approval of the Project and any conditions imposed by the City's entitlements process.

Section 4.4 Submittal and Review of Design and Construction Documents. Within the times set forth in the Schedule of Performance, the Developer shall submit to the Agency the Project Documents in the following stages:

(a) Design Development Drawings. The Design Development Drawings shall be based on the Schematic Design Drawings and the Scope of Development. The Design Development Drawings shall indicate estimated wall thickness, structural dimensions, and delineation of site features and elevations, the building core, materials and colors, fine art, landscaping, a refined exterior signage plan and other features. The drawings shall fix and describe all design features, as well as the size, character, and quality of the entire Project as to architectural, structural, and mechanical systems. Key details shall be provided in preliminary form. Samples of key materials to be used in publicly visible areas shall accompany the Design Development Drawings submittal.

(b) Final Construction Drawings. Final Construction Drawings are to be a continuation of approved Design Development Drawings. The Final Construction Drawings must provide all the detailed information necessary to obtain a building permit for that phase. The Final Construction Drawings to allow for the Developer to obtain the superstructure building permit must provide all the detailed information necessary to obtain a building permit to build the Project including complete building, site, landscape, exterior signage and fine art construction details, requirements, standards, and specifications. The Developer shall provide additional material samples upon the reasonable request of the Agency.

(c) Art Program. In development of the Project Documents, the Developer shall include public art elements for the Project consistent with the Agency's 1993 Public Art Policy described in Exhibit H.

Section 4.5 Project Approvals. Within the times set forth in the Schedule of Performance, the Agency shall have the right to review and approve the Project Documents. The purpose of the Agency's review of the Project Documents is to ensure consistency with the Scope of Development and the provisions of this Agreement. Provided that the architectural submittals meet the requirements set forth in Section 4.4, the Agency shall be required to approve those Project Documents which Logically Evolve from concepts set forth in previously

approved Project Documents. For purposes of this Article 4, the phrase "Logical Evolution" or "Logically Evolve" means a refinement or amplification of the Schematic Design Drawings into subsequently approved architectural drawings and design material which flow naturally and foreseeably therefrom, which reflect good architectural and engineering design and local construction practices, code requirements, applicable plan check and permit conditions, and the timely availability of materials.

Section 4.6 New Material Concerns. If the Agency determines that there are material changes which are not Logical Evolutions from previously approved Project Documents or which raise material concerns that were not reviewable in previously approved Project Documents, in approving or disapproving such Project Documents, the Agency shall act in its reasonable discretion. Any disapproval of the new Project Documents shall be in writing and shall state the reasons for the Agency's disapproval.

Section 4.7 Approval Process. The Agency shall approve or disapprove submittals under this Article 4 within thirty (30) days of receipt of the submittal from the Developer. Failure of the Agency to approve or disapprove such submittals within thirty (30) days shall be deemed to be approval of such submittals. In the event the Agency disapproves a submittal of the Project Documents pursuant to Section 4.5 or Section 4.6, the Agency shall submit a list of reasons for such disapproval to the Developer, together with its notice of disapproval. Upon receipt of such a list, the Developer shall have fifteen (15) business days to resubmit a revised submittal. Again, upon their receipt of a revised submittal, the Agency shall have fifteen (15) business days (or in the event Agency Board action is required as soon as reasonably possible) to approve or disapprove of the revised design. If in the Agency's reasonable judgment, Agency Board action is not required to consider the revised submittal, failure to approve or disapprove within fifteen (15) days shall be deemed to be approval of such change. The times for approval of the Project Documents set forth in the Schedule of Performance shall be automatically adjusted to reflect time for the Developer to make resubmittals, if required to obtain Agency approval, as allowed by this Section 4.7.

Section 4.8 No Change in Project Documents. Once the Agency has approved Final Construction Drawings for a specific phase, the Developer shall not make any changes in those documents which would materially impact the matters set forth in Section 4.4 without the prior written approval of the Agency, acting in its reasonable discretion and within the time periods set out in Section 4.7, provided, however, that after the commencement of construction, any document submitted to the Agency for its approval shall be deemed approved, if not reasonably disapproved, within fifteen (15) days following receipt by the Agency.

Section 4.9 Additional Permits and Approvals. Within the time specified in the Schedule of Performance, Developer shall obtain all permits and approvals necessary to construct the Improvements including the City Approvals and the Building Permit. All applications for such permits and approvals shall be consistent with the approved Project Documents. The Developer shall not obtain a building permit for a phase of construction until the Agency has approved the Final Construction Drawings for that phase. The Developer acknowledges that execution of this Agreement by the Agency does not constitute approval by the City of any required permits, applications, or allocations, and in no way limits the discretion

of the City in the permit, allocation and approval process. The Agency shall provide reasonable assistance to the Developer in securing such permits and approvals.

Section 4.10 Agency Review. The Developer shall be solely responsible for all aspects of the Developer's conduct in connection with the Project, including, but not limited to, the quality and suitability of the Project Documents, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the Agency with reference to the Project is solely for the purpose of determining whether the Developer is properly discharging its obligations to the Agency, and should not be relied upon by the Developer or by any third parties as a warranty or representation by the Agency as to the quality of the design or construction of the Improvements.

## ARTICLE 5.
## CONSTRUCTION OF THE IMPROVEMENTS

Section 5.1 Commencement of Construction. The Developer shall commence construction of the Improvements within the time set forth in the Schedule of Performance.

Section 5.2 Completion of Construction. The Developer shall diligently prosecute to completion the construction of the Improvements, and shall complete construction of the Improvements within the time set forth in the Schedule of Performance. As between the Agency and the Developer, the Developer shall be solely responsible for the construction of the Improvements, including all costs, except as otherwise set forth in Section 6.5(c) of this Agreement.

Section 5.3 Construction Pursuant to Scope and Plans.

(a) The Developer shall construct the Improvements in accordance with the Scope of Development, the approved Final Construction Drawings, and the terms and conditions of all City and other governmental approvals.

(b) Any proposed material change in the approved Final Construction Drawings impacting the exterior of the Project, shall be submitted by the Developer for Agency approval. The Agency shall approve or disapprove a proposed material change within fifteen (15) days after receipt by the Agency. Failure to approve or disapprove within fifteen (15) days shall be deemed to be approval of such change. If the Agency rejects the proposed material change, then the Agency shall provide the Developer with the specific reasons therefor, and the approved Final Construction Drawings shall continue to control. For purposes of this Section 5.3(b), a material change in the Final Construction Drawings shall consist of (1) any change that exceeds One Hundred Thousand Dollars ($100,000); or (2) any set of changes that cumulatively exceeds Five Hundred Thousand Dollars ($500,000) or (3) any substantial change in building materials or equipment, specifications, or the architectural or structural design of the Improvements as called for in the Project Documents.

(c) No change which is required for compliance with building codes or other government health and safety regulation shall be deemed material. However, the Developer must submit to the Agency any change that is required for such compliance within ten (10) days after making such change, and such change shall become a part of the approved Final Construction Drawings, binding on the Developer.

Section 5.4 Compliance with Applicable Law. The Developer shall cause all work performed in connection with construction of the Improvements to be performed in compliance with (a) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, (including, without limitation, the prevailing wage provisions of Sections 1770 et seq. of the California Labor Code, but only to the extent applicable), and (b) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and the Developer shall be responsible for the procurement and maintenance thereof, as may be required of the Developer and all entities engaged in work on the Property.

Section 5.5 Certificate of Completion. When the obligations of the Developer under this Article 5 have been met, the Developer may request that the Agency issue a certificate to such effect (a "Certificate of Completion") in a form recordable in the Official Records of the County of Los Angeles, which the Agency shall do within thirty (30) days of such a request if the Developer has met the requirements for such issuance. Such certification shall not be deemed a notice of completion under the California Civil Code, nor shall it constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of deed of trust securing money loaned to finance the Project or any portion thereof. If the Developer requests issuance of a Certificate of Completion, but the Agency refuses, then the Agency shall provide the Developer with a written explanation of its refusal within ten (10) days of the Developer's request. The issuance of a Certificate of Completion by the Agency to the Developer shall signify that the Developer has met its obligations under this Agreement except for the its continuing obligations and representations contained in the following provisions: Section 6.1, 6.2, 6.3, 6.4, 6.5(b), 6.5 (d), 6.8, 6.12, 6.14, Article 8, Article 9, and Article 10.

Section 5.6 Release of Deposit. Within ten (10) days following the issuance of a Certificate of Completion by the Agency to the Developer, the Agency shall return the Deposit to the Developer.

Section 5.7 Progress Reports. Until a Certificate of Completion has been issued by the Agency, the Developer shall provide the Agency with periodic progress reports, as reasonably requested by the Agency, regarding the status of the construction of the Project.

Section 5.8 Entry by the Agency. Until a Certificate of Completion has been issued by the Agency, the Developer shall permit the Agency, through its officers, agents, or employees, to enter the Property at all reasonable times to inspect the work of construction to determine that such work is in conformity with the Scope of Development and the approved Final Construction Drawings or to inspect the Property for compliance with this Agreement. The

Agency is under no obligation to (a) supervise construction, (b) inspect the Property, or (c) inform the Developer of information obtained by the Agency during any inspection. The Developer shall not rely upon the Agency for any supervision or inspection. The rights granted to the Agency pursuant to this section are in addition to any rights of entry and inspection the City may have in exercising its municipal regulatory authority.

## ARTICLE 6.
## OBLIGATIONS DURING AND AFTER CONSTRUCTION

Section 6.1 Use of the Property. During the term of this Agreement, the Developer shall use and operate the Property as a Project or for such other uses as may be consistent with all City and other governmental approvals, and the Redevelopment Plan. The Developer shall abide by all provisions and conditions of the Redevelopment Plan in the use of the Property.

Section 6.2 Maintenance. The Developer shall cause the Property and the Project to be well maintained and repaired in a condition reasonably acceptable to the Agency during the Term, including but not limited to cleaning, painting, decorating, plumbing, carpentry, grounds care and such other maintenance and repairs as may be necessary. If there arises a condition in contravention of this Section 6.2, and if the Developer has not diligently proceeded to cure such condition within thirty (30) days after receiving an Agency notice of such a condition, then the Agency shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Project in order to recover actual costs in effectuating such cure and collecting the advance from the Developer.

Section 6.3 Open Space Fee. During the entire term of the South Park Open Space Covenant, the Developer shall pay, at its own cost and expense the South Park Open Space Fee in the annual amount of Thirty Five Thousand Dollars ($35,000). The South Park Open Space Fee shall be payable beginning the first July 1st following the earlier of the Developer's receipt of a temporary certificate of occupancy or certificate of occupancy for the Project and on each July 1st annually thereafter for the Term.

Section 6.4 General Indemnity. The Developer shall indemnify, defend, and hold the Agency, its directors, officers, employees, agents, and its successors and assigns harmless against all claims which arise from events occurring in connection with entry onto, ownership of, occupancy in, or construction on the Property by the Developer or the Developer's contractors, subcontractors, agents, employees or tenants. This indemnity obligation shall not extend to any claim arising solely from the Agency's gross negligence or the Agency's failure to perform its obligations under this Agreement, and shall survive termination of this Agreement.

Section 6.5 Hazardous Materials.

(a) Certain Covenants and Agreements. Until the issuance of a Certificate of Completion by the Agency to the Developer, the Developer hereby covenants and agrees that:

(1) The Developer shall not knowingly permit the Property or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Materials or otherwise knowingly permit the presence of Hazardous Materials in, on or under the Property in violation of any applicable law;

(2) The Developer shall keep and maintain the Project and each portion thereof in compliance with, and shall not cause or permit the Project or any portion thereof to be in violation of, any Hazardous Materials Laws;

(3) Upon receiving actual knowledge of the same the Developer shall immediately advise the Agency in writing of: (A) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Developer or the Project pursuant to any applicable Hazardous Materials Laws; (B) any and all claims made or threatened by any third party against the Developer or the Project relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as "Hazardous Materials Claims"); (C) the presence of any Hazardous Materials in, on or under the Property in such quantities which require reporting to a government agency; or (D) the Developer's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Project classified as "borderzone property" under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Project under any Hazardous Materials Laws. If the Agency reasonably determines that the Developer is not adequately responding to a Hazardous Material Claim, the Agency shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any such Hazardous Materials Claims and to have its reasonable attorney's fees in connection therewith paid by the Developer.

(4) The Developer shall not take, without the Agency's prior written consent, which shall not be unreasonably withheld or delayed, any remedial action in response to the presence of any Hazardous Materials on, under, or about the Property (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) Indemnity. Without limiting the generality of the indemnification set forth in Section 6.4, the Developer hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Agency) the Agency, the City, their boardmembers, officers, and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgements, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of: (1) the failure of the Developer or any other person or entity to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials into, on, under or from the Project; (2) the presence in, on or

under the Property of any Hazardous Materials or any releases or discharges of any Hazardous Materials into, on, under or from the Project; or (3) any activity carried on or undertaken on or off the Project, subsequent to the conveyance of the Property to the Developer, and whether by the Developer or any successor in title or any employees, agents, contractors or subcontractors of the Developer or any successor in title, or any third persons at any time occupying or present on the Project, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials at any time located or present on or under the Project (collectively "Indemnification Claims"). The foregoing indemnity shall further apply to any residual contamination on or under the Project, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with Hazardous Materials Laws.

(c) Notwithstanding the indemnity contained in Section 6.5(b), in the event the Developer discovers the presence of Hazardous Materials in, on or under the Property prior to the time the Developer completes the roof slab for the first floor of the Project, which Hazardous Materials require remediation , the Agency shall contribute to the Developer up to One Hundred Twenty Five Thousand Dollars ($125,000) to pay remediation costs. Prior to instituting any remediation plan which will utilize Agency funds, the Developer shall submit to the Agency the remediation plan for the Agency's review and approval, which shall not be unreasonably withheld or delayed. Subject to the Agency's approval of the remediation plan, the Agency shall pay the first remediation costs up to One Hundred Twenty Five Thousand Dollars ($125,000) (the "Agency Remediation Contribution"). As security for its payment, the Agency shall instruct the Escrow Holder to hold One Hundred Twenty Five Thousand Dollars ($125,000) of the Purchase Price until instructed by the Agency that the Developer has completed the roof slab for the first floor of the Project or the funds are required to pay the Developer for remediation costs. If the Developer has not discovered the presence of Hazardous Materials in, on or under the Property prior to the time the Developer completes the roof slab for the first floor of the Project, the Escrow Holder shall disburse the Agency Remediation Contribution, and all interest earned thereon, to the Agency. In the event the Developer discovers the presence of Hazardous Materials in, on or under the Property prior to the time the Developer completes the roof slab for the first floor of the Project, the Escrow Holder shall disburse funds to the Developer as directed by the Agency to pay remediation costs. Following the completion of the required remediation work, the Escrow Holder shall disburse the remaining portion of the Agency Remediation Contribution, if any, and all interest thereon, to the Agency. In the event the Agency draws on the Deposit pursuant to Section 9.5, the Agency Remediation Contribution shall be immediately disbursed to the Agency.

(d) No Limitation. The Developer hereby acknowledges and agrees that the Developer's duties, obligations and liabilities under this Agreement, including, without limitation, under Section 6.5(b) above, are in no way limited or otherwise affected by any information the Agency may have concerning the Project and/or the presence within the Project of any Hazardous Materials, whether the Agency obtained such information from the Developer or from its own investigations.

(e) Environmental Work. The Developer shall be responsible for performing the work of any investigation and remediation which may be required by applicable law on the Property in order to develop the Project. The determination as to whether any such remediation is needed, and as to the scope and methodology thereof, shall be made by mutual agreement of governmental agency with responsibility for monitoring such remediation and the Agency and the Developer. The Developer shall notify the Agency promptly upon discovery of any actionable levels of Hazardous Substances, and upon any release thereof, and shall consult with the Agency in order to establish the extent of remediation to be undertaken and the procedures by which remediation thereof shall take place. The Developer shall comply with, and shall cause its agents and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal and remediation of Hazardous Substances. The investigation and remediation work shall be carried out in accordance with all applicable laws (including Hazardous Materials Laws) and such other procedures and processes as may be described in this Agreement.

Section 6.6 Mechanics' Liens. The Developer shall indemnify the Agency and hold the Agency harmless against and defend the Agency in any proceeding related to any mechanic's lien, stop notice or other claim brought by a subcontractor, laborer or material supplier who alleges having supplied labor or materials in the course of the construction of the Project by the Developer. This indemnity obligation shall survive the termination of this Agreement.

Section 6.7 Taxes. The Developer shall pay when due all real property taxes and assessments assessed and levied on the Property and the Project accruing as of and following the Close of Escrow, and shall remove any levy or attachment made on the Property or the Project following the Close of Escrow. The Developer may, however, contest the validity or amount of any tax, assessment, or lien on the Property and the Project.

Section 6.8 Non-Discrimination. The Developer covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the construction, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property or the Project, nor shall the Developer or any person claiming under or through the Developer establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, vendees or employees in the Property or the Project. The foregoing covenant shall run with the land and shall remain in effect in perpetuity.

Section 6.9 Mandatory Language in All Subsequent Deeds, Leases and Contracts. All deeds, leases or other real property conveyance contracts entered into by the Developer on or after the date of execution of this Agreement as to any portion of the Property or the Project shall contain the following language:

(a) In Deeds:

"Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, vendees, or employees in the property herein conveyed. The foregoing covenant shall run with the land."

(b) In Leases:

"The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns and all persons claiming under the lessee or through the lessee that his lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, vendees, or employees in the land herein leased."

(c) In Contracts:

"There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, vendees, or employees of the land."

Section 6.10 Zoning of the Property. It shall be the responsibility of the Developer at the Developer's sole cost and expense, to ensure that the zoning of the Property shall be such as to permit the development and use of the Property in accordance with the provisions of this Agreement. The Agency shall cooperate with the Developer in seeking any variances, conditional use permits, parcel maps or other discretionary approvals needed to implement this Agreement. The Agency shall execute any and all applications or other documents reasonably required by the City in order for the Developer to complete the applications for the City Approvals provided, however, that such applications and documents shall not impose any

liability upon the Agency or result in the creation of any restrictions on the Property without the Agency's prior written consent, which consent shall not be unreasonably withheld.

Section 6.11 Prevailing Wages. The Developer shall pay or cause to be paid to all workers employed in connection with the development of the Improvements, not less than the prevailing rates of wages, as provided in the statutes applicable to Agency public work contracts, including without limitation Sections 33423-33426 of the California Health and Safety Code and Sections 1770-1780 of the California Labor Code, in accordance with the Agency's "Policy on Payment of Prevailing Wages By Private Redevelopers or Owner-Participants" dated February 1986, attached hereto as Exhibit I and incorporated herein by this reference. In addition to any restitution required by the Agency's Policy and/or applicable law, any Developer or owner determined by the Agency to have violated any provision of the Agency's Policy, shall forthwith pay the following as a penalty to the Agency:

(a) Payment of less than prevailing wages: $50 per calendar day, or portion thereof, for each worker paid less than prevailing wages;

(b) Failure to provide all requested records and/or provide access to job site or workers: $5,000 per day, or portion thereof.

(c) If the construction work covered under this Agreement is financed in whole or in part with assistance provided under a program of the U.S. Department of Housing and Urban Development or some other source of federal funding, the Developer shall comply with or cause its general contractor and all subcontractors to comply with the requirements of the Davis-Bacon Act (40 U.S.C. 276 et. seq.). The Davis-Bacon Act requires the payment of wages to all laborers and mechanics at a rate not less than the minimum wage specified by the Secretary of Labor in periodic wage rate determinations as described in the Federal Labor Standards Provisions (HUD-4010). At the time of execution of this Agreement, no federal funds were contemplated to be allocated.

(d) Prior to the commencement of construction, and as soon as practicable in accordance with the Schedule of Performance, the Developer shall contact the Agency to schedule a pre-construction orientation meeting with the Developer and with the general contractor to explain such matters as the specific rates of wages to be paid to workers in connection with the development of the Improvements, pre-construction conference requirements, record keeping and reporting requirements necessary for the evaluation of the Developer's compliance with this Section 6.10.

(e) Developer shall monitor and enforce the prevailing wage requirements imposed on its contractors and subcontractors, including withholding payments to those contractors or subcontractors who violate these requirements. In the event that Developer fails to monitor or enforce these requirements against any contractor or subcontractor, Developer shall be liable for the full amount of any underpayment of wages, plus costs and attorneys' fees, as if Developer was the actual employer, and the Agency may withhold monies owed to the Developer, may impose penalties on Developer in the amounts specified herein, may take action directly against the contractor or subcontractor as permitted by law, and/or may declare the

Developer in default of this Agreement and pursue any of the remedies available under this Agreement.

(f) Any contractor or subcontractor who is at the time of bidding debarred by the Labor Commissioner pursuant to Section 1777.1 of the California Labor Code is ineligible to bid on the construction of the Improvements or to receive any contract or subcontract for work covered under this Agreement. The Developer agrees to include, or cause to be included, the requirements of this Section 6.10 in all bid specifications for work covered under this Agreement.

Any contractor or subcontractor who is at the time of bidding listed in the Lists of Parties Excluded From Federal Procurement or Nonprocurement Programs issued by the U.S. General Services Administration pursuant to Section 3(a) of the Davis-Bacon Act is ineligible to receive a contract for work covered under this Agreement, if the covered work is Federally funded in whole or in part.

The Developer agrees to include, or cause to be included, the above provisions in all bid specifications for work covered under this Agreement.

(g) Tenant improvements are outside the requirements of this Section 6.10.

The Developer agrees to include, or cause to be included, the above provision, to be applicable to contractors and subcontractors, in each contract and subcontract for work covered under this Agreement.

Section 6.12 Certification of Eligibility. By entering into this Agreement, the Developer certifies that neither it (nor he or she) nor any person or firm who has an interest in the Developer's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a) (1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

Section 6.13 Affirmative Action in Employment and Contracting Procedures, Including Utilization of Minority and Women Businesses. The Developer and the Agency acknowledge and agree that it is the policy of the Agency to promote and ensure economic advancement of minorities and women as well as other economically disadvantaged persons through employment and in the award of contracts and subcontracts for construction in redevelopment project areas. The Developer shall employ or select employees, contractors and subcontractors possessing the necessary skill, expertise, cost level and efficiency for the development of the Improvements.

(1) Utilization of Minority and Women Businesses (M/WBE).

(A) The Agency's goal is that contracts and subcontracts awarded by developers and their prime contractors be awarded to MBE firms in a dollar amount that is equal to twenty percent (20%), and WBE firms in a dollar amount equal to five percent (5%) of the aggregate sum of all contracts to be awarded.

(B) The Developer shall also, within that framework, to the greatest extent feasible, use its best efforts to award contracts and require the award of subcontracts by its contractors to firms representative of the minorities and women in the Project Area.

(2) Utilization of Project Area Residents.

The Developer shall in all general contracts for the construction of the Improvements (and its contractors shall in all subcontracts thereunder), require that to the greatest extent feasible, the labor force in all categories be comprised of residents of the Project Area. The Developer and its contractors shall also, to the greatest extent feasible, require that such labor force be diversified and therefore, proportionately representative of the minorities and women residing in the Project Area. This paragraph shall require the reasonable best efforts of the Developer and its contractors but shall not require the hiring of any person unless such person has the experience and ability, and, where necessary, the appropriate trade union affiliation, to qualify such person for the job.

(3) Community Outreach Plan.

(A) Submission of Plan – Prior to commencing construction, as provided in the Schedule of Performance, the Developer shall submit to the Agency Administrator or his/her designee, for approval, the Community Outreach Plan. The Community Outreach Plan shall set forth the methods the Developer will use to comply with this Section 6.12. Upon receipt of the Community Outreach Plan, the Agency shall, within thirty (30) days, approve or disapprove the Community Outreach Plan, or provide to the Developer a statement of actions required to be taken in order for the Community Outreach Plan to be approved. If the Agency fails to respond within such thirty (30) day period, the Community Outreach Plan shall be deemed approved by the Agency. The Developer shall not commence construction unless the Community Outreach Plan has approved or deemed approved by the Agency.

(B) Contents of the Community Outreach Plan – The Community Outreach Plan shall include, at a minimum:

1. Estimated total dollar amount (by trade) of all contracts and subcontracts to be let by the Developer or its prime contractor for the Improvements;

2. List of all M/WBEs that will be awarded a contract by the Developer or the prime contractor(s);

3. Estimated dollar value of all M/WBE contracts;

4. Provide documentation demonstrating that reasonable efforts were made by the Developer and/or prime contractor to meet the Agency's combined goal of twenty-five percent (25%) for MBE and WBE participation ONLY IF COMBINED GOALS ARE NOT MET;

5. Evidence of M/WBE Certification of all firms listed as MBE or WBE in the Plan;

Firms purporting to be M/WBE do not require M/WBE Certification if their contract amount is less than $25,000. Any firm not certified by the City of Los Angeles may not be considered an MBE or WBE for purposes of this Agreement.

6. Description of the actions to be taken to meet the project area resident and business utilization objectives.

7. Such other information and documentation as the Agency may reasonably deem necessary.

(4) General Information.

(A) During the construction of the Improvements, the Developer shall provide to the Agency such information and documentation as reasonable requested by the Agency.

(B) The Developer shall monitor and enforce the affirmative action and equal opportunity requirements imposed by this Agreement. In the event the Developer fails to monitor or enforce these requirements the Agency may declare the Developer in default of this Agreement and pursue any of the remedies available under this Agreement.

Section 6.14 Mitigation Monitoring Plan. The Developer shall comply with the mitigation monitoring plan incorporated in the Negative Declaration and approved by the Agency prior to its approval of this Agreement as that program may be amended from time to time.

Section 6.15 Insurance Requirements.

(a) Required Coverage. Until a Certificate of Completion has been issued by the Agency, the Developer shall maintain and keep in force, at the Developer's sole cost and expense, the following insurance applicable to the Project:

(1) Worker's Compensation insurance, including Employer's Liability coverage, with limits not less than $1,000,000 each accident, illness and disease.

(2) Comprehensive General Liability insurance broad form with limits not less than $5,000,000 each occurrence, combined single limits for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products and Completed Operations.

(3) Automobile Liability insurance with limits not less than $1,000,000 each occurrence, including owned, non-owned and hired vehicles, as applicable.

(4) Property insurance covering the Project covering all risks of loss, including fire, earthquake (but only if required in connection with the construction financing or if it is commercially affordable at a reasonable price and with a reasonable deductible) and flood, if applicable, for 100% of the replacement value, with deductible, if any, acceptable to the Agency.

(b) Contractor's Insurance. The Developer shall cause any general contractor or agent working on the Project under direct contract with the Developer to maintain insurance of the types and in at least the minimum limits described in subsections (a)(1), (a)(2), and (a)(3) above, and shall require that such insurance shall meet all of the general requirements of subsection (c) below. Subcontractors working on the Project under indirect contract with the Developer shall be required to maintain the insurance described in subsections (a)(1), (a)(2) and (a)(3) above. Liability and Comprehensive Liability insurance to be maintained by such contractors and agents pursuant to this subsection shall name as additional insureds the Agency, the City of Los Angeles, their boardmembers, officers, agents, and employees.

(c) General Requirements. The required insurance shall be provided under an occurrence form, and the Developer shall continuously maintain such coverage. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

Comprehensive General Liability, Comprehensive Automobile Liability and Property insurance policies shall be endorsed to name as additional insureds the Agency, the City of Los Angeles and their boardmembers, officers, agents, and employees.

All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to the Agency pursuant to Section 10.1 below.

Section 6.16 Certificates of Insurance. Upon the Agency's request at any time until a Certificate of Completion has been issued by the Agency, the Developer shall provide certificates of insurance, in form and with insurers reasonably acceptable to the Agency, evidencing compliance with the requirements of this Section, and shall provide complete copies of such insurance policies naming the Agency and the City of Los Angeles as additional insureds. The certificate of insurance shall reference the appropriate contact number to be provided to the Developer by the Agency.

## ARTICLE 7.
## ASSIGNMENT AND TRANSFERS

Section 7.1 Definitions. As used in this Article 7, the term "Transfer" means:

(a) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode of form, of or with respect to this Agreement or of the Property

or any part thereof or any interest therein or of the Project constructed thereon, or any contract or agreement to do any of the same; or

(b) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to any ownership interest in the Developer, or any contract or agreement to do any of the same.

Section 7.2 Identity of Developer. The Developer represents and warrants to the Agency, as follows:

(a) Organization. The Developer is a California corporation, duly organized, validly existing and in good standing under the laws of the State of California, with full power and authority to conduct its business as presently conducted and to execute, deliver and perform its obligations under this Agreement.

(b) Authorization. The Developer has taken all necessary action to authorize its execution, delivery and, subject to any conditions set forth in this Agreement performance of the Agreement. Upon the date of this Agreement, this Agreement shall constitute a legal, valid and binding obligation of the Developer, enforceable against it in accordance with its terms.

(c) No Conflict. The execution, delivery and performance of this Agreement by the Developer does not and will not conflict with, or constitute a violation or breach of, or constitute a default under (i) the charter or incorporation documents of the Developer, (ii) any applicable law, rule or regulation binding upon or applicable to the Developer, or (iii) any material agreements to which the Developer is a party.

(d) No Litigation. Unless otherwise disclosed in writing to the Agency prior to the date of this Agreement, there is no existing or, to the Developer's actual knowledge, pending or threatened litigation, suit, action or proceeding before any court or administrative agency affecting the Developer or the Property that would, if adversely determined, adversely affect the Developer or the Property or the Developer's ability to perform its obligations under this Agreement or to develop and operate the Project.

Section 7.3 Purpose of Restrictions on Transfer. This Agreement is entered into solely for the purpose of development and operation of the Project on the Property and its subsequent use in accordance with the terms of this Agreement. The qualifications and identity of the Developer are of particular concern to the Agency, in view of:

(a) The importance of the redevelopment of the Property to the general welfare of the community; and

(b) The fact that a Transfer as defined in Section 7.1 above is for practical purposes a transfer or disposition of the Property.

It is because of the qualifications and identity of the Developer that the Agency is entering into this Agreement with the Developer and that Transfers are permitted only as provided in this Agreement.

Section 7.4 Prohibited Transfers. The limitations on Transfers set forth in this Section 7.4 shall apply from the date of this Agreement until the issuance of a Certificate of Completion by the Agency to the Developer. Except as expressly permitted in this Agreement, the Developer represents and agrees that the Developer has not made or created, and will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior approval of the Agency. Any Transfer made in contravention of this Section 7.4 shall be void and shall be deemed to be a default under this Agreement, whether or not the Developer knew of or participated in such Transfer.

Section 7.5 Permitted Transfers. Notwithstanding the provisions of Section 7.4, the following Transfers shall be permitted (subject to satisfaction of the conditions of Section 7.6):

(a) Any Transfer creating a Security Financing Interest.

(b) Any Transfer directly resulting from the foreclosure of a Security Financing Interest or the granting of a deed in lieu of foreclosure of a Security Financing Interest.

(c) The leasing of units within the Project.

(d) Any Transfer resulting directly from the death of an individual.

(e) A Transfer of the Project to a Developer Affiliate.

Section 7.6 Effectuation of Permitted Transfers.

(a) No Transfer otherwise authorized or approved pursuant to Section 7.5(e) shall be permitted unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an agreement reasonably satisfactory to the Agency and in form recordable among the land records, expressly agrees to perform and observe, from and after the date of the Transfer, the obligations, terms and conditions of this Agreement; provided, however, that no such transferee shall be liable for the failure of its predecessor to perform any such obligation. The Agency shall grant or deny approval of a proposed Transfer within thirty (30) days of receipt by the Agency of the Developer's request for approval of a Transfer, which request shall include evidence of the proposed transferee's business expertise and financial capacity. Failure by the Agency to approve or disapprove the proposed Transfer within thirty (30) days after receipt of the Developer's written request shall be deemed to be approval of the proposed Transfer by the Agency.

(b) Any assignment of rights and/or delegation of obligations under this Agreement in connection with a Transfer (whether or not Agency approval is required) shall be in writing executed by Developer and the assignee or transferee, which written agreement shall

name the Agency as an express third party beneficiary with respect to such agreement (the "Assumption Agreement") with a copy thereof delivered to the Agency within thirty (30) days after the effective date thereof. Upon assignment or transfer of the Property pursuant to an Assumption Agreement, the assignor shall be relieved of liability with respect to any such obligations relating to the Project assumed by the assignee. Notwithstanding the foregoing, unless such assignee specifically assumes pursuant to the Assumption Agreement the obligations under this Agreement to indemnify Agency with respect to the Project, the assignor will retain such obligations and remain jointly and severally liable for such indemnity obligations with such assignee.

## ARTICLE 8.
## SECURITY FINANCING AND RIGHTS OF HOLDERS

Section 8.1 No Encumbrances Except for Development Purposes. Until a Certificate of Completion has been issued by the Agency, mortgages, deeds of trust, and other real property security instruments are permitted to be placed upon the Developer's interest in the Property only as permitted pursuant to this Section 8.1. Such permitted security instruments and related interests shall be referred to as "Security Financing Interests." The Developer shall promptly notify the Agency of any Security Financing Interest that has been or will be created or attached to the Property.

The Developer may place mortgages, deeds of trust, or other reasonable methods of security on the Developer's interest in the Property only for the purpose of securing construction loans and permanent financing approved by the Agency as part of the approved Financing Plan pursuant to Section 2.3.

Section 8.2 Holder Not Obligated to Construct. The holder of any Security Financing Interest authorized by this Agreement is not obligated to construct or complete any improvements or to guarantee such construction or completion; nor shall any covenant or any other provision in conveyances from the Agency to the Developer evidencing the realty comprising the Property or any part thereof be construed so to obligate such holder. However, nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

Section 8.3 Notice of Default and Right to Cure. Whenever the Agency pursuant to its rights set forth in Article 9 delivers any notice or demand to the Developer with respect to the commencement, completion, or cessation of the construction of the Project, the Agency shall at the same time deliver to each holder of record of any Security Financing Interest creating a lien upon the Property or any portion thereof a copy of such notice or demand. Each such holder shall (insofar as the rights of the Agency are concerned) have the right, but not the obligation, at its option, within thirty (30) days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default or breach which is subject to the lien of the Security Financing Interest held by such holder and to add the cost thereof to the security interest debt and the lien on its security interest. Nothing contained in this Agreement shall be deemed to permit

or authorize such holder to undertake or continue the construction or completion of the Project (beyond the extent necessary to conserve or protect such improvements or construction already made) without first having expressly assumed in writing the Developer's obligations to the Agency under this Agreement. The holder in that event must agree to complete, in the manner provided in this Agreement, the development of the Project. Any such holder properly completing the development of the Project pursuant to this section shall assume all rights and obligations of Developer under this Agreement and shall be entitled, upon written request made to the Agency, to a Certificate of Completion from the Agency.

Section 8.4 Failure of Holder to Complete Project. In any case where six (6) months after default by the Developer in completion of construction of the Project under this Agreement, the holder of record of any Security Financing Interest, having first exercised its option to construct, has not proceeded diligently with construction, the Agency shall be afforded those rights against such holder it would otherwise have against the Developer under this Agreement.

Section 8.5 Right of Agency to Cure. In the event of a default or breach by the Developer of a Security Financing Interest prior to the completion of construction of the Project, and if the holder has not exercised its option to complete the construction of the Project, the Agency may, upon prior written notice to the Developer, cure the default, prior to the completion of any foreclosure. In such event the Agency shall be entitled to reimbursement from the Developer of all costs and expenses incurred by the Agency in curing the default. The Agency shall also be entitled to a lien upon the Project to the extent of such costs and disbursements. The Agency agrees that such lien shall be subordinate to any Security Financing Interest, and the Agency shall execute from time to time any and all documentation reasonably requested by the Developer to effect such subordination.

Section 8.6 Right of Agency to Satisfy Other Liens. After the Close of Escrow and after the Developer has had a reasonable time to challenge, cure, or satisfy any liens or encumbrances on the Project or any portion thereof, and has failed to do so, in whole or in part, the Agency shall, upon prior written notice to the Developer, have the right to satisfy any such lien or encumbrances; provided, however that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Property or any portion thereof to forfeiture or sale.

Section 8.7 Holder to be Notified. To the extent deemed necessary by the Agency, the Developer shall insert each term contained in this Article 8 into each Security Financing Interest or shall procure acknowledgement of such terms by each prospective holder of a Security Financing Interest prior to its coming into any security right or interest in the Property or portion thereof.

Section 8.8 Modifications. If a holder of a Security Financing Interest should, as a condition of providing financing for development of all or a portion of the Project, request any modification of this Agreement in order to protect its interests in the Project or this Agreement, the Agency shall consider such request in good faith consistent with the purpose and intent of this Agreement and the rights and obligations of the Parties under this Agreement.

## ARTICLE 9.
## DEFAULT AND REMEDIES

Section 9.1 Application of Remedies. This Article 9 shall govern the Parties' remedies for breach or failure under this Agreement.

Section 9.2 No Fault of Parties.

(a) The following events constitute a basis for a Party to terminate this Agreement without the fault of the other:

(1) The Developer, despite good faith efforts, is unable to meet the conditions set forth in Article 2 within the time and in the manner specified in the applicable sections(s) of Article 2.

(2) The Agency, despite good faith efforts, is unable to convey the Property to the Developer within the time and in the manner specified in Article 3, and the Developer is otherwise entitled to such conveyance.

(b) Upon the happening of an event described in Section 9.2(a), and at the election of either Party, this Agreement may be terminated by written notice to the other Party. Notwithstanding the foregoing, prior to the termination of this Agreement pursuant to this Section 9.2, the Parties shall meet in good faith to discuss alternative approaches to satisfying the Developer precondition or accomplishing the Agency conveyance, as the case may be.

(c) After a termination pursuant to this Section 9.2, any costs incurred by a Party in connection with this Agreement and the Project shall be completely borne by such Party, the Deposit shall be released to the Developer and neither Party shall have any rights against or liability to the other and those provisions of this Agreement that recite that they survive termination of this Agreement.

Section 9.3 Fault of Agency.

(a) Except as to events constituting a basis for termination under Section 9.2, each of the following events, if uncured after expiration of the applicable cure period, shall constitute an "Agency Event of Default":

(1) Except as provided in Section 9.2, the Agency without good cause fails to convey the Property within the time and in the manner specified in Article 3, and the Developer is otherwise entitled to such conveyance.

(2) The Agency breaches any other material provision of this Agreement.

(b) Upon the occurrence of any of the above-described events, the Developer shall first notify the Agency in writing of its purported breach or failure, giving the Agency thirty (30) days from receipt of such notice to cure such breach or failure. In the event the Agency does not then cure the default within such thirty-day period (or, if the default is not susceptible of cure within such thirty-day period, the Agency fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then the Developer shall be entitled to the return of the Deposit and any rights afforded it in law or in equity by taking any or all of the following remedies: (1) terminating this Agreement by written notice to the Agency; (2) prosecuting an action for damages; (3) seeking specific performance of this Agreement; or (4) seeking any other remedy available at law or in equity. If the Developer elects to terminate this Agreement, the provisions of this Agreement that are specified to survive termination shall remain in full force and effect.

Section 9.4 Fault of Developer.

(a) Except as to events constituting a basis for termination under Section 9.2, each of the following events, if uncured after expiration of the applicable cure period, shall constitute a "Developer Event of Default":

(1) The Developer does not attempt diligently and in good faith to cause satisfaction of all conditions in Article 2.

(2) The Developer refuses for any reason (including, but not limited to, lack of funds) to accept conveyance from the Agency of the Property within the time and in the manner specified in Article 3.

(3) Subject to the provisions of Section 10.3, the Developer fails to construct the Project in the manner and by the deadline set forth in Article 5.

(4) The Developer breaches any provision of Article 6 or any other material provision of this Agreement.

(5) The Developer attempts or completes a Transfer except as permitted under Article 7.

(6) The Developer breaches any other material provision of this Agreement.

(b) Upon the happening of any event described in Section 9.4(a), the Agency shall first notify the Developer in writing of its purported breach or failure. The Developer shall have thirty (30) days from receipt of such notice to cure such breach or failure or if a cure is not possible within thirty (30) days. If the Developer does not cure the default within such thirty-day period (or if the default is not susceptible of being cured within such thirty-day period, the Developer fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then the Agency shall be afforded all of its rights at law or in equity by taking any or all of the following remedies: (1) withdrawing the Deposit, if not previously released, and terminating this Agreement by written notice to Developer; (2) prosecuting an action for damages; (3) seeking specific performance of this Agreement; or (4) seeking any other remedy available at law or in equity. If the Agency elects to terminate this Agreement, the provisions of this Agreement that are specified to survive such termination shall remain in full force and effect.

Section 9.5 Survival. Upon termination of this Agreement under this Article 9, the following provisions of this Agreement shall survive: the waiver in Section 3.5(c); and the indemnification obligations in Sections 3.7, 6.4, and 6.5(c). This Section 9.5 exists for reference purposes only, and does not alter the scope or nature of the surviving provisions.

Section 9.6 Rights and Remedies Cumulative. Except as otherwise provided, the rights and remedies of the parties are cumulative, and the exercise or failure to exercise any right or remedy shall not preclude the exercise, at the same time or different times, of any right or remedy for the same default or any other default.

## ARTICLE 10.
## GENERAL PROVISIONS

Section 10.1 Notices, Demands and Communications. Formal notices, demands, and communications between the Agency and the Developer shall be sufficiently given if, and shall not be deemed given unless, secured personally, or dispatched by certified mail, return receipt requested, or by facsimile transmission or reputable overnight delivery service with a receipt showing date of delivery, to the principal offices of the Agency and the Developer as follows:

Agency: The Community Redevelopment Agency
of the City of Los Angeles
354 South Spring Street Suite 800
Los Angeles, CA 90013
Attn: Administrator

with copies to: The Community Redevelopment Agency
of the City of Los Angeles
Office of City Attorney
354 South Spring Street Suite 800
Los Angeles, CA 90013
Attn: Agency General Counsel

Developer: F. C. Metropolitan Lofts, Inc.
949 South Hope Street, Suite 100
Los Angeles, California 90015
Attn: Stanley V. Michota, Jr.

with copies to: Allen Matkins Leck Gamble & Mallory, LLP
515 South Figueroa Street, Seventh Floor
Los Angeles, California 90071
Attn: Jerold B. Neuman, Esq.

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section 10.1. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

Section 10.2 Non-Liability of Officials, Employees and Agents. No member, official, employee or agent of the Agency or the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Agency or for any amount which may become due to the Developer or on any obligation under the terms of this Agreement.

Section 10.3 Enforced Delay. In addition to specific provisions of this Agreement, the Schedule of Performance shall be extended and performance by either Party shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; lack of transportation; or

court order; or any other similar causes (other than lack of funds of the Developer or the Developer's inability to finance the construction of the Project) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within ten (10) days from the commencement of the cause and such extension of time is not rejected in writing by the other Party within ten (10) days of receipt of the notice. In no event shall the Agency be required to agree to cumulative delays in excess of three hundred sixty five (365) days.

Section 10.4 Inspection of Books and Records. Until the issuance of a Certificate of Completion by the Agency to the Developer, the Agency has the right at all reasonable times to inspect on a confidential basis the books, records and all other documentation of the Developer pertaining to its obligations under this Agreement. The Developer also has the right at all reasonable times to inspect the books, records and all other documentation of the Agency pertaining to its obligations under this Agreement.

Section 10.5 Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of its provision.

Section 10.6 Applicable Law. This Agreement shall be interpreted under and pursuant to the laws of the State of California.

Section 10.7 Severability. If any term, provision, covenant or condition of this Agreement is held in a final disposition by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 10.8 Legal Actions. In the event any legal action is commenced to interpret or to enforce the terms of this Agreement or to collect damages as a result of any breach thereof, the Party prevailing in any such action shall be entitled to recover against the Party not prevailing all reasonable attorneys' fees and costs incurred in such action.

In the event legal action is commenced by a third party or parties, the effect of which is to directly or indirectly challenge or compromise the enforceability, validity, or legality of this Agreement and/or the power of the Agency to enter into this Agreement or perform its obligations hereunder, either the Agency or the Developer may (but shall have no obligation to) defend such action. Upon commencement of any such action, the Agency and the Developer shall meet in good faith and seek to establish a mutually acceptable method of defending such action.

Section 10.9 Binding Upon Successors; Covenants to Run With Land. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, and assigns of each of the Parties; provided, however, that there shall be no Transfer except as permitted in Article 7. Any reference in this Agreement to a specifically named Party

shall be deemed to apply to any successor, heir, administrator, executor, successor, or assign of such Party who has acquired an interest in compliance with the terms of this Agreement or under law.

The terms of this Agreement shall run with the land, and shall bind all successors in title to the Property until the termination of this Agreement, except that the provisions of this Agreement that are specified to survive termination of this Agreement shall run with the land in perpetuity and remain in full force and effect following such termination. Every contract, deed, or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the Agency expressly releases the Property or the applicable portion of the Property from the requirements of this Agreement.

Section 10.10 City As Third-Party Beneficiary. The City shall be a third-party beneficiary retaining enforcement rights with respect to this Agreement.

Section 10.11 Parties Not Co-Venturers. Nothing in this Agreement is intended to or does establish the Parties as partners, co-venturers, or principal and agent with one another.

Section 10.12 Provisions Not Merged With Grant Deed. None of the provisions of this Agreement shall be merged by the Grant Deed or any other instrument transferring title to any portion of the Property, and neither the Grant Deed nor any other instrument transferring title to any portion of the Property shall affect this Agreement.

Section 10.13 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the conveyance of the Property and the development of the Project.

Section 10.14 Agency Approval. Whenever this Agreement calls for Agency approval, consent, or waiver, the written approval, consent, or waiver of the Agency Administrator shall constitute the approval, consent, or waiver of the Agency, without further authorization required from the Agency Board. The Agency hereby authorizes the Agency's Administrator to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the Agency.

Section 10.15 Discretion Retained By City. The Agency's execution of this Agreement does not constitute approval by the City and in no way limits the discretion of the City in the permit and approval process in connection with development of the Project.

Section 10.16 Counterparts. This Agreement may be executed in counterparts and multiple originals.

Section 10.17 Amendments. The Parties can amend this Agreement only by means of a writing signed by both Parties.

Section 10.18 Recordation of Agreement. The Developer consents to the recordation of this Agreement in the records of the County Recorder of Los Angeles County against the Property.

Section 10.19 Standard of Approval. Any consents or approvals required or permitted under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies.

WHEREFORE, the Parties have executed this Agreement as of the date first above written.

AGENCY:

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, a public body, corporate and politic

By: _____
Jerry Scharlin
Administrator

APPROVED AS TO FORM
JAMES HAHN, CITY ATTORNEY

By: _____
Agency Counsel

Agency Special Counsel

Goldfarb & Lipman

By: _____

DEVELOPER

F C Metropolitan Lofts, Inc.

By: _____

Its: Vice President

STATE OF CALIFORNIA )
)ss
COUNTY OF _____)

On _____, 199_, before me, the undersigned, a Notary Public, personally appeared _____, personally known to me (or 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.

WITNESS my hand and official seal.

_____

STATE OF CALIFORNIA )
)ss
COUNTY OF Los Angeles )

On May 2, ~~199~~ 2001, before me, the undersigned, a Notary Public, personally appeared Sandra V. Mirabal Jr., personally known to me (or 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.

WITNESS my hand and official seal.

Amelia Rodriguez

AMELIA RODRIGUEZ
Commission # 1237825
Notary Public - California
Los Angeles County
My Comm. Expires Oct 12, 2003

STATE OF CALIFORNIA )
)ss
COUNTY OF _____)

On _____, 199_, before me, the undersigned, a Notary Public, personally appeared _____, personally known to me (or 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.

WITNESS my hand and official seal.

_____

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

## SCHEDULE A (CONTINUED)

DESCRIPTION: THE LAND REFERRED TO HEREIN IS SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1: (5138-013-903)

LOTS 14, 15, 16 AND THE NORTHERLY 3 FEET OF LOT 17 IN BLOCK 72 OF THE RESUBDIVISION OF BLOCKS 72 AND 73 OF ORD'S SURVEY, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 32 AND 33 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER ALL OF THE ABOVE DESCRIBED REAL PROPERTY, BUT WITHOUT ANY RIGHT TO PENETRATE, USE OR DIST SAID PROPERTY WITHIN 500 FEET OF THE SURFACE THEREOF, AS PROVIDED IN DEED RECORDED JULY 6, 1989 AS INSTRUMENT NO. 89-1076356, OFFICIAL RECORDS.

PARCEL 2: (5138-013-904)

THE SOUTHERLY 27 FEET, FRONT AND REAR OF LOT 17 AND ALL OF LOTS 18, 19 AND 20 OF M. M. WILLIAMS SUBDIVISION OF BLOCK 72 OF ORD'S SURVEY, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 32 & 33, OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER ALL OF THE ABOVE DESCRIBED REAL PROPERTY, BUT WITHOUT ANY RIGHT TO PENETRATE, USE OR DISTURB SAID PROPERTY WITHIN 500 FEET OF THE SURFACE THEREOF, AS PROVIDED IN DEED RECORDED JANUARY 9, 1990 AS INSTRUMENT NO. 90-47118, OFFICIAL RECORDS.

PARCEL 3: (5138-013-900)

LOTS 21, 22 AND THE SOUTH 5 FEET OF LOT 23, IN BLOCK 72 ORD'S SURVEY, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 32 AND 33, OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER ALL OF THE ABOVE DESCRIBED REAL PROPERTY, BUT WITHOUT ANY RIGHT TO PENETRATE, USE OR DISTURB SAID PROPERTY WITHIN 500 FEET OF THE SURFACE THEREOF, AS PROVIDED IN DEED RECORDED JULY 5, 1989 AS INSTRUMENT NO. 89-1063041, OFFICIAL RECORDS.

PARCEL 4: (5138-013-905)

ALL OF LOT 23, EXCEPT THE SOUTHERLY 5 FEET, FRONT AND REAR; ALL OF LOT 24 AND THE SOUTHERLY 5 FEET, FRONT AND REAR OF LOT 25, IN BLOCK 72 OF THE SUBDIVISION OF BLOCKS 72 AND 73 OF ORD'S SURVEY, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3 PAGES 32 AND 33 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM; ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED BY DEED RECORDED FEBRUARY 8, 1990 AS INSTRUMENT NO. 90-217987, OF OFFICIAL RECORDS.

PARCEL 5: (5138-013-912)

LOTS 28 AND 29 OF WILLIAMS SUBDIVISION OF BLOCK 72 OF ORD'S SURVEY, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 3, PAGES 32 AND 33 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL OIL, GAS, ASPHALTUM, BREA, KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND, WITHOUT THE RIGHT OF SURFACE ENTRY TO A DEPTH OF 500 FEET THEREOF, AS RESERVED BY ALICE RENE BELL, AS TRUSTEE OF THE ALICE IRENE BELL TRUST, IN DEED RECORDED OCTOBER 1, 1969, AS INSTRUMENT NO. 265, OFFICIAL RECORDS.

EXCEPTING THEREFROM; ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED BY DEED RECORDED FEBRUARY 8, 1990 AS INSTRUMENT NO. 90-216987, OF OFFICIAL RECORDS.

PARCEL 6: (5138-013-908)

LOT "A" OF TRACT NO. 1925, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 21, PAGE 37 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM; ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, ALL OTHER HYDROCARBON SUBSTANCES BY WHATSOEVER NAME KNOWN, AND ALL WATER, CLAIMS OR RIGHTS TO WATER, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED BY DEED RECORDED FEBRUARY 8, 1990 AS INSTRUMENT NO. 90-216987, OF OFFICIAL RECORDS.

# EXHIBIT B

## PRELIMINARY TITLE REPORT FOR THE PROPERTY

(To be inserted prior to execution by the Agency)

EXHIBIT C

SCOPE OF DEVELOPMENT

All capitalized terms used but not defined in this Scope of Development shall have the meanings set forth in the Disposition and Development Agreement (the "Agreement") to which this Scope of Development is attached.

Attachment No.
Scope of Development
Metropolitan Lofts (Forest City)
Northeast Corner of 11th and Flower Streets, and
Northwest corner of 11th and Hope Streets

The project site is located within the South Park area of the Central Business District Redevelopment Project mid-block, and bounded by Flower Street (W), 11th Street (S), Hope Street (E) and the Villa Flores and TELACU Senior housing developments (N). The Site is approximately 73,350 square feet and is currently used as surface parking. The Developer proposes to build a seven (7) story (approximately 75 feet in height to the highest occupied floor) residential project of 230 studio , one and two bedroom market rate housing and live-work units. The project is being developed in tandem with 1010 Developments Hope Village family affordable project on the northeast corner of the same block. The development would also include approximately 3000 square feet of retail space (on Eleventh and Flower Streets),and a leasing office. Parking for approximately 374 vehicles will be provided in a 7 level above-ground parking garage. Recreational amenities may include a swimming pool and/or spa and an open-air common plaza.

The Central Business District Redevelopment Plan land use designation for the subject site is designated as High Density Housing and/or Commerce/Parking Regional Center. The zoning designation for the Site is (Q)R5-4.

The following uses surround the Site: On the eastside of the Site is a five story, masonry commercial building; on the southern boarder is a recently built, five story parking structure and a three-story commercial building recently renovated by the Los Angeles Arena Company; on the southwest and westerns borders are parking lots for Staples Center; on the northwest border includes the 11-story Petroleum (office) Building; and on the northern border includes the recently completed 74 Villa Flores and the 40 unit (conversion) TELACU Hope Street senior housing developments.

The essence of the design considerations for the Project include the development of a moderate density residential project while at the same time creating a "pedestrian friendly and aesthetically-pleasing" experience along Hope, Flower and 11th Streets. The main entrance to the Project will be through an entry courtyard off Flower Street. The Agency will require as part of this development, the vacation (with the cooperation of the Developer) of an existing alley between Flower and Hope Streets and Olympic and 11th Streets; the provision for, and the maintenance by the Developer of a mid-block crossing (located to the north of the proposed development, north of the existing TELACU senior housing development, extending from Hope Street to Flower Street); and the provision of any necessary off-site improvements as required by the City and the Agency. In addition, in an effort to continue the maintenance of existing open space in downtown Los Angeles, the Developer shall annually contribute $35,000 to the Agency for the maintenance of public open space in South Park.

It shall be the Developer's responsibility to conform to the objectives and provisions set forth in this Scope of Development for this Disposition and Development Agreement (DDA). Any substantive changes from the approved project design drawings and property development standards must receive approval from the Agency Administrator or designee.

## II. DESIGN AND DEVELOPMENT CRITERIA

The following design and development criteria, the satisfaction of which will be subject to Agency approval shall apply to the development herein.

### 1. Land Use

- The site shall be developed with approximately 230 housing and live-work units as follows: 30% studios, 20% junior one bedrooms, 15% one bedrooms, 30% two bedrooms, and 5% three bedrooms. The project will also contain approximately 3,500+ square feet of office and retail space.

- The units shall range in size from approximately 475 to 1,300 square feet for lofts to approximately 2,300 square feet for some penthouse units.

- The main entrance to the lobby of the building, as well as vehicular access to the parking garage shall be from Flower Street.

- Amenities for the project shall include a common open courtyard area with a swimming pool and/or spa on the ground floor level.

- The ground floor shall include uses and/or design which will provide interest to the pedestrian or vehicular passerby. These uses shall be completely separated, screened and secured from the residential uses in the project.

### 2. Massing

- The buildings shall be rectangular in shape and shall provide a predominant streetwall along 11th, Hope and Flower Streets.

- The project shall establish a strong relationship between the pedestrian and the scale of the built environment through the use of building materials, surface articulation, detail, texture and proportion.

3. **Building Heights**

- The maximum height of any construction on the site, including any penthouses, parapets and other appurtenances, shall not exceed 7 stories or approximately 75 feet above street level to the highest occupied floor level.

4. **Building Materials and Finishes**

- Building materials, color and design shall be of a quality representative of other first class housing developments in downtown Los Angeles. Material should provide a sense of permanence and an attractive street level environment. The Developer shall be required to submit all major exterior construction materials and color samples for Agency staff approval.

- Clear glass shall be used at the street level window and door openings. No reflective glazing shall be used on the exterior of the building.

- Any security grill or gates used at window or door opens shall be designed as integral components of the building and shall provide maximum visibility to the interior when the grill or gate is in a closed position.

5. **Easement and Alley Vacation**

- The Developer shall provide a public sidewalk with a minimum 18 foot width on Hope Street measure from curb to building face and a public sidewalk with a minimum 12-foot width on 11th and Flower Streets measure from curb to building face .

- Development of the project will require that a portion of an existing alley, which currently bisects the project site, be vacated for the purposes of allowing vehicular access to the Project, as well as to other existing (TELACU, Villa Flores and Hope Village) housing developments.

6. **Rooftop Structures, Utilities and Service Areas**

- Careful design of rooftops for the residential and parking structure is required. Parking, roof surfaces, mechanical equipment and other necessary elements shall be provided for in such a manner that any lower portions of the Developments' buildings, which are likely to be viewed from the higher portions of other buildings, present a sensitive, attractive and screened design treatment consistent with the quality of development.

- Building service areas and trash storage shall be located within the structures and shall be fully screened from public view.

- All utility services shall be underground or concealed within buildings. All utility meters and any other service facilities must be located in enclosures that are architecturally compatible with the overall project development.

7. **Landscaping/Open Space/Public Spaces**

- Useable common open space/recreational areas shall be provided to meet the residents on-site recreational and open space needs. The fitness room and ground floor pool and/or spa shall be provided to meet on site recreational needs. The open space/recreational areas shall provide spaces for both passive and active outdoor uses. The courtyard area shall contain a fenced/secure pool area with benches, as well as built-in seating/picnic benches around or near double barbecue grills.

- Landscaping shall be installed and maintained in all publicly accessible or visible outdoor spaces including the courtyard, lobbies, front yards and all setback areas. The landscaping for the site shall consist of quality materials, including threes, shrubs and other plant materials, topsoil and soil preparation suitable to the existing climatic conditions. Drought resistance plant material is highly encouraged. Additionally, the landscaping must meet xeriscape requirements of the City of Los Angeles with regard to drip irrigation and drought resistant plant material. A complete and permanent irrigation system shall be installed for all landscaped areas. Landscaping shall also include a variety of paving surface materials and outdoor furniture and features (benches, etc.). The landscaping is to be in accordance with an Agency-approved Landscape Plan.

- Ficus trees (Green Gem variety) shall be provided along Hope and Flower Streets, Chinese Flame trees shall be provided along 11$^{th}$ Street as the street trees to be incorporated into the project.

- All street trees planted shall be a minimum box size of 36 inches and planted in accordance with City of Los Angeles, Street Tree Division requirements.

- The Developer shall commit the design team to careful consideration and concept development of the public spaces of the project, providing a pedestrian experience of the highest quality. Specifically there shall

be coordination of all design elements (streetscape, the streetwall, entrances and fenestration at the street level, gardens, other open spaces, lobbies, connectors, linkages etc.) within the project.

- The Developer shall be responsible for paying an annual open space fee to the continued maintenance and upkeep of public open space in South Park.

8. **Sidewalks, Mid-block Street Crossing**

- The Developer shall improve the sidewalks along Hope Street to meet the existing Hope Street standard sidewalk edge band treatment and tree grate design, and consistent with other recent Hope Street housing developments (such as the Hope Village located immediately one block to the north of the Project site). The development shall continue the edgecoam and colored sidewalk treatment along 11th Street. Other required standards shall include the Lawrence Halprin-designed paving pattern and historic (1906) street light fixtures along Hope Street, and the granite edgeband and standard CBD fluted pole street lighting fixture along 11th and Flower Streets.

- The Developer shall construct a "mid-block" driveway for both pedestrians and vehicles. The "mid-block" driveway will provide safe and enhanced pedestrian movement from Flower Street to Hope Street by connecting to the pedestrian crossing located between the existing TELACU and Hope Village housing developments.

9. **Signage**

- Any proposed signage shall be incorporated into the design of the building. Signs shall be designed in collaboration with the building's architect, shall occupy an appropriate field and shall constitute and integral component of building surfaces.

- The Developer shall submit a signage plan, concurrently with Final Construction Drawings, depicting the sign locations, size, material, color, lighting and design for all exterior signs. No billboards shall be permitted on site.

10. **Vehicular Access and Parking**

- Vehicular access to the residential and commercial/office uses shall be provided from the driveway located on Flower Street. All vehicular entries and exits from the site must be designed to minimize impacts between vehicular and pedestrian traffic. Specific driveway design and location shall be subject to the Agency and City of Los Angeles approval.

- Parking shall be provided in accordance with City standards.

- The Developer shall provide a parking barrier to clearly separate and differentiate between different parking users (residential visitors, and the retail/ leasing office parking) of the project.

11. **Exterior Illumination**

- The buildings shall incorporate exterior lighting that reinforces entrances, provides a safe level of illumination and is compatible with the design of building facades.

- All public sidewalks and open areas accessible to the public after dusk shall be well illuminated from dusk to dawn, but shall avoid harsh glaring light. All lighting shall be shielded and directed onto the site. No flood lighting shall be located so as to be seen directly by the adjacent areas.

12. **Security**

- The commercial uses of this project shall be completely separated and screened from the residential uses of this project. The commercial users of the project shall not have access into any portion of the residential areas.

- The project shall be secure along all property lines. Pedestrian access to the residential portion of the Development shall only be available through keyed gates or doorways.

- The design of this Development shall be responsive to the security needs of tenants and visitors. The Developer shall consult with the Los Angeles Police Department's Crime Prevention Unit to design and implement a security plan for the project.

- Any and all outdoor and courtyard areas shall be appropriately secured.

13. **Trash**

- At least one large enclosed trash facility shall be included for each residential wing of the project with convenient access provided for commercial trash pick-up. The residential trash facilities shall be connected to a trash chute that connects to each residential level. Trash areas shall also be provided for the retail/ leasing office components of the project. Shared trash facilities between the residential and retail/office users shall not be permitted.

14. **Construction Signs/Barricades**

- The Developer shall design, construct and install a minimum of one construction sign to Agency specifications. The sign shall be installed along Flower Street and shall be approved by Agency staff.

- Construction barricades and fencing to be utilized for public street frontages shall be designed to incorporate the above mentioned signage and shall be subject to Agency review and approval. Signs and barricades shall be painted in an attractive, coordinated fashion, and shall be maintained in good condition until the Project is completed. The incorporation of painted murals on construction barricade surfaces is encouraged.

- All street construction barricades and pedestrian walkways that will be in service for over 90 days shall be designed and installed with quality materials. Use of mobile or "temporary" scaffolding for pedestrian walkways is discouraged at all times and is prohibited if in service for over 90 days.

- During the construction period, every effort shall be made to maintain at least the City's minimum sidewalk width for all street frontages of the project pedestrian walkway barricades shall be designed to no less than the minimum standard, and every effort shall be made to achieve a wider sidewalk passageway wherever possible.

- All street barricades and pedestrian walkways shall be kept free of debris and in a condition that provides for safe use by the public at all times. All visible trash shall be picked up each day and walkways shall be swept as necessary to maintain a "broom clean" status. Graffiti shall be promptly removed or painted over and the barricade surfaces shall be repainted as necessary to maintain a clean, cared-for appearance.

-

15. **Sustainable Development**

- The Architect shall consult with the Department of Water and Power and the Southern California Gas Company regarding feasibility energy conservation features which can be incorporated into the design of the Project. The Architect shall work with the Integrated Solid Waste Management to obtain information on the variety of products with recycled materials that are already available on the market at no additional cost. The Architect shall submit to the Agency a list of conservation features incorporated into the Project. In addition, the Developer shall prepare, for Agency staff review and approval, a construction material recycling plan that identifies methods the development team shall employ to reduce impacts on local land fills by salvaging/reusing approximately 25-50% of unused construction materials for the Project.

## III. CITY REQUIREMENTS

Developer shall comply with all codes, permits and fee requirements of the City of Los Angeles. It is the responsibility of the Developer to ensure that the design of the project conforms to all applicable City, County and State building codes, planning and zoning requirements. The Developer shall obtain a preliminary plan check from the City of Los Angeles Department of Building and Safety prior to the submission of Design Development Drawings to the Agency for approval. The Developer shall dedicate and be responsible for the construction and maintenance of improvements in adjoining public rights-of-way in conformance with the requirements of the City of Los Angeles.

# EXHIBIT D

## FORM OF GRANT DEED

AGENCY GRANT DEED

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

The Community Redevelopment Agency
of the City of Los Angeles
354 South Spring Street, Suite 800
Los Angeles, CA 90013
Attn: Administrator

No fee for recording pursuant to
Government Code Section 27383

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged,

The Community Redevelopment Agency of the City of Los Angeles, a public body, corporate and politic, of the State of California ("Grantor"), acting to carry out redevelopment purposes pursuant to the Community Redevelopment Law of the State of California, hereby grants to F C Metropolitan Lofts, Inc. a California corporation ("Grantee"), the real property (the "Property") described in Exhibit A attached hereto and incorporated in this Grant Deed by this reference.

1. The Property is conveyed subject to the Disposition and Development by and between Grantor and Grantee executed as of June __, 2001 (the "Agreement").

2. The Grantee hereby covenants and agrees, for itself and its successors and assigns, that the Grantee and such successors and assigns shall promptly begin and diligently prosecute to completion the redevelopment of the Property through the construction of the improvements required to be constructed pursuant to the Agreement (the "Improvements"), and that such construction shall be commenced and completed within the times provided in the Agreement.

3. The Grantee hereby covenants and agrees, for itself and its successors and assigns, that during construction and thereafter, the Grantee shall devote the Property only to the uses specified in the Agreement.

4. The Grantee hereby covenants and agrees, for itself and its successors and assigns, that during construction and thereafter, the Grantee shall operate and maintain the Property and Improvements thereon in compliance with all requirements for operation and maintenance set forth in the Agreement.

5. The Grantee covenants and agrees, for itself and its successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Grantee itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property and the Improvements thereon.

All deeds, leases or contracts made relative to the Property and the Improvements thereon or any part thereof, shall contain or be subject to substantially the following non-discrimination clauses:

(a) In deeds: "The grantee herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through the Grantee, and this lease is made and accepted upon and subject to the following conditions:

"That there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry, or disability in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee, or any person claiming under or through the lessee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants or vendees in the land herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, ancestry or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee, or any person claiming under or through the transferee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants or vendees in the land."

6. The Grantee represents and agrees that the Property will be used for the purposes of timely redevelopment as set forth in the Agreement and not for speculation in landholding. The Grantee further recognizes that in view of the following factors, the qualifications of the Grantee are of particular concern to the community and the Grantor:

a. The importance of the redevelopment of the Property to the general welfare of the community; and

b. The land acquisition assistance and other public aids that have been made available by law and by the government for the purpose of making such redevelopment possible; and

c. The reliance by the Grantor upon the unique qualifications and ability of the Grantee to serve as the catalyst for development of the Property; and

d. The fact that a change in ownership or control of the owner of the Property, or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in ownership or with respect to the identity of the parties in control of the Grantee or the degree thereof is for practical purposes a transfer or disposition of the Property; and

e. The fact that the Property is not to be acquired or used for speculation, but only for development in accordance with the Agreement; and

f. The importance to the Grantor and the community of the standards of use and maintenance of the Property.

The Grantee further recognizes that it is because of such qualifications and identity that the Grantor has entered into the Agreement and has conveyed the Property to the Grantee.

For the reasons stated above, the Grantee covenants, for itself and its successors and assigns, that there shall be no sale, transfer, assignment, conveyance, lease, pledge or encumbrance of the Agreement, or the Property and the Improvements thereon or any part thereof, or of other ownership interest in the Grantee in violation of the Agreement.

No voluntary or involuntary successor in interest of the Grantee shall acquire any rights or powers under this Grant Deed or the Agreement except as expressly set forth in this Grant Deed or the Agreement.

7. The covenants contained in Sections 2 and 6 regarding construction and transfers of interests shall remain in effect until a Certificate of Completion (as defined in the Agreement) is issued to the Developer by the Agency. The covenants contained in Sections 3 and 4 regarding use, operation and maintenance shall remain in effect for the Term of the Agreement (as defined in the Agreement). The covenants contained in Section 5 regarding non-discrimination shall remain in effect in perpetuity.

8. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other financing or security instrument permitted by the Agreement or otherwise approved by the Agency; provided, however, that any successor of Grantee to the Property shall be bound by such covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

9. The covenants contained in Sections 2, 3, 4, 5 and 6 of this Grant Deed shall, without regard to technical classification or designation, legal or otherwise specifically provided in this Grant Deed, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of and enforceable by the Grantor, its successors and assigns, City of Los Angeles and any successor in interest to the Property or any part thereof, and such covenants shall run in favor of the Grantor and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor is or remains an owner of any land or interest therein to which such covenants relate. In the event of any breach of any of such covenants, the Grantor and such aforementioned parties shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed shall be for the benefit of and shall be enforceable only by the Grantor, its successors and such aforementioned parties.

10. Only the Grantor, its successors and assigns, and the Grantee and the successors and assigns of the Grantee in and to all or any part of the fee title to the Property shall have the rights to consent and agree to changes or to eliminate in whole or in part any of the covenants contained in this Grant Deed. For purposes of this Section, successors and assigns of the Grantee shall be defined to include only those parties who hold all or any part of the Property in fee title, and not to include a tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under deed of trust, or any other person or entity having an interest less than a fee in the Property.

In the event there is a conflict between the provisions of this Grant Deed and the Agreement, it is the intent of the parties hereto and their successors in interest that the Agreement shall control.

11. This Grant Deed may be executed and recorded in two or more counterparts, each of which shall be considered for all purposes a fully binding agreement between the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Grant Deed in triplicate as of this _____, 2001.

GRANTOR:

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, a public body corporate and politic

By: _____
Jerry Scharlin
Administrator

APPROVED AS TO FORM:

_____
Agency Counsel

GRANTEE:

F C Metropolitan Lofts, Inc.

By: _____

Its: _____

# EXHIBIT E

# PRELIMINARY DEVELOPMENT PROFORMA

TABLE 1

ESTIMATED DEVELOPMENT COSTS
METROPOLITAN LOFTS - REUSE ANALYSIS
230 MARKET RATE UNITS
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| I. | Land Acquisition | 230 | Units | $13,000 | /Unit | | $3,000,000 |
| II. | Direct Costs [1] | | | | | | |
| | Off & On-Site Improvements | 230 | Units | $6,100 | /Unit | $1,403,000 | |
| | Building Shell/Parking | 230 | Units | $152,000 | /Unit | 34,960,000 | |
| | Total Direct Costs | | | | | | $36,363,000 |
| III. | Indirect Costs | | | | | | |
| | Architecture, Engineering & Consulting | 5.00% | Direct Cost | | | $1,818,000 | |
| | Permits & Fees [2] | 230 | Units | $6,000 | /Unit | 1,380,000 | |
| | Taxes, Ins, Legal & Acctg | 3.00% | Direct Cost | | | 1,091,000 | |
| | Marketing/Leasing | | Allowance | | | 250,000 | |
| | Development Management | 4.00% | Direct Cost | | | 1,455,000 | |
| | Contingency | 5.00% | Direct Cost | | | 1,818,000 | |
| | Total Indirect Costs | | | | | | $7,812,000 |
| IV. | Financing Costs | | | | | | |
| | Interest During Construction | | | | | | |
| | Land [3] | $3,000,000 | Cost | 10% | Interest | $450,000 | |
| | Building [4] | $49,821,000 | Cost | 10% | Interest | 4,484,000 | |
| | Loan Origination Fees | $34,500,000 | Loan | 2.5 | Points | 863,000 | |
| | Total Financing Costs | | | | | | $5,347,000 |
| V. | Commercial Space [1] | 3,556 | Sf | $84.12 | /Sf | | $299,000 |
| VI. | Total Development Cost | | | | | | $52,821,000 |
| | Per Unit | | | | | | $229,700 |

[1] Based on Developer estimate.
[2] Based on Developer estimate. These costs should be verified by the City staff.
[3] Based on an 18 month construction period.
[4] Based on an 18 month construction period and a 60% average outstanding loan balance.

Prepared by: Keyser Marston Associates, Inc.
File Name: 0401sp; PF01; 4/20/01

**TABLE 2**

**STABILIZED NET OPERATING INCOME**
**METROPOLITAN LOFTS - REUSE ANALYSIS**
**230 MARKET RATE UNITS**
**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES**

| | | | | | | |
|---|---|---|---|---|---|---|
| I. | **Residential Income** | | | | | |
| | Rent | | | | | |
| | Live-Work | 35 | Units @ | $2,198 /Month | $923,200 | |
| | Platform | 96 | Units @ | $1,836 /Month | 2,115,400 | |
| | One-Bedroom | 40 | Units @ | $1,813 /Month | 870,000 | |
| | 1.5-Bedrooms | 24 | Units @ | $2,375 /Month | 684,000 | |
| | Two-Bedroom | 35 | Units @ | $2,317 /Month | 973,100 | |
| | Miscellaneous Income | 230 | Units @ | $25 /Month | 69,000 | |
| | Parking Income | 374 | Spaces @ | $75 /Month | 336,600 | |
| | **Gross Income** | | | | $5,971,300 | |
| | (Less) Vacancy and Collection | 5.0% | Gross Income | | (298,600) | |
| | **Gross Effective Income** | | | | | $5,672,700 |
| II. | **Residential Operating Expenses** | | | | | |
| | General Operating Expenses | 230 | Units @ | $4,000 /Unit | $920,000 | |
| | Property Taxes | 230 | Units @ | $1,957 /Unit | 450,100 | |
| | Capital Reserve | 230 | Units @ | $200 /Unit | 46,000 | |
| | Southpark Association Fee | 230 | Units @ | $152 /Unit | 35,000 | |
| | **Total Operating Expenses** | 230 | Units @ | ($6,309) /Unit | | ($1,451,100) |
| III. | **Commercial Space (NOI)** | 3,556 | Sf | $19 /Sf | | $68,300 |
| IV. | **Net Operating Income** | | | | | $4,289,900 |

[1] Equal to 65% loan to cost ratio and an 8.0% interest rate.

Prepared by: Keyser Marston Associates, Inc.
File Name: 0401sp; PF01; 4/20/01

TABLE 3

DEVELOPER RETURN CALCULATION
METROPOLITAN LOFTS - REUSE ANALYSIS
230 MARKET RATE UNITS
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

| | | | |
|---|---|---|---|
| I. | Net Operating Income | $4,289,900 | |
| II. | Development Costs | 52,821,000 | |
| III. | Return on Total Investment | | 8.1% |

Prepared by: Keyser Marston Associates, Inc.
File Name: 0401sp; PF01; 4/20/01

# EXHIBIT F

## SCHEDULE OF PERFORMANCE

ATTACHMENT NO.
SCHEDULE OF PERFORMANCE
METRO LOFTS (FOREST CITY)

| | |
|---|---|
| Approval of Schematic Design Drawings Agency shall approve, approve with conditions or disapprove Schematic Design Drawings. | Concurrently with Agency approval of the DDA. |
| Submission of Schematic Art Plan: Developer shall submit to the Agency for approval of the Schematic Art Plan. | Within 90 days following the date of approval of the DDA by the Agency. |
| Approval of Schematic Art Plan: Agency shall approve, approve with conditions or disapprove the Schematic Art Plan. | Within 30 days after receipt by the Agency. |
| Preliminary Plan Check: Developer shall submit plans to the City Department of Building and Safety for preliminary Plan Check. | Prior to submission by Developer of Design Development Drawings, to the Agency. |
| Submission of Design Development Drawings, Schematic Landscape Plan, Final Art Plan and Pre-Construction Period Mitigation Plan: Developer shall submit Design Development Drawings, Schematic Landscape Plan, Final Art Plan and Pre-Construction Period Mitigation Plan to the Agency Administrator or Designee for approval. | Within 150 days after Agency approval of Schematic Design Drawings. |
| Approval of Design Development Drawings, Schematic Landscape Plan, Final Art Plan and Pre-Construction Period Mitigation Plan: Agency Administrator or Designee shall approve, approve with conditions or disapprove the Design Development Drawings, Schematic Landscape Plan, Final Art Plan and Pre-Construction Period Mitigation Plan. | Within 30 days after receipt by the Agency Administrator or Designee. |

ATTACHMENT NO.
SCHEDULE OF PERFORMANCE
METRO LOFTS (FOREST CITY)

| | |
|---|---|
| Submission of Final Construction Drawings, Final Landscape Plan, Energy Conservation Plan and Construction period and Post-Construction Period Mitigation Plans: Developer shall submit Final Construction Drawings, Final Landscape Plan, Energy Conservation Plan, Construction Period and Post-Construction Period Mitigation Plans. | Within 120 days after Agency Administrator or Designee approval of Design Development Drawings. |
| Approval of Final Construction Drawings, Final Landscape Plan, Energy Conservation Plan, Construction Period and Post-Construction Period Mitigations Plans: Agency Administrator or Designee shall approve, approve subject to conditions or disapprove Construction Drawings, Final Landscape Plan, Energy Conservative Plan, Construction Period and Post-Construction Period Mitigation Plans. | Within 30 days after receipt by the Agency Administrator or Designee. |
| Evidence of financing: Developer shall submit to the Agency Administrator evidence satisfactory that the Developer has sufficient financing for the development of the improvements. | Not later than 180 days following approval of the DDA. |
| Submission of Affirmative Action Plan including W/MBE Plan: Developer shall submit to the Agency Administrator for approval of the Affirmative Action Plan, including the M/WBE Plan as described in the DDA. | Not later than 30 days prior to the start of Construction. |
| Approval of Affirmative Action Plan including M/WBE Plan: Agency Administrator or Designee shall approve disapprove or provide to the Developer a statement of the actions required to be taken in order for the plan to be approved. | Within 30 days after receipt by the Agency Administrator. |
| Submission of Construction Signs/Barricades: Developer shall submit for Agency Administrator or Designee approval, plans of Construction Signs and Barricades for the Development. | Not later than 40 days prior to commencement of construction. |
| Approval of Construction Signs/Barricades: Agency Administrator or Designee shall approve, approve with conditions or disapprove the Construction Signs/Barricades. | Within 30 days following receipt by the Agency Administrator or Designee. |

ATTACHMENT NO.
SCHEDULE OF PERFORMANCE
METRO LOFTS (FOREST CITY)

| | |
|---|---|
| Developer shall construct the approved construction signs and barricades. | Prior to the commencement of the construction. |
| Pre-Construction Conference: Developer shall meet with Agency's Equal Opportunity Department staff for pre-construction briefing on all Agency construction requirements. | Not later than 30 days prior to the commencement of construction. |
| Insurance: Developer shall furnish the Agency duplicate originals of bodily injury property damage insurance in the amount specified by the DDA. | Not later than 30 days prior to the commencement of construction. |
| Submission of Plans to City for Permits: Developer shall submit construction drawings to the City for construction permits. | Concurrently with submittal to Agency of Final Construction Drawings. |
| Deposit: Developer shall provide the Deposit to the Agency. | No later than Close of Escrow. |
| Cultural Trust Fund Payment: Developer shall remit to the Agency the Cultural Trust Fund Payment. | No later than Close of Escrow. |
| Close of Escrow | Within 30 days following the Developer's meeting the conditions in Article 2 and Section 3.4 |
| Permits: Developer shall obtain all necessary permits for the construction of the improvements in the Building Permit, as well as the vacation of an existing alley (known as Pembroke Lane), located between Hope and Flower Streets. | Prior to the start of construction. |
| Construction Material Recycling Plan: Developer shall submit written report outlining ways in which project will attempt to recycle/reuse 25-50% of unused construction material. | Concurrently with commencement of Project construction. |
| Submittal of Construction Contract. | Thirty days prior to start of construction. |

# ATTACHMENT NO.
# SCHEDULE OF PERFORMANCE
# METRO LOFTS (FOREST CITY)

| | |
|---|---|
| Commencement of Construction: Participant shall commence construction of the improvements. | Not later than June 1, 2002. |
| Progress Reports: Developer shall submit written progress reports on the status of the construction of the projects including a statement that construction is being done in conformance with the design and construction plans approved by the Agency, Agency Administrator or Designee. | Commencing not later than 60 days after commencement of construction and continuing quarterly thereafter until issuance of Certificate of Completion. |
| Completion of Construction: Developer shall complete construction of the improvements. | Within 24 months after commencement of construction. |
| Issuance/;Denial of Certificate of Completion: Agency Administrator shall issue a Certificate of Completion or written explanation of reasons why such a Certificate shall not be issued. | Within 30 days after Agency receipt of written request from Developer for Certificate of Completion, but in no event prior to approval by Agency Administrator or Post-Construction Period Mitigation Plan. |

EXHIBIT G

FORM OF RECIPROCAL EASEMENT AGREEMENT

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

The Community Redevelopment Agency
of the City of Los Angeles
354 South Spring Street, Suite 800
Los Angeles, CA 90013
Attn: Administrator

# RECIPROCAL EASEMENT AGREEMENT

This Reciprocal Easement Agreement (this "Agreement") is made as of _____, 2001, by and among the Community Redevelopment Agency of the City of Los Angeles ("Agency"), a public body, corporate and politic, F C Metropolitan Lofts, Inc., a California corporation ("Metropolitan Lofts"), TELACU Manor-LA, a California non-profit public benefit corporation ("TELACU"), 1010 Senior Housing Corporation, a California non-profit corporation ("1010 Senior Housing"), OL Hope, LP, a California limited partnership ("OL Hope") and First United Methodist Church ("FUMC") (individually a "Party" and collectively referred to herein as the "Parties"), with reference to the following facts:

## RECITALS

A. The Parties to this Agreement each own or lease one or more parcels of real property in the block bounded by South Hope Street, Olympic Boulevard, 11th Street and Flower Street (the "Olympic/Hope Block"). The Olympic/Hope Block is more particularly shown on the site plan attached as Exhibit A to this Agreement(the "Site Plan").

B. Prior to the date of recordation of this Agreement, the Olympic/Hope Block was bisected by an alley connecting 11th Street and Olympic Boulevard, Los Angeles, California (the "Alley"). The Alley has been vacated and the Parties now wish to create a non-exclusive easement over the Olympic/Hope Block (the "Easement"). The Easement is shown on the Site Plan and is more particularly described in the legal description attached as Exhibit B.

C. Agency is the fee owner of certain parcels of real property located in the Olympic/Hope Block, as more particularly described in the legal description attached as Exhibit C (the "Agency Property")

D. FUMC is the owner of certain parcels of real property located at 1010 South Flower Street, Los Angeles, California, as more particularly described in the legal description attached as Exhibit D (the "FUMC Property")

E. 1010 Senior Housing is the owner of certain parcels of real property located at _____ South Flower Street, Los Angeles, California, as more particularly described in the legal description attached as Exhibit E (the "1010 Senior Housing Property")

F. TELACU is the owner of certain parcels of real property located at _____, Los Angeles, California, as more particularly described in the legal description attached as Exhibit F (the "TELACU Property")

G. Metropolitan Lofts is the owner of certain parcels of real property located at _____, Los Angeles, California, as more particularly described in the legal description attached as Exhibit G (the "Metropolitan Lofts Property"). Metropolitan Lofts intends to develop approximately 230 residential units on the Metropolitan Lofts Property (the "Metropolitan Lofts Development").

H. The Agency has entered into a long term ground lease with OL Hope pursuant to which the Agency leased to OL Hope a parcel of Agency Property located at 1001-1031 South Hope Street, Los Angeles, California, as more particularly described in the legal description attached as Exhibit H (the "OL Hope Leasehold"). A Memorandum of Ground Lease was recorded in the official records of the County of Los Angeles on June 4,1999 as Instrument No. 99-1017752.

I. The Parties through this Agreement desire to (i) grant each other non-exclusive reciprocal easements for ingress and egress over and across the Easement and (ii) to allocate certain rights and responsibilities in connection with the maintenance and repair of the Easement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the Agency, 1010 Senior Housing, TELACU, FUMC Metropolitan Lofts, and OL Hope LP agree as follows:

Section 1. Grant of Easements. The Agency, TELACU, FUMC Metropolitan Lofts and 1010 Senior Housing each for itself and its successors, assigns, as grantor, hereby grants to each other and each of their successors and assigns as grantees, for the benefit of each of the Agency Property, 1010 Senior Property, the Metropolitan Lofts Property, FUMC Property and TELACU Property, a non-exclusive easement for vehicular and pedestrian ingress and egress over that portion of the Easement owned by it. OL Hope, as ground lessee, acknowledges the grant of easement and subordinates its leasehold interest to the Easement.

Section 2. Nature of Easements. For purposes of the easement granted in this Agreement, the property benefited by each easement constitutes the dominant estate, and the property burdened by each easement constitutes the servient estate. The easement granted in this Agreement is appurtenant to and for the benefit of each parcel owned by each grantee of the easement granted herein. The easement may not be transferred, assigned, or encumbered except as an appurtenance to the benefited parcel.

Section 3. Rules and Regulations. To the extent necessary to maintain the availability of the Easement, the Parties shall cooperate in developing reasonable rules for its use. The rules shall allow reasonable access and use.

Section 4. Maintenance and Repair. Beginning on the first day of the first month following the earlier of the issuance of a temporary or permanent certificate of occupancy by the City of Los Angeles for the Metropolitan Lofts Development (the "Commencement Date"), Metropolitan Lofts shall provide for the appropriate upkeep and maintenance of the Easement to assure that it is maintained in good condition and repair and clean and free of rubbish, debris and other hazards to users. Metropolitan Lofts' obligation to maintain and repair the Easement includes the following:

(a) Maintenance of the surface of the Easement so that the surface is level and evenly covered with the type of surfacing material originally installed or a substitute material that is equal in quality, appearance, and durability.

(b) Removal of all papers, debris, filth, and refuse from the Easement, and washing or sweeping, or steam cleaning, as required to maintain the Easement in a first class and clean condition.

Section 5. Payment of Maintenance and Repair Cost. Metropolitan Lofts and OL Hope Senior Housing shall each pay fifty percent (50%) of all costs related to the maintenance and upkeep of the Easement. Metropolitan Lofts shall prepare an initial budget based on the estimated maintenance and repair costs to be incurred by Metropolitan Lofts for the first full calendar year and any remaining portion of the initial calendar year following the Commencement Date (the "Maintenance Costs"). The Maintenance Costs shall also include a reasonable reserve for future capital repairs. OL Hope shall pay its share of the Maintenance Costs on a quarterly basis with the first payment due on the first day of the first month which is no less than thirty (30) days following the Commencement Date. Metropolitan Lofts and OL Hope may alter the payment procedures for the payment of Maintenance Costs by OL Hope upon the mutual agreement of the two parties.

For each year following the period covered in the initial budget, Metropolitan Lofts shall submit to OL Hope a proposed budget for the Maintenance Costs to be incurred in the upcoming calendar year no later than November 1st of each preceding year. OL Hope shall have fifteen (15) days to approve or disapprove the budget following receipt of the budget. Failure of OL Hope to act within the fifteen (15) days shall be deemed approval of the budget. If OL Hope disapproves the budget, OL Hope and Metropolitan Lofts shall meet and negotiate in good faith to reach mutual agreement on the budget. If the parties cannot agree on a budget for Maintenance Costs for a given year, the actual Maintenance Costs for the year immediately prior, including deposits into any reserve accounts, shall be increased by seven and one half percent (7½%) and the Metropolitan Loft and OL Hope payments shall be based on the adjusted amount as if the budget had been approved by OL Hope.

If in any given year, the payments made by OL Hope exceed fifty percent (50%) of the actual maintenance costs for that year paid by Metropolitan Lofts for the maintenance and repair

of the Easement, OL Hope shall receive a credit in the following year in the amount of the over payment. If in any given year, the payments made by OL Hope are less than fifty percent (50%) of the actual maintenance costs for that year paid by Metropolitan Lofts for the maintenance and repair of the Easement, OL Hope shall pay fifty percent (50%) of the overage upon thirty (30) days written notice from Metropolitan Lofts specifying the amount of excess costs and the reasons for such overage.

Section 6. Maintenance of Books and Records. Metropolitan Lofts shall keep records of all maintenance and repair costs which shall be available for inspection or audit by the Parties upon reasonable notice.

Section 7. Insurance and Indemnification Requirements. Metropolitan Lofts shall maintain liability insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of its maintenance and repair responsibilities set forth in Section 4 of this Agreement. The costs of the insurance under this Section 7 shall be treated as a maintenance cost and may be included in the budget prepared by Metropolitan Lofts pursuant to Section 5, hereof.

(a) Required Insurance Coverage.

(1) Liability and Property Damage Insurance. Metropolitan Lofts shall keep in full force and effect a policy or policies of comprehensive general liability and property damage insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Property. The limits of such insurance shall be not less than One Million dollars ($1,000,000) combined single limit for bodily injury and property damage.

(2) Workers' Compensation Insurance. Metropolitan Lofts shall carry or cause to be carried workers' compensation insurance covering all persons employed in connection with the Easement and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against the Parties.

(b) Insurance Policies and Premiums.All liability policies required by this License shall name the Parties as additional insureds.

To the extent obtainable, any policy of insurance shall provide that any change or cancellation of said policy must be made in writing and sent to the Parties at their respective principal offices at least thirty (30) days before the effective date of change or cancellation.

Section 8. Remedies.

If there is a material breach of any provision of this Agreement, a non-breaching party may serve written notice of the breach on the breaching party. If the breach is not cured within sixty (60) days following receipt of the notice of breach (or such longer period as is reasonably necessary to remedy such breach, provided that the breaching Party shall continuously and

diligently pursue such remedy at all times until such breach is cured), the non-breaching Party may take the actions permitted pursuant to this Section 8.

If there is a breach of this Agreement by Metropolitan Lofts with respect to the maintenance and repair responsibilities of Section 4 that is not cured within the time specified in this Section 8, then the non-breaching Parties may designate one of themselves to take over such responsibilities from Metropolitan Lofts. In such case, Metropolitan Lofts must turn over all books, records, funds, and fees to the Party designated to assume the maintenance and repair responsibilities of Section 4 of this Agreement.

If there is a breach of this Agreement which is not cured within the time specified in Section 8, any non-breaching Party may bring an action for damages or an action for specific performance or injunction to compel the breaching party to cure the breach.

The breach of this Agreement shall not entitle any party to cancel, rescind, or otherwise terminate this Agreement. The failure to insist upon the strict performance of any provision of this Agreement shall not be construed as a waiver of any breach of this Agreement.

Section 9. No Public Dedication. Nothing herein shall be deemed to be a gift or dedication of any portion of the Easement to the general public or for any public purposes whatsoever. It is the intention of the Parties that this Agreement be strictly limited to and for the purposes herein expressed. The right of the public or any person to make any use whatsoever of the Easement or any portion thereof is by permission and subject to the mutual agreement of the Parties. Notwithstanding anything to the contrary herein, the Parties may, by mutual agreement, periodically restrict ingress and egress to and from any or all of the Easement in order to prevent any type of prescriptive easement from arising by reason of continued public use.

Section 10. Notices. Formal notices, demands and communications among the Parties shall be sufficiently given if, and shall not be deemed given unless, dispatched by certified mail, return receipt requested, or express delivery service with a delivery receipt, to the principal offices of the Owners as follows:

AGENCY:

The Community Redevelopment Agency of
the City of Los Angeles
354 South Spring Street, Ste. 800
Los Angeles, CA 90013
Attn: Administrator

METROPOLITAN LOFTS:

F C Metropolitan Lofts, Inc.
949 South Hope Street, Suite 100
Los Angeles, California 90015
Attn: Stanley V. Michiota, Jr.

OL HOPE: OL Hope, L.P.

_____
_____
_____

TELACU: TELACU Manor-LA

_____
_____
_____

1010 : 1010 Senior Inc.

_____
_____
_____

FUMC: First Unified Methodist Church

_____
_____
_____

Notices shall be deemed received as of the date delivered or delivery was refused as shown on the return receipt. The foregoing addressed may be change by notice given as provided in this Agreement. Each Party shall promptly notify each of the other Parties of any change in its address as last disclosed.

Section 11. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute this Agreement.

Section 12. Legal Actions. If any legal action is brought to interpret or enforce the terms of this Agreement, the prevailing party shall be entitled to recover against the parties not prevailing, all reasonable costs, including attorneys' fees, incurred in the action.

Section 13. Entire Agreement. This Agreement contains the entire agreement between the Owners relating to the rights granted and the obligations hereunder assumed. Any oral

representations or modification concerning this Agreement shall be of no force and effect excepting a subsequent modification in writing signed by all Owners.

Section 14. Exhibits. Any and all Exhibits referred to in this Agreement are incorporated in this Agreement by this reference.

Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

Approved as to Form

By: James Hahn

_____

Agency General Counsel

Agency Special Counsel

_____

Goldfarb & Lipman

TELACU:

TELACU MANOR, L.L.C., a California nonprofit public benefit corporation

By: _____

Its: _____

1010 SENIOR INC.:

1010 Senior Inc.,

a California nonprofit public benefit corporation

By: _____

Its: _____

AGENCY:

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, a public body, corporate and politic

By: _____

Its: _____

METROPOLITAN LOFTS:

F C METROPOLITAN LOFTS, a California corporation

By: _____

Its: _____

OL HOPE:

OL HOPE, L.P., a California limited partnership

By: _____

Its: _____

FUMC:

First United Methodist Church

By: _____

Its: _____

PSOMAS

# LEGAL DESCRIPTION
# DRIVEWAY EASEMENT

Those portions of Lots 1 through 13 and Lots 28 through 40, inclusive in Block 72, of Ord's Survey, in the City of Los Angeles, County of Los Angeles, State of California as shown on map recorded in Book 3, Pages 32 and 33 of Miscellaneous Records, Records of said County, described as follows:

Parcel 1:

A strip of land 20 feet wide, being the southeasterly 10 feet of Lots 28 through 40 and the northwesterly 10 feet of Lots 1 through 13.

Parcel 2:

Beginning at the most northerly corner of Lot 29 in Block 72 of said Ord's survey; thence southeasterly along the northeasterly line of said Lot 29, to a point distant northwesterly 10.00 feet from the most westerly corner of the southeasterly 10.00 feet of Lot 30 in Block 72 of said Ord's Survey; thence easterly in a direct line to a point in the northwesterly line of said southeasterly 10.00 feet, distant northeasterly 10.00 feet from said most westerly corner; thence southwesterly 46.00 feet along the northwesterly line of the southeasterly 10.00 feet of said Lots 28, 29 and 30 to a point distant southwesterly 10.00 feet from the most westerly corner of the northeasterly 26.00 feet of the southeasterly 10.00 feet of said Lot 29; thence northerly in a direct line to a point in the

southwesterly line of the northeasterly 26.00 feet of said Lot 29, distant northwesterly 10.00 feet from the most westerly corner of the northeasterly 26.00 feet of the southeasterly 10.00 feet of said Lot 29; thence northwesterly along said southwesterly line to the northwesterly line of said Lot 29; thence northeasterly along said northwesterly line to the Point of Beginning.

This legal description is delineated on accompanying "Legal Description Sketch" for reference purposes only.

This Legal Description is not intended for use in the division and/or conveyance of land in violation of the Subdivision Map Act of the State of California.




Robert C. Olson

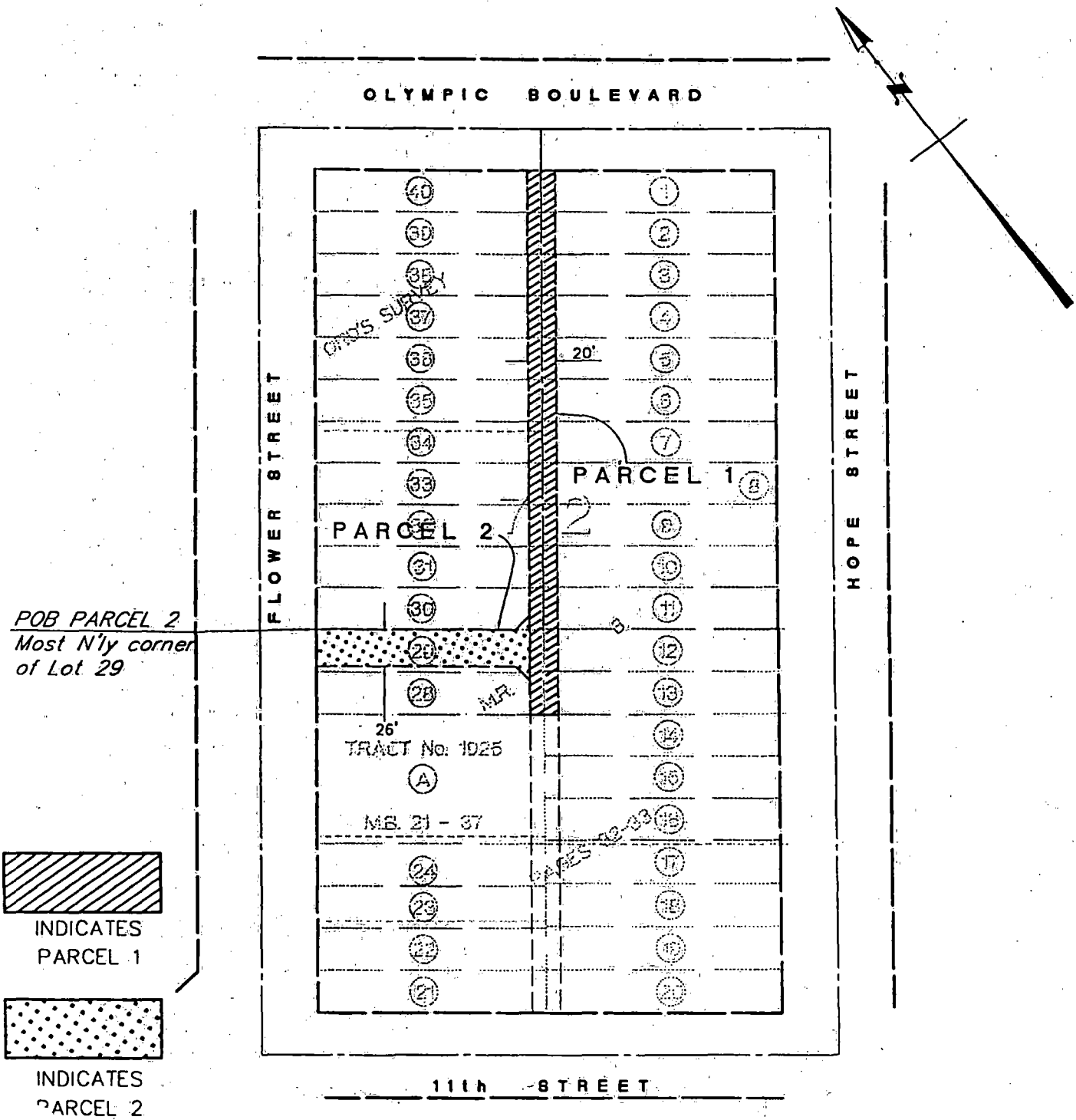
Robert C. Olson., PLS 5490

PSOMAS

Date: 04.19.2001

SHEETS 1 OF 1

# LEGAL DESCRIPTION SKETCH





PSOMAS
11444 West Olympic Boulevard
Suite 750
West Los Angeles, CA 90064
(310) 954-3700 (310) 954-3777 (FAX)


Plotted: 04/12/01 06:44:13 W:\1CRA021700\survey\exhibit\X-esmt.dwg DHoward

# EXHIBIT H

# ART POLICY

COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

# PUBLIC ART POLICY

## 1993

This policy supersedes the 1985 Downtown Art in Public Places Policy. It was adopted by the Board of Commissioners of the Community Redevelopment Agency on August 20, 1992 and by the Los Angeles City Council on January 15, 1993.

COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

TOM BRADLEY, Mayor

**Board of Commissioners**
Jim Wood, Chairman
Frank Kuwahara, Vice Chairman
Dennis Luna, Treasurer
Norman H. Emerson
Monica Lozano-Centanino
Carlyle W. Hall, Jr.
Pastor Thomas Kilgore

Edward J. Avila, Administrator

**Appreciation is Extended to the Following for Time and Expertise in Developing the Public Art Policy**
Agency Staff Task Force
- Lester Burg
- Richard D'Amico
- Karen Ginsberg
- Barbara Kaiser
- John Kaliski
- Lisa Linowes
- Allen Ono
- David Riccitiello
- John Spalding
- Susan Totaro
- Diana Webb
- Roy Willis

Morris McNeill, Incorporated
Citizen Advisory Committees in Adams Normandie, Beacon Street, Central Business District, Chinatown, Hollywood, Hoover, Little Tokyo, North Hollywood, Pico, Watts

**PUBLIC ART PROGRAM**
Mickey Gustin, Arts Planner

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COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

PUBLIC ART POLICY
1993

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COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

# PUBLIC ART POLICY
1993

## PART I
## POLICY CONCEPT

The mission of the Community Redevelopment Agency of the City of Los Angeles (the Agency) is to eliminate blight and revitalize the city through redevelopment in designated residential, industrial, and commercial areas. These activities have a major impact on the city's design and aesthetics, its livability and workability.

The Agency's Public Art Program is an integral part of the mission of revitalization. For many years, the Agency's commitment to the arts was realized through negotiated agreements on a project-by-project basis. One such effort resulted in the Museum of Contemporary Art. Other efforts with Agency and private support created the Japanese-American Community and Cultural Center, the Los Angeles Theatre Center, the California Plaza performance spaces, Biddy Mason Park, and innumerable artworks throughout downtown.

In 1985, an Agency arts policy was formalized for the three downtown redevelopment project areas -- Bunker Hill, the Central Business District, and Little Tokyo. Because the Agency serves many other neighborhoods, an expanded public art policy is necessary. To that end, this revised 1992 Public Art Policy will apply to all redevelopment project areas in Los Angeles.

Crucial to the policy are concepts which guided its development and which will guide its impact. They are **Community Involvement, Regional Artists, Cultural Diversity.** These concepts are further strengthened by **Placemaking, Artist Participation in Planning,** and **Outreach.** Each of these strengthens elements which were implicit in the earlier policy and form a link between the Agency Public Art Program and the recently adopted Los Angeles Cultural Masterplan. Most importantly, these concepts respond to the revitalization mission of the Agency and to the dramatic demographic and economic transformation of Los Angeles during the 40 years of the Agency's existence.

### Community Involvement

In Los Angeles there are many cultural traditions; therefore to express its identity, the City must respect the input of each of its communities. Any process which limits cultural expression is a disservice to a redevelopment area and to the revitalization effort. Consequently there is and can be no Agency imposed aesthetic.

Community consensus must define the cultural expression within it. While the most convenient approach to public art has been to commission artworks, the Agency acknowledges that each redevelopment area has its own character and should reflect, memorialize, or record that character in its own way. This takes energy, patience, and time, but the rewards can be great. A facade and street improvement project, for instance, has within it the potential to improve the appearance of an entire business block, to heighten the ethnic, historical, or mythical identity of a neighborhood, and attract foot traffic to a street which formerly had little or none. Toward this end, there will be a community Public Art and Culture Plan with prioritized project goals developed within each redevelopment community. Each Plan will be responsive to the Agency's Public Art Policy and the City's Cultural Masterplan.

**Regional Artists**

Local and regional artists are especially suited to interpreting a community's sense of itself, its history, its ethnic and cultural makeup, and its dreams. To confirm the Agency's dedication to building a pool of local and regional artists for public art projects, local and regional artists must be considered for every development project and Agency-initiated project.

**Cultural Diversity**

Corollary to the goals above is recognizing and using the culturally diverse talents of this City. It is not a collection of similar images to which a city should aspire but an eclecticism reflective of the faces, colors, and personalities of that city. It is artists who know a neighborhood who can best perceive its unique qualities and who can best give it a sense of place. To confirm the Agency's commitment to cultural diversity, artists of varied cultural heritage, including women and minority artists, must be considered as candidates for every development and Agency-initiated project. All proposed projects must be consistent with applicable Agency policies regarding Affirmative Action and Minority and Women Business Enterprises.

**Placemaking**

Simply stated, placemaking is using design talents to bring focus, importance, and cohesion to public spaces; to develop images and provide experiences which reflect the historical and cultural essence of a community. It transforms spaces, giving them context and relevance, making them places of community interest and pride.

In the last decade artists have taken a more active role in helping to define public spaces. The placement of large, frequently imported, artworks or objects on plazas has given way to statements by artists generated from the community experience. The artist as planner and designer seeks to create places which will attract people, offering them insight, repose, amusement, delight, or a sense of destination. A combining of art forms and design forms is happening more and more to encourage people to celebrate themselves in such public places.

The Agency Public Art Policy will follow this direction, merging artists into the processes of civic revitalization as the organic city grows, changes, and redefines itself.

**Artist Participation in Planning**

The artist is a vital member of a planning team, adding a layer of aesthetic overview which expands possibilities for creating public spaces relevant to people in their communities. Although architects take the lead on most developments, all members of a planning team should contribute to the definition of a project. The Public Art Policy encourages artists to come out of the isolation of their studios into the communities and blend their thinking with other designers into a cumulative public signature which one day will be the hallmark of Los Angeles Public Art.

**Outreach**

An Outreach Program is vital to a successful public art policy. It is the means for building local and regional resources, for developing a common set of goals, and serves as an information network among those involved in the revitalization effort. The Agency's Outreach Program will identify and seek to involve new talents, under-utilized artists, artists needing experience in public art projects, artists from various ethnic backgrounds, and women. It will promote involvement of artists working in different art forms and disciplines in projects which further the mission of revitalization. The Agency, therefore, shall develop

an Outreach Plan, coordinated with outreach goals of the Cultural Affairs Department, to implement an Outreach Program.

## Summary

The intention of the Public Art Policy is to make artists and the arts primary resources in the revitalization of the City. Through the policy concepts described above the Community Redevelopment Agency and the City will reap the physical, social, cultural, and economic benefits which only a public art program can make happen.

## PART II
## POLICY STRUCTURE

The Agency's Public Art Policy is the umbrella policy for all redevelopment project areas. The Policy concepts and Public Art Program goals, therefore, will be integral to arts development in each redevelopment project area and will guide deliberations of citizen advisory committees.

### Advisory Committees

Existing redevelopment project area community advisory committees (also sometimes referred to as "citizen advisory committees") or, where they exist, Project Area Committees (PAC) shall be encouraged to establish an adjunct "art/design advisory panel" (ADAP) to assist in their review of proposed developer agreements and proposals which have a public art requirement pursuant to this policy. An ADAP must include artists and design professionals associated with the community but not necessarily on the citizen advisory committee as well as one or two representatives from the citizen advisory committee. An ADAP will provide expertise to define arts priorities for the community (a Public Art and Culture Plan), will be available to establish artist-selection panels and occasionally to identify artists for projects, to review public art proposals from developers and those to be funded by redevelopment project area cultural trust funds, and to make recommendations based on the goals of the Agency's Public Art Policy and compatibility with the visions and empirical information contained in the City's Cultural Masterplan. The ADAP makes recommendations to the citizen advisory committee which in turn makes recommendations to the Agency's Board.

### Developer Obligation

All development projects with Agency participation must obligate at least 1% of development cost[1], exclusive of land and off-site improvements, to developing a Project Art Plan.[2] However, new or rehabilitated very low-, low-, and moderate-income housing units are exempt from the art obligation as are projects with a development cost below $250,000.[3] The developer and the Agency will agree upon the estimated development cost concurrently with the submittal and approval of the final construction plans for the project (with adjustments, if necessary, upon the Permit Date, if there are changes to the plans or if there is a substantial time between final approval and the Permit Date.

Up to 60% of the obligation may be spent, at the developer's discretion, for a public art component on the development site (Developer-Initiated Projects). At least 40% of the developer obligation must go into the corresponding redevelopment project area cultural trust fund. If the developer does not choose to implement an on-site Art Plan, the full obligation (100% of the 1% obligation) shall be allocated to the corresponding trust fund or may be allocated for a cultural facility.

> NOTE: **City of Los Angeles Arts Development Fee.** Development projects which have been negotiated with the Community Redevelopment Agency and are subject to an OPA, DDA, or other Agency agreement which includes an Agency public art requirement may

---

1 All hard and soft costs related to the development of the project which is subject to an agreement with the Agency (but not including the cost of land or other acquisition costs, off-site improvements or any fees imposed by the City or pursuant to the agreement with the Agency).

2 This obligation applies to agreements executed after the date of approval of this Policy by City Council for new commercial development, commercial rehabilitation projects, and market-rate housing in all redevelopment areas, including Owner Participation Agreements (OPA), Disposition and Development Agreements (DDA), loan agreements, or other Agency agreement.

3 New or rehabilitated mixed-income housing developments which include both market-rate and affordable housing units are subject to the art obligation on that portion of the development which is market rate.

apply to the city's Cultural Affairs Department for credit, dollar for dollar, toward the Los Angeles Arts Development Fee.

### Rehabilitation Projects

Commercial rehabilitation projects which require an Owner Participation Agreement (OPA), Disposition and Development Agreement (DDA), or other Agency action, are subject to the percent-for-art obligation. If the project conforms to the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings, the project will receive art obligation credits commensurate with the extent of historic rehabilitation.

### Agency Participation

Unrestricted Agency funds will be encumbered to administer, implement, and support this Public Art Policy. These activities will include the administrative processes for reviewing and approving developer projects and cultural trust fund projects. Agency funds also will be used to initiate projects, including public information and outreach activities, which will increase the visibility and effectiveness of the Agency Public Art Policy.

## Goals

There are three project categories created by the Public Art Policy: Developer-Initiated Projects, Cultural Trust Fund Projects, and Agency Initiatives. All are intended to further the goals of the Agency's Public Art Program which are to:

1. Serve the Agency's mission of revitalization.

2. Involve regional artists of all cultural backgrounds in planning and implementation of public art projects, in the collaborative process of design teams.

3. Provide opportunities for communities and neighborhoods to participate in a planning process which leads to a community Public Art and Culture Plan which sustains their cultural practices, articulates their cultural needs, and culminates in development of their cultural resources.

4. Create places of special impact through the inclusion of artists on planning and design teams.

5. Promote establishment of new and rehabilitated cultural facilities based on needs assessment.

6. Promote projects with permanence with which the Agency can be identified.

7. Focus the Agency's Public Art Policy on creating a dynamic visual environment and a powerful expression of the changing city.

8. Provide a program that is of the highest quality, integrated into the fabric of the City, and without discrimination based on race, color, religion, national origin, sex, age, disability, marital status, sexual preference, creed, ancestry, medical condition, or Acquired Immune Deficiency Syndrome (AIDS) - acquired or perceived.

9. Work in cooperation with the City of Los Angeles Cultural Affairs Department and be in conformance with the City's Cultural Masterplan.

10. Be consistent with all applicable Agency policies including Affirmative Action, Minority and Women Business Enterprises, and Anti-Apartheid.

## Objectives

More specifically, the objectives of the Agency's Public Art Program are to:

- Assure that regional artists from diverse cultural backgrounds are represented in both development projects and Agency-initiated projects. Agency staff shall make an annual report on artist-selection processes listing the regions with which the artists are identified and the cultural heritage of all artists considered. The Agency, as part of its Outreach Program, shall sponsor public presentations and workshops and develop artist registries/information centers specifically targeting regional, culturally diverse art and design resources.

- Assure that artists affect the visual and aesthetic aspects of neighborhoods in the most meaningful way by being involved in the planning stage of a project as well as the implementation stage.

- Maximize artists' contributions as part of design teams on projects with Agency participation by requiring that artists are identified concurrently with other design professionals or prior to approval of concept design.

- Include artists in redevelopment planning processes to assure consideration of the needs of cultural institutions, arts organizations, and artists and to confirm the role of the arts in the revitalization effort.

- Work with community advisory committees, their adjunct art/design advisory panels, community arts organizations, other community entities, the City's Cultural Affairs Department, and appropriate staff for each redevelopment project area to develop a unique Public Art and Culture Plan, with prioritized project goals for that area, which is responsive to the community's character.

- Work with the community advisory committees and the adjunct art/design advisory panels to identify, prioritize, and implement projects to be funded by redevelopment project area trust funds and other sources of public art money.

- Cooperate with the Cultural Affairs Department in a cultural facilities needs assessment and an inventory of existing and potential cultural facilities to facilitate incorporation of on-site or off-site facilities as part of development projects in redevelopment project areas.

- Develop through a planning process an Outreach Program which builds awareness of the Agency's Public Art Program and which includes sponsoring meetings and projects to explain the Program's mission and goals as well as to present exemplary public art projects in public forum for advisory groups, artists, developers, consultants, and the public.

- Achieve a coordinated effort on behalf of the arts community of Los Angeles through regular planning meetings with Cultural Affairs Department staff, particularly in the formulation of community cultural priorities as determined through various community advisory groups and ultimately in comprehensive community goals planning.

**Project Implementation**

Public Art Program activities and projects will be implemented according to Agency policies and practices and be subject to approval of the Agency Board.

**Policy Guidelines and Procedures**

The Guidelines and Procedures contained in the Addendum to the Public Art Policy may be changed upon approval by the Agency Administrator as necessary from time to time so long as such changes are consistent with the purposes of this Policy.

## PART IV
## DEVELOPER-INITIATED PROJECTS

These projects are designed at the discretion of a developer who has entered into an agreement for development with the Agency. The following guidelines apply to all Developer-Initiated Projects:

1. Developer determines which of three options to pursue in meeting the Public Art requirement:

   a. Project Art Plan
   b. Cultural Facility
   c. Cultural Trust Fund Contribution

2. Developer establishes an Art Budget which is 1% of total development cost, less land and off-site improvements, as estimated by the Permit Date which is the date on which the developer has obtained all necessary permits to allow commencement of any work of improvement required for the construction of the development project.

   a. Project Art Plan. The Art Budget for a development project can be no more than 60% of the 1% art requirement, the remaining 40% of 1% being a contribution to the appropriate redevelopment project area cultural trust fund.

   b. Cultural Facility Plan. The Art Budget for a proposed cultural facility may be the full 1% if the requirements for a cultural facility as outlined in the Addendum can be met.

   c. Cultural Trust Fund Contribution. The full 1% art obligation may be contributed to the appropriate cultural trust fund in lieu of a Project Art Plan or Cultural Facility Plan.

### Project Art Plan

All developers will be informed of the Public Art Policy at the outset of discussions with the Agency. Any developer electing to meet the public art requirement by preparing and carrying out a Project Art Plan will be instructed that such Plan should evolve as an integral part of the project concept and should be the responsibility of the project artist working collaboratively with the full design team.

The Project Art Plan will be submitted in four stages concurrent with architectural and landscape submittals - Concept Art Plan, Schematic, Design Development, and Final Art Plan - and will be subject to review and Agency approval in accordance with a Schedule of Performance.

The Project Art Plan, through the various stages, will describe:

1. The artist-selection process, including the method of artist identification and demonstrating that culturally diverse, male and female artists from the region have been considered.

2. The biographical and professional experience of the artist(s) responsible for the Project Art Plan.

3. The interrelationship of the Project Art Plan to the development project plan, including the artist's contribution to development of project concept and design.

4. The relationship and significance of the Project Art Plan to the site, to the neighborhood in which it is located, and to its place in the City of Los Angeles.

5. Accessibility to the public.

6. The relationship to the Agency's mission of revitalization and its Public Art Policy goals and objectives.

**Cultural Facility Plan**

To use the total art obligation for a cultural facility, either on or off site, within a redevelopment project area or of benefit to it, the proposal must meet a need identified by the City's Cultural Affairs Department or by an independent study which augments research done by Cultural Affairs. The facility proposal must include:

1. Rationale for a new facility or rehabilitated existing facility as better for the project and the City than development of a Project Art Plan.

2. Facility's location within the project, capacity, preliminary design concept, credentials of proposed operating entity, estimated operating budget of user(s), programmatic goals, and objectives.

3. Plan for its use developed jointly by the developer and the users, or by the developer and a users' management team, ongoing funding of the users and maintenance of the facility, including a proposed long-term financing scheme and marketing plan.

4. Long-range plan for the use of the facility which provides adequate assurances of a commitment to continuing cultural use. Such assurances may, but need not, take the form of secured contractual commitments, a covenant in perpetuity, an irrevocable trust fund financing plan, conditional use or zoning restriction, ground-lease covenants, or other binding use restriction which assures that the property and/or improvements will be dedicated to public and/or non-profit cultural purposes.

**Cultural Trust Fund Contribution**

A developer may commit the total art obligation to the appropriate cultural trust fund in lieu of a Project Art Plan or Cultural Facility Plan. Developers who do not include an artist as a member of the design team from the point of inception, or who do not submit a Project Art Plan within an approved Schedule of Performance, will be required to submit the full developer obligation to the appropriate cultural trust fund. No retrofit of a Project Art Plan into a completed project will be allowed. The Cultural Trust Fund contribution shall be made no later than the date the developer submits to the Agency for review (or, if no such review is required, the date the developer is entitled to obtain from the City) any permit for development on the site (including demolition, grading, or construction), but in any case prior to the start of any demolition, grading, or construction work on the site. The due date will be referred to as the Permit Date.

## PART V
## AGENCY-INITIATED PROJECTS

Both cultural trust fund projects and Agency initiatives will be directed by community public art and culture plans developed by each redevelopment project area citizen advisory committee working through its adjunct art/design advisory panel (ADAP). The value of community public art and culture plans is in establishing priorities for projects which a community sees as important to changing or enhancing or energizing its visual environment. These planning processes will become part of a larger effort directed by the Cultural Affairs Department toward comprehensive community cultural planning.

### Cultural Trust Fund Projects

Each redevelopment project area will have a cultural trust fund composed of the 40% developer contribution and any other funds which can be contributed or allocated to the fund. The cultural trust funds provide the Agency's redevelopment project areas with resources for projects involving artists and other design professionals which otherwise could not happen. It is not intended that these funds be used for programming and operating grants or for objectives more reasonably funded by such as the Cultural Affairs Department. Projects funded by cultural trust funds will be measured first by how they serve the revitalization mission of the Agency and second how they meet the goals and objectives of the Public Art Policy.

1. **Annual Review of Proposals**

   On an annual basis, the Agency will issue a Request for Proposal (RFP) or a Notice of Program Availability (NOPA) for cultural trust fund project proposals. The RFP or NOPA will describe the application process and a community priority or priorities in a specific redevelopment project area. All projects supported by a trust fund will:

   a. Be developed at the direction of the Agency in accordance with the Public Art Policy and other appropriate Agency policies.

   b. Occur in or be of direct benefit to the redevelopment project area in which the trust fund was generated.

   c. Be subject to review by the appropriate community advisory committee and approval by the Agency Board.

   d. Not be more appropriately funded from other sources.

2. **Content of Proposal**

   Trust Fund proposals should include the following:

   a. The proposed project, its contribution to the community, the issues it addresses.

   b. The project site, its contemporary and/or historical significance, its proposed use and purpose.

   c. A detailed budget of income and expenses.

   d. The relationship of the proposed project to the Public Art Policy goals.

   e. The artist(s) and other design participants involved in the project, their professional and other experience relative to the proposed project, the extent of collaboration among those employing different art forms.

f. The amount and type of community/neighborhood participation in project definition.

g. A project completion schedule with major milestones.

**Agency Initiatives**

Public Art Program staff is responsible for the administration and management of the Public Art Policy, other policy development, procedures, and program planning and development; outreach; technical support; and communications/public relations. Public Art Program staff also is responsible for developing annual plans and priorities for Agency initiatives. This includes public art projects undertaken by staff at the request of project managers and their communities.

ADDENDUM

GUIDELINES
DEVELOPER-INITIATED PROJECTS

PART I

## Development Projects - Overview

A major impact of the CRA's Public Art Policy is through the development community with whom the CRA has agreements. At the outset of discussions, the CRA shall inform developers of the Public Art Policy, its objectives and how they relate to the CRA's overall mission of revitalization. Throughout negotiations, evolution of the Project Art Plan shall correlate with evolution of the master concept for the development project. A master concept should address the impact of new development on the site and the surrounding urban fabric and should be undertaken in a collaborative fashion among all development team entities - project planners, architects, landscape architects, and artists.

### 1. Project Art Plan

The developer's Project Art Plan, part of the project master concept, defines application of the Art Budget, artist participation in the project, and/or development of a cultural facility. To this end, the developer shall:

*Identify an artist concurrently with the other design professionals to be a member of the design team to contribute to project design development and to develop a Project Art Plan concept; identify the artist prior to approval of concept design.*

*Submit the concept art plan, schematic art plan, design development art plan, and construction documents of the Project Art Plan as integral parts of and to coincide with submittals of the architectural and landscape concept design, schematic design, design development, and final construction drawings.*

*The developer may: Propose development of a cultural facility, either on site or off (including or in lieu of artist participation on the project) if a cultural facility were to meet a need as identified by the City's Cultural Affairs Department.*

### 2. Review and Approval Process

A developer's Project Art Plan is subject to review and approval as part of a schedule of performance incorporated into an agreement with the CRA. The Project Art Plan shall be reviewed, recommended, and approved in several stages as follows:

- *Method of artist selection* - reviewed by staff.
- *Artist(s) considered and proposed* - reviewed by staff, appropriate community advisory committee (adjunct art/design advisory panel, if appropriate). The artist(s) shall be included in the equal opportunity statistics of the developer reviewed by CRA staff as to conformance with CRA/State requirements.
- *Concept art plan* - reviewed by staff, appropriate community advisory committee (adjunct art/design advisory panel, if appropriate), and approved by CRA Board.
- *Schematic art plan* - reviewed by staff, appropriate community advisory committee (adjunct art/design advisory panel, if appropriate), and approved by CRA Board or designee as appropriate.
- *Design development art plan* - reviewed by staff, appropriate community advisory committee (adjunct art/design advisory panel, if appropriate), and approved by CRA Board or designee as appropriate.

3. **Schedule of Performance**

The Schedule shall call for concurrent submittals of architectural, landscape, and art plans, i.e. schematic design, design development, and final construction documents for the three elements are to be reviewed concurrently.

4. **Cultural Diversity and Regional Artists**

The CRA shall counsel developers that the CRA is committed to cultural diversity and regional artists and that, therefore, pursuant to this Policy, developers must consider regional artists, including women, and artists from various cultural and ethnic backgrounds in the process of artist identification. As part of the artist-selection approval process, developers shall submit information on all artists considered and criteria for selection.

Developers will be encouraged to include in the Project Art Plan the participation of a second artist, identified through a process determined by the developer, who can gain experience as a public art participant and thereby become part of a regional resources pool.

5. **Artist Selection**

Developers will be encouraged, but not required, to use a jury process for artist selection because it broadens the range of possible participants and is more equitable than relying on a single point of view. A developer should consider whether it would be advantageous to engage a qualified art consultant, knowledgeable about the public art field and its trends as well as artists who could effectively participate in public art projects, to manage the processes of artist identification and project evolution.

6. **Outreach**

As part of the Public Art Outreach Program, information on development projects - through outreach meetings, project listings, and the jointly sponsored CAD/CRA public art newsletter - will be made available to the public by the CRA at the earliest possible date in order to provide artists, art consultants, and others an opportunity to take the initiative for being considered by developers.

7. **Community Participation**

Developers are required to present their Project Art Plan for review and recommendation to the appropriate community advisory committee, via its adjunct art/design advisory panel, at several stages of project development. They will be counseled by CRA staff also to include community input in the early stages of project definition and the artist-selection process in order to incorporate community knowledge and point of view in the Project Art Plan.

**Development Projects - Details**

A developer of a project with CRA participation should consult with CRA staff at the earliest possible time in order to understand the intent and requirements of the CRA's Public Art Policy.

1. **Budget**

a. **Project Development Budget**

At the earliest stage of negotiations between the CRA and a developer, and no later than upon submittal of Art Plan Form #1, a developer must submit a budget which details development costs on which the 1% art requirement is based. "Development Costs", as defined in the Addendum under *Definitions*, include hard and soft costs. The budget submittal shall be identical to the "best case" estimate submitted to the developer's lender for project financing. The budget will be subject to CRA staff review and verification because this document will form the basis for the Art Budget to be specified in the agreement (OPA, DDA, other) between the CRA and the developer. The Art Budget specified in the agreement, after adoption by the CRA Board, will not be changed unless there is an increase in the project Scope of Development.

b. **Art Budget**

Development projects with CRA participation may use up to 60% of the 1% art requirement for the Project Art Plan. At least 40% of the 1% requirement must be contributed to the appropriate cultural trust fund. Any deposit required to be allocated to a cultural trust fund shall be made no later than the Permit Date.

The full 1% may be used by the developer if the developer elects to contribute toward a new or rehabilitated cultural facility so long as the requirements for a Cultural Facility Plan as outlined in this policy are met.

1) **Eligible Costs** for artist on-site participation in the project include:

- Artist's design time.
- Artist's fees and expenses for labor and materials; permits and fees; business and legal costs directly related to the project; studio and overhead costs (limited to a relevant percentage); travel expenses of the artist for site visitation and research; fabrication, transportation, and installation of any resulting artwork.
- No more than 10% of the total budget for administrative costs incurred by the developer for developing and implementing the Project Art Plan, including art consultant fees and artist/artwork/project acknowledgement plaques. Project plaques must acknowledge the Community Redevelopment CRA's participation in the project (See Addendum "Guidelines for Public Art Acknowledgements.")

2) **Ineligible Costs** for a Project Art Plan Budget include:

- Directional elements such as supergraphics, signage, or color coding except where these elements are designed by the Project artist as part of the Project Art Plan.
- "Art objects" which are mass produced and of standard design such as playground equipment, fountains, or statuary.
- Reproductions, by mechanical or other means, of original works of art, except in cases of film, video, photography, printmaking, or other media arts.
- Decorative, ornamental, or functional elements unless designed by the Project Artist and commissioned for this purpose.
- Landscape and gardening unless designed by the Project Artist and commissioned for this purpose.
- Services or utilities necessary to operate or maintain artwork over time.

3) **Project Management**

A developer is expected to provide an artist participant with adequate project management and coordination with other design professionals to safeguard the artist against undue expectations and expenses.

4) **Collaboration Costs**

Developers should anticipate in budget preparation the need for design team members to collaborate. Because the Art Budget is limited in amount and can cover only a narrow range of artist-related costs, a line item for collaboration should be established in the project budget to allow for interface among architect, landscape architect, and artist(s). Developers also should anticipate that artist participants sometimes need architectural and engineering sign-off on documents, and arrangements should be made for this.

5) **Augmenting Art Budget**

In developing allocations for an Art Budget, consideration should be given to augmenting the Art Budget by taking advantage of existing budget line items. For instance, an artist's design for a wall could take advantage of the fact that there already is a budget for a wall, the only cost coming from the Art Budget being that for the artist's design time and that something extra which the artist would have occur with relationship to the wall.

## 2. Project Art Plan

The developer shall be responsible for producing a Project Art Plan. Under the leadership of the artist the Art Plan should result from a collaboration among the design professionals and be part of a Project Master Concept. Details of the Project Art Plan may include, but shall not be limited to, artworks of various dimensions and materials; artplaces of simple or complex design; elements and features which add dimension to the project; landmarks; portals. The details may involve light, sound, tactile qualities, other sensory elements; any manner of materials. They may deal with any public location within a project, including the street wall, the paths and linkages, the gardens and grounds, and the plazas. A Project Art Plan should:

Result from the involvement of artist(s) in development of the project concept.

Respond to the mission of the CRA to revitalize neighborhoods.

Respond to the CRA's commitment to cultural diversity and regional artists.

Reflect concern for the following:

- The development's site in relationship to the neighborhood in which it is located and its place in the City of Los Angeles.
- Public accessibility, particularly any space to which Project Art Plan funding is proposed. Specifically, a public space shall be accessible to the public a minimum of 12 and preferably up to 18 hours a day.
- Awareness of the need to create lively, habitable places which make unique contributions to the community.
- Sensitivity to human uses.
- Integrated design reflecting the sensibilities of architect, landscape architect, and artist.
- Involvement of community people in the process which defines the Project Art Plan.
- Reflection of the history of the site and its place in the history of the City.

Additional concerns that may be addressed:

- Engaging street-level activities and commitment to a positive experience for pedestrians.
- Surrounding streetscape.
- Demonstrable tie-in with transportation and other infrastructure goals/needs of the City.
- Facilities needs of the City's nonprofit arts institutions and organizations.

## 3. Artist Selection

### a. Affirmative Outreach

In recognition of the City's strong local arts community and its culturally diverse talents, the CRA requires each development project to have an Affirmative Outreach Plan designed to identify and explore diverse talents from the region. The Outreach Plan, submitted with the "Artist-Selection Form", shall include the following:

Identification of local print publications, including the CAD/CRA Public Art Newsletter, used to announce project availability.

The name and phone/fax numbers of the individual to whom inquiries/applications were directed in the announcement.

List of local artist studios visited, identifying the artists by their experience or lack of experience in public art projects.

List of local artists, identified by gender and ethnicity, whose credentials were solicited.

List of all artists interviewed, identified by gender, ethnicity, and that which they consider home.

Two other resources exist for developers to identify local, diverse talents: the artist registries of the Cultural Affairs Department and of the Metropolitan Transportation Authority Public Art Program.

The CRA, in an attempt to assist developers, will solicit information from them on project availability and publish it in the jointly sponsored CAD/CRA Public Art Newsletter at the earliest possible date in order to provide artists, art consultants, and others an opportunity to take the initiative for being considered by developers.

**b. Process**

Developers may select artists through several processes: an artist-selection panel of arts professionals, an art consultant, or another process proposed by the developer. The process to be used is subject to review by CRA staff who are available for consultation and advice to the developer as is the appropriate community advisory committee's adjunct art/design advisory panel.

**c. Early Identification of Artist(s)**

The Public Art Policy requires identification of an artist concurrently with other design team members. Early selection is intended to assure the artist's participation in definition of the Art Plan as the design of the project is being conceptualized and to minimize the impact on the budget which invariably comes with retrofitting artwork into a project.

**d. Second Artist**

It is recommended that a second artist, with little or no public art experience but with potential as a participant in public art projects, be selected by a developer's lead artist, or through another process determined by the developer, to help build the regional artist resources for public art programs. It is intended that the two artists interface as equals in design contribution, understanding that the complexity of process in developing a Project Art Plan may require a mentor/student relationship.

**e. Regional Artist(s)**

In setting up a process for artist selection, a developer must have as an objective the consideration of regional artists, including women, and those of various cultural and ethnic backgrounds. The process must indicate in what way regional artists, women artists and ethnic minorities were considered and who was considered. This requirement shall apply whether the artist-selection process is managed by an art consultant, a panel of arts professionals, or another process proposed by the developer.

f. **General Guidelines for Selecting Artists**

Those being considered are practicing artists with evidence of the ability to:

- Work in the public realm.
- Work collaboratively with other design professionals.
- Identify other artists to join the project team.
- Recognize the uniqueness of a project and respond accordingly.
- Access the community and its people, its history, its possible metaphors, and use this information in defining a Project Art Plan.
- Work within a given budget and within a designated timeframe.

Those being considered are not working currently on other projects with CRA participation.

Those being considered include regional artists, women artists, and artists of various ethnic and cultural backgrounds.

g. **Ineligible Project Artists**

Those ineligible as project artists are the project's architects or members of consulting architectural or design, landscape, or engineering firms, members of the selection panel, members of the redevelopment project area citizen advisory committee, anyone with a vested or familial relationship, or employees of the CRA.

h. **Not Recommended**

Selection of an architect, landscape architect, or engineer to be the project artist is discouraged because it is the point of view of artists, whose training and experience differ from those of other design professionals, which enriches the collaborative processes.

i. **Contracts**

All financial arrangements with the artist(s) are negotiated between the developer and the artist(s) and should be verified in a written agreement. Copies of the executed contracts between the developer and the artist(s) shall be submitted to the CRA within 30 days of their execution.

4. **Art Project Ownership/Maintenance**

a. **Ownership**

An on-site art project or artwork which results from a development project with CRA participation is the property of the development.

b. **Acknowledgements**

A development project results from a partnership with the CRA, which partnership shall be acknowledged on construction walls and via a project plaque which likewise acknowledge artist(s), architect(s), landscape architect(s), and, when appropriate, their specific contribution if not obvious. The specific requirements for acknowledgement are in the Addendum "Guidelines for Public Art Acknowledgements".

c. **Continuing Maintenance Obligation**

The developer has an obligation to maintain a public art component created pursuant to this Policy for the duration of the land use controls of the redevelopment plan. Prior to that date,

the developer, its successors and assigns, may not destroy, remove, resite, change, alter, modify, or allow to be defaced, any such public art component without the express consent of the CRA. This requirement will be included in an agreement to be recorded against the property at the time the developer enters into the OPA, DDA, or other agreement for development with the CRA.

**d. Artists' Responsibilities and Rights**

The CRA will encourage artists and developers to include maintenance provisions in their agreements that stipulate the length of time (typically one year) the artist will be responsible for repairs, that urge artists to provide a maintenance manual, and that allow the artist first-refusal on repair contracts within a fair market rate of remuneration. Should the property on which the artwork is situated be destroyed, the artist will be given first refusal to buy the artwork.

Before finalizing a contract with an artist, a developer may wish to become familiar with two pieces of legislation which protect artists' rights, the "California Art Preservation Act of 1980" and the "Visual Artists Rights Act" passed by Congress in 1990.

**e. Issue of Integrated Art Forms and Permanence**

It should be recognized that as the contribution of artists to development projects becomes more integrated into the built forms and surrounding spaces it becomes more difficult to identify because the artist's contribution may not be a tangible object. This should be taken into account in agreements between developers and artists and the possibility of future structural changes.

## 5. Cultural Facility Plan

**a. Alternative for Meeting Public Art Requirement**

A developer may propose the creation of a cultural facility as the means for meeting the CRA's art obligation. The proposal must demonstrate that an on-site facility is better for the project and the City than another form of public art. Rehabilitating an existing cultural facility may be proposed as an alternative to a new facility.

**b. Applicable Percentage of Art Budget**

Depending on benefits to the redevelopment project area and the City as a whole, the developer may request that the CRA Board consider the application of the full 1%, including the 40% of 1%, normally designated to an appropriate cultural trust fund to development of a cultural facility. Consideration and approval of the request is at the discretion of the CRA Board.

**c. Cultural Facility Checklist**

The following list should be provided the developer who proposes a cultural facility in lieu of an on-site Project Art Plan in order to ensure the fact of the facility:

- A need for such a facility has been clearly determined according to a cultural facilities needs assessment of the City's Cultural Affairs Department or by an independent study which augments research done by Cultural Affairs.
- The facility meets national standards for such a facility.
- A plan for its use has been developed jointly by the developer and the user, or the developer and a users' management team, and the plan includes on-going funding and maintenance of the user(s) and the facility.
- A letter of agreement can be executed between the developer and user, meeting all requirements outlined in a Cultural Facility Plan and being in conformance with the agreement between the developer and the CRA.

- A cultural facility brought into existence through the CRA's Public Art Program becomes de facto a public facility, and any alterations to a commitment to maintain a cultural use for the facility over time will require CRA approval based on an impact study and justification. Such a study with justifications must be submitted within one year of a change of tenant or of cultural focus which would appreciably alter any existing agreements.

**d. Cultural Facilities Plan Checklist**

A cultural facilities plan should include the following:

- Location within the project.
- Size.
- Capacity.
- Parking accommodations.
- Preliminary design concepts.
- Proposed financing of construction phase, including furniture and fixtures.
- Credentials of proposed operating entity.
- Structural makeup of user(s) of facility, including management, programming/curatorial responsibilities; financial profile; measure of artistic quality.
- Programmatic goals and objectives.
- Proposed calendar.
- Outreach program which addresses visual and physical accessibility, service to immediate neighborhood and other communities of the City, and marketing plan.
- Estimated operating budget of facility.
- Estimated operating budget of user(s).
- Proposed long-term financing scheme for facility.
- Proposed long-term financing scheme for user(s).
- Plan for assurance of continuation of facility and user(s) should ownership change over time.

## 6. Project Completion

The art requirement of a development project will be certified as complete with the issuance by the CRA of the Certificate of Completion (C of C) for the entire project. Upon a request for a C of C from a developer, a CRA staff team, including Public Art Program staff, tours the project to determine its status. Not until all outstanding obligations are met will a C of C be issued unless outstanding obligations are secured by a letter of credit.

## ADDENDUM

## GUIDELINES
## AGENCY-INITIATED PROJECTS

**PART II**

The CRA has two categories of initiatives relative to the Public Art Program, those funded by the various redevelopment project area cultural trust funds and those which are the activities of the CRA's Public Art Program funded by the CRA.

### Cultural Trust Fund Projects

**1. Community Based**

Projects to be funded by a specific redevelopment project area cultural trust fund should reflect the community's needs, issues, and goals. The needs, issues, and goals will result from a process of identifying and prioritizing projects which will make a difference in how that community looks and feels, how it perceives itself and that which is important to it.

**2. Process**

The process begins with the formation of a group which is adjunct to the official redevelopment project area citizen advisory committee. The group, referred to in this document as an adjunct art/design advisory panel (ADAP), must be selected very carefully in order to achieve a balance of talents needed to develop visual and cultural goals for the community. Though not a subcommittee of the official citizen advisory committee, generally it will include one or two representatives from that committee in addition to individuals not on the committee, - artists, architects, landscape architects, historians, someone from performing arts, individuals from local arts organizations. In other words, the actual makeup must be responsive to the nature of a particular community. To create an ADAP, CRA staff, working with the citizen advisory committee and a community person(s) knowledgeable about the arts and cultural profile of the community, will compile a list of qualified individuals from which the chairperson of the citizen advisory committee can name an ADAP.

**3. Adjunct Art/Design Advisory Panels (ADAPs) - Public Art and Culture Plan**

An ADAP may start as an ad hoc panel and later be changed to a standing panel. It is charged with developing a master public art/culture concept for that specific community, one that responds to and is in conformance with the CRA's Public Art Policy. In addition to developing a master concept, the ADAP inventories needs which can be addressed through a public art program and, finally, develops a program of projects prioritized for implementation. The result of an ADAP's planning work is called a Public Art and Culture Plan. An ADAP's recommendations are taken to the citizen advisory committee which in turn makes recommendations to the CRA's Board.

**4. RFPs and NOPAs**

Once there is a Plan, the CRA issues annually a Request for Proposals (RFP) or a Notice of Program Availability (NOPA) for cultural trust fund project proposals. These notices describe the application process, the community priorities for a redevelopment project area, and the parameters within which the proposals must work. Proposals initiated by the CRA for a community shall be considered by the juries along with others. The objectives of the Public Art Program are described in the RFP or NOPA.

**5. Proposals Checklist**

The project proposed should:

- Be responsive to the CRA's mission of revitalization, be developed in accordance with the Public Art Policy and other appropriate CRA policies.
- Be responsive to the Public Art Policy concept of Placemaking.

- Illustrate its expected impact on and contribution to the community and the issues of the urban environment it addresses.
- Be responsive to the cultural and ethnic diversity of Los Angeles and to regional artists.
- Involve diverse artistic expression.
- Occur in or be of direct benefit to the redevelopment project area in which the trust fund was generated.
- Be subject to review by the appropriate community advisory committee and approval by the CRA Board.
- Name the artist(s) and other design participants involved in the project, their professional and other experience relative to the proposed project, the extent of collaboration among those employing different art forms.
- Describe amount and type of community/neighborhood participation in project definition
- Include a project completion schedule with major milestones.
- Include a detailed budget of income and expenses.

Further:

- The proposed project may be a collaboration with other design professionals and may be a collaboration of different art forms (visual art with performing art). The objective is to encourage arts professionals to work on self-determined projects in order to test the benefits of collaboration that go beyond only a visual art manifestation. It also is intended to encourage new, inventive approaches to public art and to issues of the urban experience.
- The community/neighborhood should be included in the process of determining the project definition. It need not be formal endorsement but at least there should be a sense of community pride and/or interest. The objective is to make the project more meaningful to the community.
- The project should make a significant contribution to the community. A significant contribution could include providing a sense of identification such as a gathering place, a landmark, a memorialization of significant history of the place or activity by which the place is known. It should be something permanent in order to serve memory.
- Could include a greening element that would be a partial replacement for lost natural flora.
- Project cannot be adequately funded or sponsored through other sources. Priority will be given to those showing a match of funds from other sources.

**6. Review and Approval Process**

**a. Jury**

A jury of art and design professionals - including visual artists, architects, landscape architects - and other experts as needed - performing artists, composers, poets, historians - plus community representatives is impaneled to review proposals received as a result of an RFP or a NOPA.

**b. Priority List**

The jury measures the proposals according to the guidelines provided, including the mission, goals, and objectives of the CRA's Public Art Policy, and creates a prioritized list of the projects recommended for a grant.

**c. Review, Recommendation, and Approval**

The recommendations from the jury are reviewed by CRA staff and the adjunct art/design advisory panel, and a recommendation is made to the appropriate community advisory committee. The committee makes its recommendation to the CRA's Board for approval.

## Public Art Program Initiatives

The CRA's Public Art Program is integrated into the planning and programmatic objectives of the redevelopment project areas and into the revitalization mission of the CRA. Among initiatives the Public Art Program assumes are policy and program development, project management, developer-initiated project oversight, redevelopment project area public art and culture planning, all of which are taken into consideration in outreach programming.

### 1. Outreach Program

#### a. Vehicle for Public Art Program

The Outreach Program is the vehicle for conveying the mission, goals, and objectives of the Public Art Program. The several layers of the Outreach Program include communication with developers and their facilitators, artists and the arts community, art consultants, design professionals, community advisory committees and other community groups, the media, City departments and agencies, as well as internal communication with project teams, management staff, project managers and planners, and service departments.

#### b. Providing Public Art Presentations

A program of public art presentations will be held annually in order to share with artists, designers, developers, the public, and other interested parties the nature of the ever-evolving public art forms being done by public art professionals nationally, locally, and internationally.

#### c. Providing Information

In order to inform artists of projects for which they might be a participant, the CRA will develop information on current and future development projects, including the project contact person, and make it available to the artists and art consultants. Through this resource artists may take the initiative to make themselves known to developers. This resource shall be updated annually.

Artists should register at the slide registries at Cultural Affairs (a joint project with the CRA) and at the Metropolitan Transportation Authority Public Art Program which are accessible to developers, consultants, and anyone else who needs them.

CAD and CRA jointly sponsor, in addition to the artist information center, a Public Art Newsletter through which public art opportunities are advertised.

#### d. Building Artist Resource

Through public meetings, meetings with developers, art consultants, and artist-selection panels, the CRA's Public Art Policy including its cultural diversity policy, its commitment to regional artists of various cultural and ethnic backgrounds, including women, will be described, with emphasis placed on the responsibility of developer and art consultant to aid the CRA in building these resources.

Likewise meetings at which regional artists of diverse cultural background make slide presentations will be held in order to explain the Public Art Policy, to explain the processes through which artists can make themselves known to developers, and to make the acquaintance of a broader range of potential artists for public art projects.

CRA and CAD anticipate sponsoring workshops, symposia, exchanges on the many complex facets of public art projects, from language of other design professions, to contracts, liability and insurance, basic technical skills, reading construction documents, pitfalls and joys of design team collaborations, costing out projects, sourcing materials, identifying subcontractors, attitude, ego-control, the many possible roles for artists on projects.

e. **Planning Community Public Art and Culture Goals**

A major program of Outreach is working with each redevelopment project area subject to the Public Art Policy to establish a process by which a community-specific Public Art and Culture Plan can be created, including a process for identifying and implementing projects which can be funded through a community's cultural trust fund.

2. **Public Art Projects**

The Public Art Program assists redevelopment project areas with initiation of projects which do not fall under the classification of cultural trust fund projects. The process for initiating and implementing these projects involves many steps, primary among them being artist selection.

a. **Artist-Selection Process**

Whenever possible artists shall be selected through a jury process which is the most equitable option. Three selection processes generally are available to a jury: open competition, invitational competition, and direct selection. It is assumed that most, if not all, of the jury members will be from the region. Occasionally jurors from outside the region with a national perspective on public art should be included.

- **Open Competition**

  The jury invites any artists within the prospectus publication range to submit credentials for consideration. Generally a short-list of artists is determined, they are interviewed, and two or three may be asked to develop proposals for which an honorarium is paid.

- **Limited Competition**

  The jury invites a limited number of artists to submit credentials for consideration. A short-list is developed, interviews are held, and proposals may be developed for which an honorarium is paid.

- **Direct Selection**

  The jury recommends one artist who will be invited to submit a proposal. Upon acceptance of the proposal the artist would be commissioned for the project. If the proposal is not accepted, the artist may be asked to prepare another proposal, or the process may begin anew. An honorarium is paid for proposals if they are negotiated separately from a contract.

b. **Briefings**

Briefing, site visitations, and community consultations are conducted for the artists short-listed and/or selected.

c. **Identifying Artist-Selection Jurors**

- CRA staff, working with the appropriate community advisory committee and/or adjunct art/design advisory panel shall develop a master list of potential regional jurors for public art projects.

- Potential voting jurors shall include artists, arts administrators, art critics, other design professionals as appropriate, community representatives. Voting jurors shall be paid an honorarium in accordance with national standards.

- Nonvoting advisors to the jury shall include project managers and other CRA representation as appropriate, representatives from other City departments if appropriate, others as appropriate.

- The appropriate community advisory committee shall recommend jurors, including alternates, to serve as the community representatives.

- A different jury shall be named for each project.
- Each jury shall reflect the cultural and ethnic diversity of the region and must include women.
- The number of jurors on a panel may vary depending on the breadth of representation needed.

**N.B.** Gallery owners, dealers, art consultants, and other profit-oriented agents are ineligible to serve.

**d. Makeup of Artist-Selection Jury**

- An Artist-Selection Jury shall consist of one or two community representative(s) and 2-4 (or more as appropriate) individuals with credentials as visual artists or arts professionals (or other art or design form as appropriate).
- Following are general guidelines for selecting artist members of the jury:
  - Knowledgeable about contemporary artists - local, regional, and national - including those of different sexes and ethnic backgrounds.
  - Informed on the subject of artists participating in public art projects and specifically public art in the urban environment, its uses as an urban design tool.
  - Ability to assess design and problem-solving abilities of an artist.
  - Familiar with the requirements/restrictions imposed by design collaborations.
- Following are guidelines for selecting the community representative(s):
  - Knowledgeable about the concerns of the community in which the project is being developed.
  - Having a commitment to the arts as part of community activity.
  - Responsive to the artistic and ethnic diversity of the community.

**e. Project Management**

Public Art Program staff shall manage all elements of CRA-initiated public art projects, working with project area teams and community art/design advisory panels.

When a project is jointly developed by the CRA and another department of the City, whichever provides more than 50% of the financing shall assume project management responsibilities. The other department(s), nevertheless, shall continue to be part of the review and recommendation process.

**f. Maintenance and Ownership**

A maintenance, care, and repair document must be obtained from every artist who is involved in creating artworks for CRA projects to be included in a project maintenance plan. The CRA shall create a maintenance plan for any project which it initiates, and ownership of, and therefore responsibility for maintenance of the project, including artwork, shall be determined prior to project completion.

**3. Other Public Art Program Initiatives**

- Technical support for developer-initiated projects.

- Financial and technical support for the development of Public Art and Culture Plans for each redevelopment project area by the community advisory committee, coordinating and facilitating project review processes, artist-selection processes, and trust fund activities.

- Technical support for projects proposed by individuals or organizations which would further the mission of redevelopment and further the goals of the CRA Public Art Policy.

- Information on, and access to slides and credentials of, artists to be considered for projects.

- Coordination of the CRA Public Art Policy with the Los Angeles Cultural Masterplan.

- Special projects and programs which are meritorious and provide special opportunities and which do not qualify for a cultural trust fund.

- Inventory of art projects under aegis of the CRA.

- Maintenance and supervision of CRA artworks.

- Requests for Proposals (RFP) and Notices of Program Availability (NOPA).

- Master jurors list of art and design professionals.

- Guidelines and procedures to assure projects of the highest quality meeting the goals of the Public Art Policy

## ADDENDUM

## GUIDELINES FOR ACKNOWLEDGING PUBLIC ART PROJECTS

**PART III**

### 1. Construction Walls/Temporary Shields

When development projects have temporary construction walls, the acknowledgements or credits must include the name of the artist as well as all others required by the CRA.

### 2. Plaques for Public Art Projects

Developers will be advised that a plaque or equivalent form of permanent signage acknowledging the artist, other design professionals involved in the project, and the Community Redevelopment Agency, must be sited in a publicly accessible location. The physical dimensions of the plaque should allow for the utmost legibility of the information contained on it, and should vary appropriately with the scale of the artwork and the site. It should not, however, intrude on the physical artwork. Plaques should be of a nonoxidizing material such as stainless steel, brass, or bronze. The lettering of these plaques should be raised, as opposed to indented into the surface of the material, to help prevent the accumulation of debris on them. For an artwork being acknowledged, the following information must be included:

Name of Artist(s), and other collaborators, if appropriate
Title of Artwork (if any)
Date of Artwork completion (beginning date added if applicable)
Medium/Media (optional, if appropriate)
Name of Developer
in Association with
the Community Redevelopment Agency of the City of Los Angeles

If the work of design professionals on the project--artist, project architect, engineer, landscape architect, et al.--is totally integrated, these participants should be named at the beginning of the plaque information.

Whenever possible, an extended description regarding the nature of the artist's inspiration, philosophy, metaphors, or other explanatory material should be displayed in a publicly accessible place.

### 3. Plaques Acknowledging Gifts

Gifts of money or artwork should be acknowledged with a plaque or other permanent signage, the wording of which will follow this format:

The Community Redevelopment Agency of the City of Los Angeles gratefully
acknowledges
[Name of Contributor]
for their contribution to the development of/for their generous gift to
[Project Name]/[Title of Artwork, by Name of Artist]
and their continuing commitment to the betterment
of the City of Los Angeles
[Date of Gift]

### 4. Artist Acknowledgement for Reproduction of Images

Visual Images of an artwork or artplace--whether a developer-or CRA-initiated project--may be reproduced for noncommercial purposes, as long as the source is acknowledged. This should include the following information:

Copyright Symbol: c
Artist's Name
Title of Artwork (if any)
Date of Artwork
Location of the work
Owner of the work
In association with the Community Redevelopment Agency
of the City of Los Angeles

The situation under which the artwork came into being, that is, the Public Art Program of the CRA, must be acknowledged. For space considerations, a minimal credit containing the copyright symbol, artist's name, artwork and date is allowable, with CRA acknowledgement following. Whenever available, the name of the photographer also should be included in the acknowledgements.

5. **Brochures, Flyers, Monographs**

When possible, brochures or informational sheets should be made available to the public, describing the process, the message and metaphors of the artwork, the nature of the collaboration among the design team (if applicable), and the response/participation of the developer. They must also acknowledge the CRA's role in bringing the artwork into being for the City of Los Angeles through an Arts Policy with an obligation for developers and the CRA alike.

6. **Media**

When providing information to the media on specific projects the following checklist shall be consulted to assure adequate conveyance of information:

artist, architect, landscape architect, design team members;
developer;
beginning date/completion date;
medium (media);
significance of the project to the community, to the city;
relevant metaphors - stories - commemorations;
importance to Public Art Program objectives or goals;
how it contributes to mission of CRA revitalization.

## ADDENDUM

## RELATIONSHIP BETWEEN PROGRAMS OF THE CULTURAL AFFAIRS DEPARTMENT AND THE COMMUNITY REDEVELOPMENT AGENCY

**PART IV**

Many questions arise about the distinctions between the Cultural Affairs Department (CAD) and the art program of the CRA. First it is important to understand that CAD is a *department* of the City which exists to nurture the cultural life of the City of Los Angeles and that the CRA is an *agency* established through State Law to serve the redevelopment needs of the City. The Public Art Program of the CRA is only one program of the CRA serving the redevelopment/revitalization mission of the CRA. The CAD Public Art Program, on the other hand, is only one facet of the multifaceted arts and cultural service provided to the citizens of Los Angeles by the City. The work of the CAD and the CRA are complementary not duplicative nor oppositional.

Following are some of the questions frequently asked about the two, discussion of which should aid in clarifying the roles each plays.

1. How does the CRA Public Art Policy fit within the Cultural Masterplan developed by the Cultural Affairs Department to guide cultural activity of the City of Los Angeles?

   In tone and intent it is responsive to and supportive of the Vision Statements outlined in the Masterplan, although the Masterplan is broader in scope and is intended to be responsive to an entire city, not to specifically designated communities.

   It is complementary to those elements of the Masterplan which emphasize the quality of the City, in that the CRA Public Art Policy is dedicated to the mission of the CRA, redevelopment and revitalization, bringing life back into communities.

   The CRA policy does not deal with audience development for cultural institutions but it does emphasize accessibility.

   The Masterplan calls for arts activities geographically distributed throughout the City; the CRA policy is limited to redevelopment project areas of the City.

   Both acknowledge that artists have a vital role to play in the City's development and growth.

   The Masterplan establishes the leadership role of the Cultural Affairs Department (CAD) in the cultural life of the City and makes it clear that an effective working relationship among departments and agencies of the City is imperative. Such a working relationship exists between CAD and the CRA Public Art Program.

2. How does the CRA Public Art Policy relate to the CAD Arts Development Fee (ADF) Program?

   The CRA art requirement is included in a negotiated agreement between the CRA and a developer; it is not a fee. The ADF is a fee imposed on certain developers; it is nonnegotiable. The CRA art requirement serves revitalization, is for the public benefit, and is about including artists in the revitalization process requiring creative problem-solving skills. The ADF serves the users of the development if the fee is committed to the development site. It serves the general public when it is deposited into the City's Arts Development Fee Trust Fund for later allocation. The application of the City's ADF Trust Fund monies is broader than those from CRA community trust funds.

3. What is the relationship and interface of the Cultural Affairs Department and the Public Art Program of the CRA?

   The CAD is a department of the City; CRA is an agency created to serve a specific need of the City. CAD is responsible for the health and welfare of the City's cultural life, including equitable funding of

arts institutions and artists. The CRA's program serves the larger mission of the CRA, is a tool integrated into the work program of the CRA, and is geared toward involvement of artists in the mission; it is not intended to be a direct support for artists and cultural institutions, although indirect benefits occur. CAD has approval over projects of the CRA which are in the public domain.

Interface between the CAD and CRA programs occurs when a project of joint concern is undertaken - such as the redevelopment of Pershing Square. Both programs participate in the processes, with one assuming the lead and keeping the other informed of activities.

CRA staff has a permanent seat on the CAD Public Art Committee. CAD staff has a permanent seat on the CRA's Downtown Arts Advisory Committee, as does a CAD Commissioner.

4. How do the two interface with communities of the City?

The CRA develops a Public Art and Culture Plan in redevelopment communities, working through the community advisory committees. The development of each Plan, which is incorporated into the annual work program of a redevelopment project area, also is put into the appropriate larger context of one of the seven Neighborhood Planning Units of the City (which incorporate the 35 Community Plan Areas).

The CRA Public Art Program is a partner with CAD in defining and reaching community priorities. The CRA has community groups in every redevelopment project area through which all CRA activities are reviewed and recommended to the CRA Board of Commissioners. The CAD has community contact through the cultural centers, two of which - Lankershim and Watts - are important resources to the CRA in North Hollywood and Watts redevelopment areas. The CRA also works in concert with CAD on concept studies such as for the Watts Cultural Crescent, the study having been requested by a committee of City departmental representatives including CAD.

The CAD is involved with the communities in establishing priorities for use of CAD's Arts Development Fee Trust Fund dollars. The CRA works with redevelopment project area communities in establishing priorities for community trust fund dollars. This necessitates a close working relationship and coordination between CAD and CRA in implementing priorities from these several community resources.

5. What are the committees/groups with which the two work citywide?

The CRA has established, through its community advisory committees, adjunct art/design advisory panels (ADAP) to make recommendations on specific development projects and to make recommendations on a Public Art and Culture Plan of prioritized community goals. The CAD has established planning processes in the seven Neighborhood Planning Units of the city directed at using Arts Development Fee Trust Fund dollars in the 35 Community Plan Areas. The groups involved in cultural planning, whether initiated by the CRA or CAD, have complementary goals. Thus from several sources ideas will be gleaned and worked into comprehensive community-goals packages. The CRA has redevelopment projects in four of the seven Neighborhood Planning Units.

In addition the CAD has advisory groups associated with the cultural centers and subcommittees to the Cultural Affairs Commission, such as the Public Art Committee.

6. What are the program distinctions between the two?

CAD is the major arts/cultural funding body of the City; as such it is considered the primary supporter of arts programming in the City. The CRA funds arts activity meeting redevelopment objectives. CAD, especially through the cultural centers, is a presenter and initiator of arts/cultural activity; the CRA rarely is a presenter and is limited in initiating arts/cultural activity.

CAD also is the primary arts/cultural policy body of the City. CRA arts/cultural policy must be consistent with that of the City.

7. How are the two bodies funded?

Funding for the CRA is primarily through tax increment. CAD is a line item in the City's operating budget and has 1% of the capital program budget for public art plus the Arts Development Fee when payment is made to the Arts Development Fee Trust Fund.

8. How do the obligations imposed on developers differ?

The CRA requires 1% of development costs; the CAD requirement is based on the use of the building for which a building permit is pulled, which roughly approximates 1% of construction costs. The CRA requirement applies to projects valued above $250,000 and exempts low and moderate income housing, not market-rate housing; the CAD requirement applies to projects valued above $500,000 and exempts all housing.

The CRA developer art obligation is split, with 60% of 1% applicable to an Art Plan on the site, 40% of 1% a contribution to a specific neighborhood trust fund. The 40% of the 1% art obligation committed to a neighborhood trust fund is for projects which serve the revitalization effort above and beyond the benefits of a developer's on-site project.

9. What are the distinctions between the CAD Arts Development Trust Fund and the CRA community trust funds? How does one distinguish among trust fund names?

The CRA's funds are intended to be used for projects of a permanent nature, their application determined community by community in priority order. Each trust fund bears the name of the redevelopment community from which it was generated.

CAD's Arts Development Fee Trust Fund has a broader application - to provide "cultural and artistic facilities, services and community amenities". The distinction in name is clear since CAD's will not bear the name of a community.

10. What ownership and maintenance issues are there relative to public artworks and facilities for the City, for CRA?

CAD owns, manages, and maintains cultural centers throughout the City; it owns, manages, and maintains the City's public art collection. The CRA has no parallel activity, artwork and parks developed under the auspices of the CRA being transferred ultimately to the City. Whenever a transfer of responsibility occurs, the fiscal impact on the receiving department is anticipated, and an agreement is negotiated for maintenance.

Most CRA public art projects are incorporated into development projects, in which case maintenance of an artwork or artplace is the responsibility of the developer who owns it.

## ADDENDUM

## DEFINITIONS

**PART V**

Agency - Community Redevelopment Agency of the City of Los Angeles.

Art Budget - The best estimate of CRA and developer as to the amount which will equal one percent (1%) of the total development cost at the time of submittal and approval of the final construction plans for the project (with adjustments, if necessary, upon the start of construction - also known as the Permit Date - if there are changes to the plans or if there is a substantial time between final approval and start of construction).

Art/Design Advisory Panel (ADAP) - A group named by redevelopment project area citizen advisory committee, in consultation with the CRA staff, to develop a Public Art and Culture Plan for the redevelopment project area.

Artist-Selection Panel - A group of artists, design professionals, arts professionals, and others deemed necessary for balanced points of view called together by a developer or a redevelopment project area citizen advisory committee to identify and recommend an artist(s) for a given project in conformance with guidelines from this document.

Arts Development Fee - A fee ( or in lieu option to provide cultural and artistic facilities, services, and amenities) required of developers in the City of Los Angeles established by City ordinance number 166,724 which made the Arts Development Fee retroactive to January 15, 1989.

CAD - Cultural Affairs Department of the City of Los Angeles.

Citizen Advisory Committee - A committee established by City Council in a specific redevelopment project area to review CRA activities and to make recommendations to the CRA Board through CRA staff.

Community Redevelopment Agency (CRA, The Agency) - Community Redevelopment Agency of the City of Los Angeles.

Concept Art Plan - A plan that defines contributions of the project artist as a member of the design team and/or the use to which the on-site portion of the Art Budget shall be applied.

CRA - Community Redevelopment Agency of the City of Los Angeles.

Cultural Affairs Department - A department of the City of Los Angeles responsible for meeting the commitments of the Cultural Masterplan of the City.

Cultural Masterplan - A document adopted by Los Angeles City Council in 1990 which establishes arts and cultural priorities for the City.

Cultural Trust Fund - A separate fund established and maintained by the CRA for each redevelopment project area for the deposit of the cash portion of the public art requirement of a development within that redevelopment project area for use within that area as established by a Public Art and Culture Plan.

Design Development Art Plan - The plan that defines final design elements of the Project Art Plan.

Design Professional - An individual professionally trained in design, such as architecture, landscape architecture, art, graphics, urban design, and planning; also graphic, industrial, interior, and clothing design.

Design Team Collaboration - Projects created through the co-equal cooperative design efforts of design professionals, such as artists, architects, and landscape architects.

Development Cost - For purposes of the Public Art Policy, development costs include all hard and soft costs related to the development of the project, which is subject to an agreement with the CRA, but exclude the cost of land or other acquisition costs, off-site improvements or any fees imposed by the City or pursuant to the agreement with the CRA. Tenant improvements are excluded unless they are specifically required by the CRA and included in the Scope of Development of an OPA, DDA, or other CRA agreement.

"Development Costs" shall mean all hard costs and soft costs which are incurred by or on behalf of the Developer, which are directly related to the Improvements to be developed pursuant to this Agreement (other than costs relating to property acquisition, development rights transfers and the construction or installation of off-site improvements), including, without limiting the generality of the foregoing, the following: construction costs; construction, engineering and design fees; general development costs; construction financing interest, fees and "points"; permanent financing interest, fees and "points"; building permits and other City fees; utility fees; taxes; insurance; legal and accounting fees; bonds; soils tests and other tests; and all other fees and expenses directly related to the construction of the Improvements not specifically included in any of the foregoing categories. *(Definition from CRA Real Estate Department 11/28/89)*

Disposition and Development Agreement (DDA) - An agreement between the CRA and a developer which involves a conveyance of property by the CRA to the developer.

Final Art Plan - The plan that is a continuation of the approved Design Development Art Plan and provides sufficient details necessary to obtain required building permits.

Mission of CRA - Under state and local law, the mission of the Community Redevelopment Agency of the City of Los Angeles (a separate public body created by state legislation and activated by the City) is to eliminate slums and blight and revitalize blighted areas of the City of Los Angeles.

Nondiscrimination Policy - The policy of the CRA which is dedicated to equal employment opportunity to all individuals regardless of race, color, religion, national origin, sex, age, disability, marital status, sexual preference, creed, ancestry, medical condition, or Acquired Immune Deficiency Syndrome (AIDS) acquired or perceived.

Notice of Program Availability (NOPA) - An advertisement by the CRA that a program is to be initiated which will require consultants to develop a plan and to implement it.

Outreach Program - An activity undertaken by the CRA's Public Art Program staff to provide information to the public, to artists and other design professionals, to developers and consultants about public art; to sponsor workshops and symposia on skills required in public art projects; to build resources among the artists of the communities for projects with a public art component; to provide each redevelopment project area with a public art and culture plan.

Owner Participation Agreement (OPA) - An agreement between the CRA and a developer providing for the development of property owned by the developer.

Percent for Art - A method of financing public art programs and projects by requiring that a percentage of capital project budgets of developers and/or municipalities be appropriated for artworks and/or the services of artists as design consultants.

Permit Date - The date on which the developer has obtained all necessary permits to allow commencement of any work of improvement required for the construction of the development project.

Project Area Committee (PAC) - A citizen committee formed and existing pursuant to California Health and Safety Code Section 33385.

Project Art Plan - The on-site plan for the involvement of an artist(s) as part of the development project design team, implemented by the developer through the allocation of 60% of the 1% art requirement of the CRA.

Public Accessibility - As used in this policy, a public space accessible to the public a minimum of 12, and preferably up to 18, hours a day.

Public Art and Culture Plan - The result of a planning process undertaken in a redevelopment project area by CRA staff working in cooperation with a citizen committee.

Public Art Policy - The adopted policy of the CRA by which the CRA's Public Art Program is directed.

Public Art Program - The CRA's program through which are managed developer-initiated projects, cultural trust fund projects, and CRA-initiatives.

Redevelopment Project Area - A specific geographic area of the City of Los Angeles for which the City Council has adopted a redevelopment plan, in accordance with applicable State law.

Regional Artist - One who resides in southern California.

Request for Proposals (RFP) - An invitation by the CRA to potential consultants to submit proposals for a specific project.

Request for Qualifications (RFQ) - An invitation by the CRA to potential consultants to submit for consideration their qualifications for a specific project.

Schematic Art Plan - The plan that details the proposed elements, colors, materials, and processes for which the project artist is responsible.

**COMMUNITY REDEVELOPMENT AGENCY, CITY OF LOS ANGELES**

**PUBLIC ART PROGRAM**

***PROJECT DEVELOPMENT BUDGET - FORM #1 ATTACHMENT***

Development Name: _____

CRA Project Area: _____

**Development Cost** - *do not include costs of property acquisition, development rights transfers and the construction or installation of off-site improvements, but do include the following hard and soft costs.*

Hard and Soft costs, as follows:

construction costs
construction
engineering and design fees
general development costs
building permits and other City fees
utility fees, taxes, insurance
legal and accounting fees, bonds
soils tests and other tests
tenant improvements if included in OPA/DDA
and all other fees and expenses related to construction of improvements not specifically included in any of the foregoing categories

TOTAL Hard and Soft Costs $_____

**Attached is a copy of "development cost" certification** (check one):

- ☐ Cost breakdown as submitted to lender
- ☐ Anticipated costs prepared by and certified by developer
- ☐ Other

**Art Budget** (1% of above total ) $_____

60% of 1% - on-site portion
40% of 1% - contribution to Cultural Trust Fund

**Completed by:** _____ (signature)

_____ (name)

_____ (title)

_____ (date)

**Development Costs Accepted as Certified:**

_____ CRA Real Estate Agent

_____ CRA Arts Planner

**distribution:** ☐ Developer; ☐ Real Estate; ☐ Project Manager; ☐ Accounting

## COMMUNITY REDEVELOPMENT AGENCY, CITY OF LOS ANGELES

## PUBLIC ART PROGRAM

### *ART PLAN - FORM #1*

Development Name: _____
Property Location: _____
Proposed Site Use/Sq. Ft.: _____
CRA Project Area: _____

**Developer:** _____
Contact Person: _____
Address/City/Zip: _____
Telephone: _____ Fax: _____

**Architect:** _____
Contact Person: _____
Address/City/Zip: _____
Telephone: _____ Fax: _____

**Landscape Architect:** _____
Contact Person: _____
Address/CityZip: _____
Telephone: _____ Fax: _____

**Art Consultant:** _____
Address/City/Zip: _____
Telephone: _____ Fax: _____

**Estimated Art Budget (see Form #1 Attachment):**
Art Budget - 1% of estimated development costs $_____

**Choice of Art Program** (select one):

- ☐ 100% contribution to Cultural Trust Fund
- ☐ Development of cultural facility
- ☐ Artist involvement (60% of 1% budget on-site; 40% of 1% contribution to Cultural Trust Fund)

**Cultural Trust Fund Contribution** (select one):

- ☐ Contribution to Cultural Trust Fund in the amount of $_____ was made to the CRA Accounting on _____ (date)
- ☐ Contribution to Cultural Trust Fund will be delivered to the CRA Accounting prior to permit date estimated as _____ (permit date)

**Completed by:** _____ (signature)
_____ (name)
_____ (title) _____ (date)

## COMMUNITY REDEVELOPMENT AGENCY, CITY OF LOS ANGELES

## PUBLIC ART PROGRAM

### *ARTIST SELECTION - FORM #2*

Development Name: _____
CRA Project Area: _____

**Artist Selection Process** (attach description which includes the following):

1- Artist selection method used
2- Artist selection participants and their affiliations
3- Criteria for artist evaluation

**Affirmative Outreach Plan** (attach report which includes):

1- Identification of local print publications, including the CAD/CRA "Public Art Newsletter," used to announce project availability
2- Name, phone/fax numbers of the development spokesperson to whom inquiries/applications were directed in the announcement
3- A list of local artist studios visited, identifying the artists by their experience or lack of experience in public art projects
4- A list of local artists, identified by gender, ethnicity, and residence whose credentials were solicited
5- A list of all artists interviewed, identified by gender, ethnicity, and residence

**Proposed Project Artist(s):**

Name: _____
Address/Zip: _____
Telephone: _____ Fax: _____

Name: _____
Address/Zip: _____
Telephone: _____ Fax: _____

Name: _____
Address/Zip: _____
Telephone: _____ Fax: _____

**Artist(s) Qualifications** (attach resume for each artist, including public art commissions, and at least 5 slides of artist's work)

**Artist Contract(s)** (attach copy of draft or final contract)

**Completed by:**

_____ (signature) _____ (date)
_____ (name)
_____ (title)
_____ (phone)

COMMUNITY REDEVELOPMENT AGENCY, CITY OF LOS ANGELES

# PUBLIC ART PROGRAM

## *ART PLAN - FORM #3*

**ART PLAN STAGE:** ☐ Concept ☐ Schematic

Development Name: _____

CRA Project Area: _____

**Art Plan** (attach plan which includes):

1- Description of Proposed Art Plan, its relationship to the Master Concept for the Project, its significance to and impact on the neighborhood/community/city, its myth/metaphor/meaning.
2- How Art Plan was derived; role of artist in Master Concept; extent of collaboration among artist, architect, landscape architect, developer.
3- Description of working relationship among artists, if more than one, including a mentor/student arrangement or lead/second artist situation.
4- Role of local community in development of Art Plan.
5- Details of siting and materials.

**Art Budget**:

1- Contribution to Cultural Trust Fund $_____
☐ paid ☐ to be paid

2- On-site art budget
(60% of 1% of development costs) $_____

**Presentation Materials** (check those submitted):

☐ renderings/drawings ☐ site plan
☐ models ☐ photographs

**Artist Contract(s)** (attach copy of final contract, if not previously submitted)

**Completed by:**

_____ (signature)
_____ (name)
_____ (title)
_____ (phone)
_____ (date)

## COMMUNITY REDEVELOPMENT AGENCY, CITY OF LOS ANGELES

## PUBLIC ART PROGRAM

### *ART PLAN - FORM #4*

**ART PLAN STAGE:** ☐ Design Development ☐ 90%

Development Name: _____

CRA Project Area: _____

**Art Plan** (attach description of CHANGES in any of the following since Form #3):

1- Description of Proposed Art Plan, its relationship to the Master Concept for the Project, its significance to and impact on the neighborhood/community/city, its myth/metaphor/meaning.
2- How Art Plan was derived; role of artist in Master Concept; extent of collaboration among artist, architect, landscape architect, developer.
3- Description of working relationship among artists, if more than one, including a mentor/student arrangement or lead/second artist situation.
4- Role of local community in development of Art Plan.
5- Details of siting and materials.

**Art Budget:**

1- Status of Cultural Trust Fund Contribution (if other than "submitted previously")
2- Art Budget Breakdown (attach summary sheets and copies of checks):
   a- artist design fee
   b- artist expenses
   c- art consultant fee/administrative costs (no more than 10% of on-site budget)
   d- materials
   e- fabrication
   f- transportation
   g- installation
   h- plaque

**Presentation Materials** (check those submitted):

☐ renderings/drawings ☐ site plan
☐ models ☐ photographs

**Artist Contract(s)** (attach copy of final contract, if not previously submitted)

**Completed by:** _____ (signature)
_____ (name)
_____ (title)
_____ (phone)
_____ (date)

# EXHIBIT I

## POLICY ON PREVAILING WAGE

# THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

# POLICY ON PAYMENT OF PREVAILING WAGES BY PRIVATE REDEVELOPERS OR OWNER - PARTICIPANTS

Revised: February 1986
Approved: February 24, 1986

## Introduction

Under the Community Redevelopment Law of the State of California, the Community Redevelopment Agency of the City of Los Angeles may enter into contracts or other agreements with developers of property to assist in the acquisition or the improvement of such property to eliminate blight. The Agency is also empowered to enter into agreements with owners of property in redevelopment project areas to develop their property pursuant to the requirements of adopted redevelopment plans. In all such agreements, the Agency may require the private owner or developer to comply with conditions which the Agency deems necessary to carry out the purposes of the Community Redevelopment Law.

Under certain circumstances, the Agency may provide funding which has been obtained from the Federal Government for use by private developers or owners in the development of their property. In such cases, the federal grant or loan or mortgage assistance program may require that construction work performed in such projects comply with the requirements of the Davis-Bacon Act (40 U.S.C. 276 et seq.), which requires the payment of wages to laborers and mechanics at a rate not less than the minimum wage specified by the Secretary of Labor in periodic wage rate determinations.

In addition, whenever the Agency contracts directly for public works improvements, the contractor is required by pertinent State law provisions to pay not less than the prevailing rate of wages to workers employed on the public work.

The public purposes which underlie both the Davis-Bacon Act and the State prevailing wage requirements apply no less to work performed on a project which is the subject of an agreement between the Agency and a private developer or owner. Those purposes include protecting the employees of contractors on public projects from substandard wages, promoting the hiring of a local labor force, and ensuring, to the extent possible, that the quality of the work to be performed will not be compromised by the payment of less than the prevailing rate of wages. That is, developers who seek Agency assistance, or property owners who wish to develop their property pursuant to an owner participation agreement, should not be permitted to pay, or to allow their contractors or subcontractors to pay less than the prevailing rate of wages for work performed pursuant to an agreement with the Agency.

The Legislature has declared that the redevelopment of blighted areas and the provisions for appropriate construction policies in them constitute public uses and purposes and are governmental functions of state concern in

the interest of health, safety and welfare of the people of the State and of the communities in which the blighted areas exist. The Legislature has further declared that genuine employment opportunities for all the people of the State are vital to the State's peace and prosperity, and that a fundamental purpose of redevelopment is to expand employment opportunities for jobless, underemployed and low-income persons. Therefore, the Agency has determined that the application of prevailing wage requirements to private developers or owners of property who enter into agreements with the Agency for the development of such property is a necessary condition in carrying out the purposes of the Community Redevelopment Law.

I. Statement of Policy

It is the policy of the Agency that any developer or owner of property who enters into an Agreement with the Agency for the development of such property shall pay or cause to be paid to all workers employed in connection with the development of such property, not less than the prevailing rates of wages, as provided in the statutes applicable to Agency public works contracts, including without limitation Sections 33423-33426 of the California Health and Safety Code and Sections 1770 - 1780 of the California Labor Code. However, notwithstanding the foregoing, this policy shall not apply to the payment of wages to such workers who have been approved by and are appropriately registered in a Starting Apprenticeship Program administered by the Building Trades. Those workers shall be paid at the rate of wages prescribed by the appropriate collective bargaining agreement in effect for such trade; provided a list of current enrollees in the Program has been submitted to the Agency for review. In addition, the foregoing Agency policy shall not apply to Agreements in which the total aggregate cost of construction does not exceed $250,000 in the case of residential developments, and $100,000 in the case of non-residential developments. However, notwithstanding the foregoing, a special residential wage rate established by the State of California, Department of Industrial Relations, Division of Labor Statistics and Research for public projects, may be paid to those trade-crafts or classifications performing work on Agency sponsored residential projects in which a developer or contractor has requested and received approval from the Agency to pay.

In the case of an Agreement with the Agency which involves the use of federal funds, such use shall be subject to the prevailing wage requirements, if any, mandated by the federal program legislation by which

such funds are authorized. In the case of construction work financed in whole or in part with assistance provided under the Community Development Block Grant ("CDBG") program of the United States Department of Housing and Urban Development, the Davis Bacon Act applies to any Agreement with the Agency which involves CDBG funds in the amount of $2,000 or more. However, this CDBG requirement applies to the rehabilitation of residential property only if such property is designed for residential use of eight or more families.

2. Construction of Terms and Phrases

For purposes of implementing this policy, the following shall apply:

(a) The phrase "developer or owner" means any person, corporation, partnership, joint venture, association or entity regardless of form, whether public or private, for-profit or not-for-profit, which enters into an Agreement with the Agency, as hereinafter defined.

(b) The phrase "an Agreement with the Agency" means any disposition and development agreement, owner participation agreement, development agreement, loan agreement, rehabilitation agreement, agreement for the sale of land or any other agreement to which the Agency is a party, regardless of form or title, whereby a developer or owner of property in the City of Los Angeles agrees to develop or cause the development of such property. An Agreement in which the Agency agrees to subsidize or guarantee a rehabilitation loan to be made to a developer or owner by a lending institution shall be deemed "an Agreement with the Agency" for purposes of this policy. However, to the extent that an Agreement with the Agency provides for the use of federal financial assistance, this policy is not intended to supersede the prevailing wage requirements, if any, mandated by the federal grant, loan or mortgage insurance program legislation by which such assistance is authorized, but shall be deemed to be supplementary to such requirements.

(c) The phrase "the development of property" means any demolition, construction, rehabilitation, reconstruction or other work of improvement to be performed by or on behalf of an owner or developer in accordance with an Agreement with the Agency.

(d) The phrase "all workers employed in connection

with the development of such property" shall mean and refer to each craft, classification or type of worker, as determined by the rules and regulations of the California Department of Industrial Relations, actually employed by the developer or owner, or by a contractor or subcontractor, to perform labor or services in connection with the development of the property. In the case of a family owned business which employs family members, who have an ownership interest in such business, such family members shall not be deemed to be "workers employed in connection with the development of such property" for purposes of this policy.

(e) The phrase "prevailing rates of wages" means the general prevailing rate of per diem wages in the locality in which the work is performed, for each craft or type of worker needed to perform the work, and the general prevailing rate for regular, holiday and overtime work in the locality, for each craft or type of worker needed to perform the work, as provided to the Agency by the California Department of Industrial Relations pursuant to Section 1773 of the Labor Code.

(f) The phrase "total aggregate cost of construction" means the total sum of costs incurred by the developer or owner in connection with the development of property which is the subject of an Agreement with the Agency, excluding the cost of acquiring the property and also excluding the cost of tenant improvements which are not paid for by the developer of owner, and which are constructed under contract with a contractor other than the general contractor or a sub-contractor already on the job. The intent of this Policy is to cover only non-excluded initial tenant improvements which are part of the construction or substantial rehabilitation contemplated in the Agreement with the Agency. The "total aggregate cost of construction includes, without limitation, the cost to the developer or owner of contractors' services, architectural and engineering services, materials, direct labor and all other costs which are customarily considered to be costs of construction. In the case of multiple projects which are functionally or substantively related, Agency staff shall determine whether the purposes to be served by this policy require that the costs incurred with respect to such projects must be combined in determining the "total aggregate cost of construction."

3. Implementation of Policy

This policy shall be implemented and enforced by Agency staff as follows:

(a) Every Agreement with the Agency to which this policy applies shall contain a provision whereby the developer or owner shall agree to pay or cause to be paid to all workers employed in connection with the development of the property, not less than the prevailing rates of wages, as provided in the statutes applicable to Agency public works contracts, including without limitation Sections 33423-33426 of the California Health and Safety Code and Sections 1770-1780 of the California Labor Code. Every Agreement with the Agency to which this policy applies shall also contain a provision incorporating this policy by reference.

(b) Every owner or developer entering into an Agreement with the Agency to which this policy applies shall include, in all contracts for work relating to the development of the property to which the Agreement applies, a provision whereby the contractor shall agree to pay and shall cause its subcontractors to pay all workers employed in connection with such contact or subcontract not less than the prevailing rates of wages, as provided in the statutes applicable to Agency public works contracts, including without limitation Sections 33423-33426 of the California Health and Safety Code and Sections 1770-1780 of the California Labor Code.

(c) Prior to the execution of any Agreement with the Agency to which this policy applies, Agency staff shall provide a copy of this policy to the owner or developer. It shall be the obligation of the developer or owner to provide copies of this policy to its contractors and subcontractors.

(d) Prior to the commencement of construction, and as soon as practicable, Agency staff shall hold an orientation meeting with any owner or developer who enters into an Agreement with the Agency to which this policy applies, and with the General Contractor of such owner or developer in order to explain such matters as the specific rates of wages to be paid to workers employed in connection with the development of the property, preconstruction conference requirements, recordkeeping and reporting requirements necessary for the evaluation of an owner or developer's compliance with this policy.

4. Enforcement

(a) Every owner or developer entering into an Agreement with the Agency to which this policy applies shall maintain or cause its contractors and subcontractors to maintain an accurate record showing the name, occupation and actual per diem, regular, overtime and holiday wages paid to each worker and fringe benefits (as appropriate) paid to or on behalf of each worker employed in connection with the development of the property, the hours worked by such workers and amounts withheld pursuant to law. It shall be the responsibility of the owner or developer to maintain such records in the event that its contractors or subcontractors do not maintain such records. Such records shall be open for inspection by Agency staff at reasonable hours.

(b) Agency staff shall periodically monitor compliance with this policy by inspecting payroll records, interviewing workers at the construction site or by other similar means. Any owner or developer entering into an Agreement with the Agency to which this policy applies shall cooperate with Agency staff in carrying out this policy.

(c) Agency staff shall promptly and thoroughly investigate any claim made by a worker that less than prevailing wages were paid for work performed in connection with the development of property to which this policy applies. Any owner or developer entering into an Agreement with the Agency to which this policy applies shall cooperate with and cause its contractors and subcontractors to cooperate with Agency staff in carrying out such investigation, and shall promptly pay or cause its contractors or subcontractors to pay any amount determined by Agency staff to be the difference between the applicable prevailing wage for the number of hours worked by the claimant and the amount actually paid to the claimant. At the request of Agency staff, an owner or developer shall withhold funds from its contractor, or cause its contractor to withhold funds from a subcontractor, prior to the completion of such investigation, to ensure that the amount of such restitution, if required, is available.

(d) In the event that the Agency staff determines that a contractor or subcontractor has violated any provision of this policy, the developer or owner and Agency staff shall agree on appropriate measures, in addition to restitution, to ensure that such contractor or subcontractor complies with this policy. Such measures may include, without limitation, a requirement that during the contract period the owner or developer withhold funds from the contractor or cause the contractor to withhold funds from the subcontractor, or that the contractor post a bond or provide a letter of credit or other security in an amount sufficient to ensure that workers employed in connection with such contract or subcontract receive the prevailing rates of wages for the work to be performed. Any owner or developer entering into an Agreement with the Agency to which this policy applies shall include in its contracts and require its contractors to include in subcontracts, appropriate provisions by which the provisions of this paragraph may be carried out.

(e) In the event of a dispute between the owner or developer, or its contractors or subcontractors, or a claimant, and the Agency staff with respect to an Agency staff determination, the owner or developer, or its contractors or subcontractors, or the claimant, as the case may be, shall have the opportunity to bring the dispute before the Agency Board for review. The Agency Board may take such action as it deems appropriate, including: (i) affirming the Agency staff determination; (ii) referring the matter back to Agency staff for further investigation; (iii) reversing or modifying the Agency staff determination; (iv) directing the Agency staff to appoint an independent hearing examiner for further investigation; or (v) such other action as the Board may deem appropriate under the circumstances.

(f) Penalties. In addition to any restitution required by this Policy and/or applicable law, any developer or owner determined by the Agency to have violated any provision of this Policy, shall forthwith pay the following as a penalty to the Agency:

(1) Payment of less than Prevailing Wages:

$25 per calendar day, or portion thereof, for each worker paid less than prevailing wages.

(2) Failure to Provide all requested Records and/or Provide Access to Jobsite or Workers:

$5,000 per day, or portion thereof.

The provisions of this Section 4 (f) shall be included verbatim in the clause required by Section 3 (a) for Agreements with the Agency, and in the clause required by Section 3 (b) for owner and developer agreements.

5. Sanctions

Any developer or owner determined by the Agency to have paid less than prevailing wages for work performed in connection with the development of property to which this policy applies, or whose contractors or subcontractors have been found to have paid less than the prevailing rate of wages, shall promptly pay or cause its contractors or subcontractors to pay restitution to any worker to whom wages less than the prevailing rate have been paid. The amount of such restitution shall be the difference between the applicable prevailing wage rate for the number of hours the claimant was found to have worked and the amount actually paid to the worker. In the event that such restitution is not promptly made, Agency staff may refer the matter to the State Department of Industrial Relations or other appropriate governmental agency or licensing board for further action. In the event that the Agency staff determines that there is a pattern of noncompliance with this policy by any owner or developer, or its contractors or subcontractors, the Agency staff may refer to the State Department of Industrial Relations or other appropriate governmental agency or licensing board for further action. Moreover, in the event that the Agency Agreement involves any direct Agency assistance to the developer or owner, including without limitation, financial assistance, or discretionary Agency action such as the grant of a variation from requirements of the redevelopment plan, or other Agency consideration, the failure by the developer to comply with this policy shall be deemed to be a breach of contract, authorizing the Agency to take all appropriate action, including rescission of the Agreement, or to seek judicial relief for damages or injunctive relief.

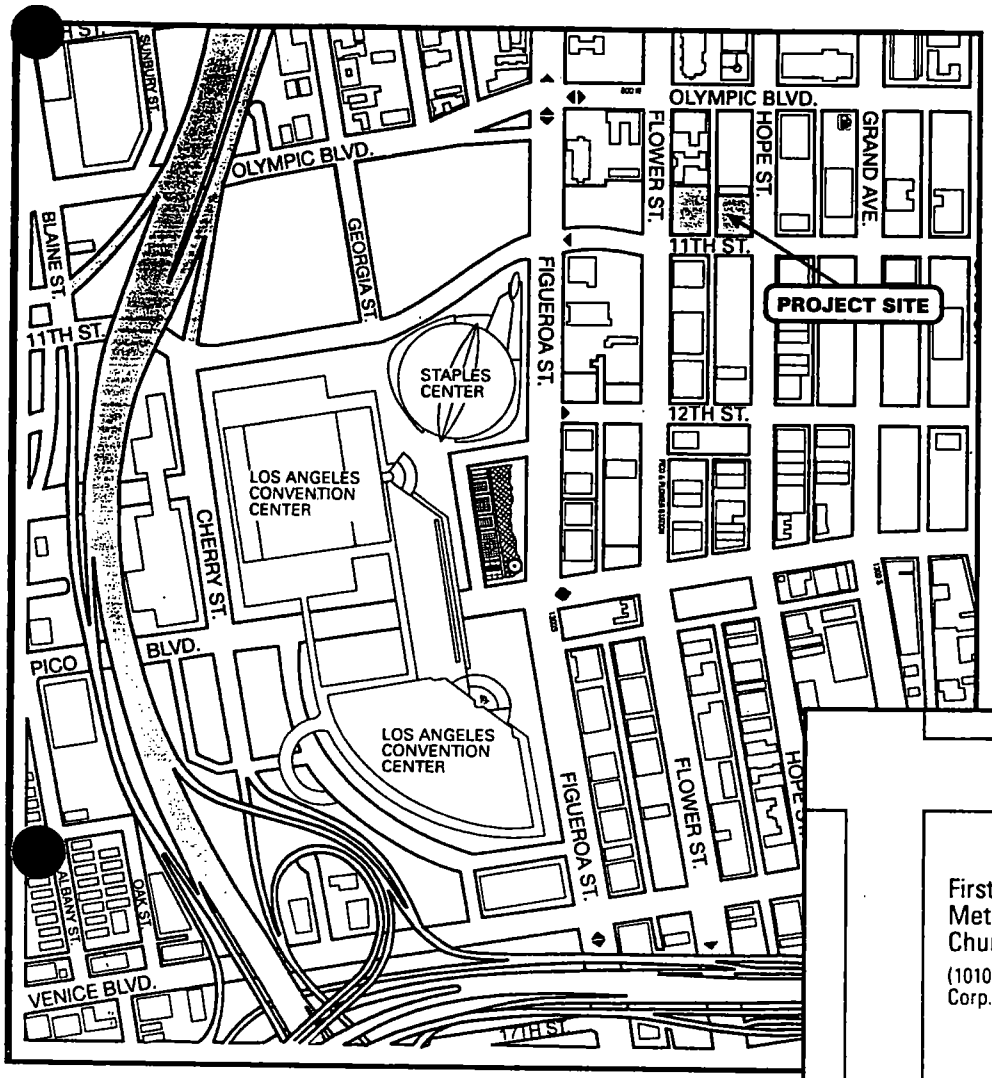
6. Waivers

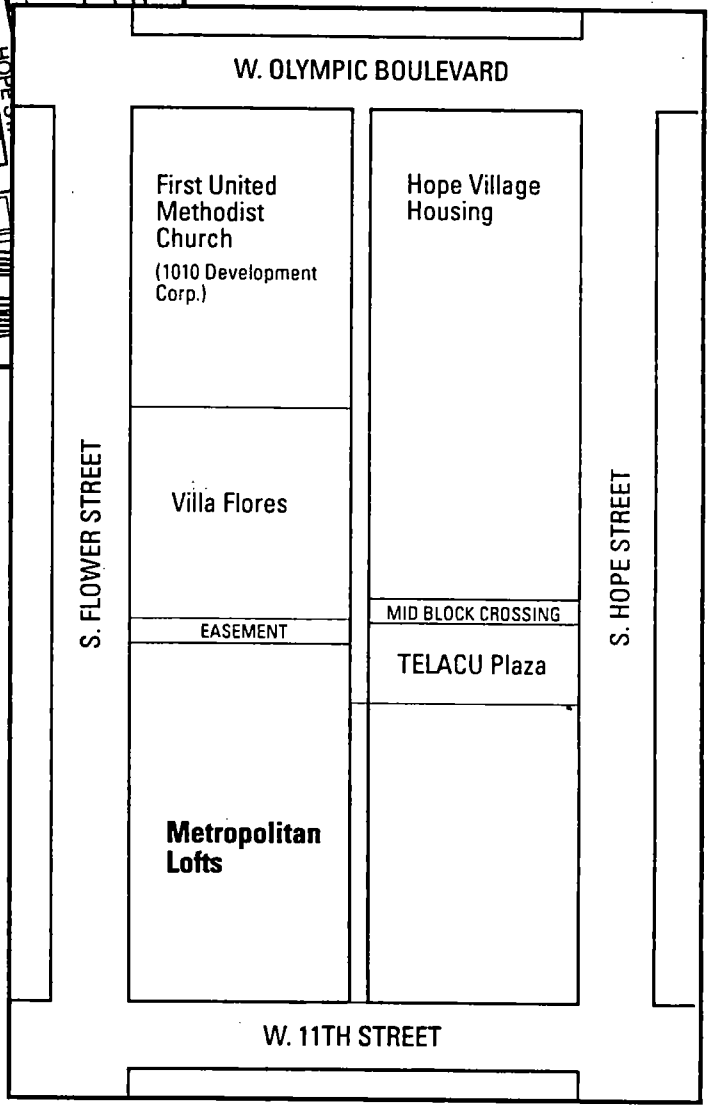
The Agency Board reserves the right, in its sole discretion, to waive or modify any provision of this policy with respect to any project, upon a showing that the interests to be served by this policy and the purposes generally of the Community Redevelopment Law will not be adversely affected by such waiver or modification.

EXHIBIT J

MAP

# Proposed Metropolitan Lofts Project



J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

# CITY OF LOS ANGELES
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705
Fax: (213) 847-0636
Fax: (213) 485-8944

HELEN GINSBURG
Chief, Council and Public Services Division

99-0697

CD 9

PLACE IN FILES

DEC 05 2000

DEPUTY

December 1, 2000

Honorable Richard Riordan, Mayor
Councilmember Walters
Chief Legislative Analyst
Office of Administrative
and Research Services
Community Redevelopment Agency
Admin. Office

RE: AMENDING THE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH FOREST CITY RESIDENTIAL WEST, INC., SO AS TO NEGOTIATE A DISPOSITION AND DEVELOPMENT AGREEMENT (DDA) FOR THE COMMUNITY REDEVELOPMENT AGENCY (CRA)-OWNED PARCEL AT THE NORTHWEST CORNER OF FLOWER AND 11TH STREETS, SOUTHPARK AREA

At the meeting of the Council held November 28, 2000, the following action was taken:

| | |
|---|---|
| Attached report adopted | |
| Attached motion () adopted | |
| Attached resolution adopted () | |
| Mayor concurred | |
| FORTHWITH | X |
| Mayor failed to act - deemed approved | |
| Motion adopted to approve attached report | |
| Motion adopted to approve communication | X |
| Agreement mentioned therein is/are No. ____ of contracts | |

J. Michael Carey

City Clerk
crm
steno\

FF Cal 12/5/00

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Rule 70

HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE
~~Report~~/Communication for Signature

Council File Number 99-0657

Committee Meeting Date 11-15-00

Council Date 11-22-00

| COMMITTEE MEMBER | YES | NO | ABSENT |
|---|---|---|---|
| COUNCILMEMBER PACHECO, CHAIR | ✓ | | |
| COUNCILMEMBER GOLDBERG | | | ✓ |
| COUNCILMEMBER HOLDEN | | | ✓ |

Remarks Forest City

Cynthia Landis, Legislative Assistant ★★★★ Telephone 485-5733

25

NOV 21 2000

TO CITY CLERK FOR PLACEMENT ON NEXT REGULAR COUNCIL AGENDA TO BE POSTED

COMMUNICATION FOR #54

11-28-00

11-28-00

**TO:** **LOS ANGELES CITY COUNCIL** **File No. 99-0697**

**FROM:** **COUNCIL MEMBER NICK PACHECO, Chair**
**HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE**

| | Yes | No |
|---|---|---|
| **Public Comments** | ___ | XX |

COMMUNICATION FROM CHAIR, HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE relative to amending the Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc., so as to negotiate a Disposition and Development Agreement (DDA) for the Community Redevelopment Agency (CRA)-owned parcel at the Northwest corner of Flower and 11th Streets, Southpark Area.

Recommendations for Council action:

1. AUTHORIZE the Administrator, CRA, or designee, to negotiate and execute a second amendment for an additional 180 days to the Exclusive Right to Negotiate Agreement (ENA) with Forest City Residential West, Inc., for the CRA-owned parcel located at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business Improvement District (BID) Redevelopment Project Area.

2. INSTRUCT the Administrator, CRA, or designee, to report back to Council upon completion of the ENA and DDA with Forest City, with the following information regarding all of the properties bounded by Hope, Flower and 11th Streets and Olympic Boulevard:

   a. Name of the property/project and developer(s).
   b. Total units per property/project.
   c. Number of affordable housing units per property/project.
   d. Type(s) of units (i.e., loft, one-bedroom, two-bedroom, etc.)
   e. Minimum percentage of Area Median Income for each affordable housing property/project.

Fiscal Impact Statement: The Office of Administrative and Research Services (OARS) states that there will be no impact to the City's General Fund. Funding for CRA staff work regarding negotiations and pre-development is available in the approved CRA 2000-01 budget.

SUMMARY:

On November 15, 2000, the Chair of the Housing and Community Redevelopment (HCR) Committee considered OARS and CRA reports relative to amending the Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc., so as to negotiate a Disposition and Development Agreement (DDA) for the CRA-owned parcel at the Northwest

corner of Flower and 11th Streets, Southpark Area.
The CRA reported that this amendment and extension to develop a 210 loft-style is part of a comprehensive development of a City block that has already had developed on it 40 units of affordable housing for the handicapped, 75 affordable units for the elderly, and another 64 units of affordable family housing currently under construction. The reasons for the delay and the need for the extension are: the property cannot be conveyed until later this year because of restrictions on the current use of parking for the Arena, the fact that the environmental work has not yet been completed, a vacation order needs to be completed, the CRA was short-staffed for a period of time that affected its ability to be responsive to the developer.

The Chair then raised the issue that the proposed apartment complex with 210 loft-style units will all be market rate apartments. The CRA reported that the initial concept was to develop the whole block as one project in a series of phases. If the phase under consideration is developed as proposed, the affordable housing breakdown for the project will be 45% affordable and 55% unrestricted housing.

The CRA noted that the action requested at this time is simply a request for the extension of the period to complete negotiations; the details of the negotiation are not being decided at this time. The CRA can still convey the Council's reluctance to approve a building whose units are all at market rate to the developer as part of the upcoming negotiations.

The OARS representative indicated that the original intent of the Southpark area in the Central Business District was to bring in mixed-income residents for the sake of diversity. Furthermore, OARS recommendation No. 2 instructs the CRA to return with a report on the full scope of the greater City block project as well as the phase involving the proposed apartment complex.

The Chair of the HCR Committee concurred with OARS recommendations and forwarded the matter to Council for its consideration.

Respectfully submitted,

COUNCIL MEMBER NICK PACHE
Housing and Community Redevelopment Committee

MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION

ADOPTED

NOV 28 2000

LOS ANGELES CITY COUNCIL

FORTHWITH

CD 9
CAL
11/17/00
#990697

COUNCIL VOTE

28-Nov-00 10:44:50 AM, #4

Items for Which Public Hearings Have Not Been Held - Items 18-41
Voting on Item(s): 18-21,25-33,35,40-41
Roll Call

| | |
|---|---|
| BERNSON | Absent |
| CHICK | Yes |
| FEUER | Yes |
| GALANTER | Yes |
| GOLDBERG | Yes |
| HERNANDEZ | Yes |
| HOLDEN | Yes |
| MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PADILLA | Yes |
| RIDLEY-THOMAS | Yes |
| SVORINICH | Absent |
| WACHS | Absent |
| WALTERS | Absent |
| *FERRARO | Yes |

Present: 11, Yes: 11 No: 0

# HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE

SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 99-0697

- [x] Council Member(s) 9
- [ ] Interested Department _____
- [x] Mayor (with/without file) _____
- [x] Chief Legislative Analyst _____
- [x] City Administrative Officer _____
- [x] Community Redevelopment Agency (Admin. Office) _____
- [ ] Community Redevelopment Agency (Budget Office) _____
- [ ] Los Angeles Housing Department _____
- [ ] Housing Authority of City of L.A. _____
- [ ] Community Development Dept. _____
- [ ] Controller _____
- [ ] City Clerk _____
- [ ] City Attorney (with / without file) _____
- [ ] Department of Transportation _____
- [ ] City Planning Department _____
- [ ] _____
- [ ] _____
- [ ] _____
- [ ] _____

**REPORT** FROM

# OFFICE OF ADMINISTRATIVE and RESEARCH SERVICES

Date: *November 15, 2000*

CAO File No. 0220-00013-1781
Council File No. 99-0697
Council District: 9

To: The City Council

From: William T Fujioka, Director

Reference: Community Redevelopment Agency (CRA) transmittal dated October 19, 2000

Subject: Request for Authority to Execute a Second Amendment to an Exclusive Right to Negotiate Agreement (ENA) with Forest City Residential West, Inc. (Forest City)

RECEIVED
CITY CLERK'S OFFICE
00 NOV 15 AM 11:07
CITY CLERK
BY
DEPUTY

## SUMMARY

The CRA requests authority to execute a second amendment to an ENA with Forest City extending the ENA for an additional 180 days for the development of a CRA owned parcel (Property) at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District Redevelopment Project Area (CBDRPA). The CRA's current request for authority to amend the ENA with Forest City will amount to a total ENA period of 540 days. Forest City's current proposal has been expanded to include an additional 10 loft-style units and retail space. Therefore, the apartment complex will now consist of 220 loft-style units with ground floor retail space. The CRA expects the completion of all activities prior to the end of the requested additional time.

On May 25, 1999, a verbal motion (Svornich-Alatorre) was adopted by Council authorizing the CRA to negotiate and execute an ENA with Forest City for a period of 180 days (C.F. 99-0697). A subsequent City Administrative Officer (CAO) report, adopted by Council on April 4, 2000, (C.F. 99-0697) authorized a 180-day extension of the ENA which allowed the CRA additional time to complete negotiations with Forest City. The CAO report detailed that the 180-day extension would allow the CRA to continue negotiations with Forest City to refine the project deal points and complete required processes, including environmental documentation. The CRA had reported that Forest City's proposal was an apartment complex with 210 loft-style units. The CRA had also reported that the Property could not be conveyed to Forest City until the fall of 2000, due to the replacement parking stipulation in the Arena (Staples Center) Disposition and Development Agreement (DDA).

HOUSING & COMMUNITY REDEVELOP

(Summary continued)

NOV 15 2000

The CRA requests the current ENA extension because it reports that additional time is required to complete the environmental review and finalize the DDA. A Reciprocal Easement Agreement, a ground lease, and a pending alley vacation request with the Bureau of Engineering are also in progress. The CRA expects approval of the alley vacation request, a process typically three months or longer, within the proposed 180-day extension period. The CRA has stated that the delay in this ENA process is a result of a shortfall in CRA staffing levels and was beyond the control of Forest City. The CRA has requested Forest City to retain the services of an environmental consultant to assist in the timely completion of all the required ENA actions. All costs related to the work completed by the environmental consultant will be paid by Forest City. The CRA has also retained the services of outside legal counsel to facilitate the timely completion of the required ENA actions.

The CRA is currently negotiating with Forest City regarding the number of market rate units in the complex proposed to meet the mixed-income goal intended for the South Park area of the CBDRPA. Forest City has proposed 220 market rate units because most of the block has already been developed to include affordable housing for seniors, families, and persons with disabilities. The inclusion of the market rate housing units is expected to provide the intended mixed-income community intended for the South Park area.

The Office of Administrative and Research Services (OARS) concurs with the CRA request for a second amendment to the ENA with Forest City extending the period an additional 180 days. In addition, the OARS proposes that the Council require the CRA to report back with project information and affordable housing data for the properties bounded by Hope, Flower and 11th Streets and Olympic Boulevard to detail the expected income composition of the area.

**RECOMMENDATIONS**

1. The City Council authorize the Administrator, or his designee, to negotiate and execute a second amendment for an additional 180 days to the Exclusive Right to Negotiate Agreement (ENA) with Forest City Residential West, Inc. for the CRA owned parcel located at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District Redevelopment Project Area; and,

2. The City Council instruct the CRA Administrator, or his designee, to report back to Council, upon completion of the ENA and Disposition and Development Agreement with Forest City, with the following information regarding all of the properties bounded by Hope, Flower and 11th Streets and Olympic Boulevard:

(Recommendations continued)

a. Name of the Property/Project and Developer(s);
b. Total Units per Property/Project;
c. Number of Affordable Housing Units per Property/Project;
d. Type(s) of Units (i.e., loft, one-bedroom, two-bedroom, etc); and,
e. Minimum Percentage of Area Median Income for each Affordable Housing Property/Project.

**FISCAL IMPACT STATEMENT**

There will be no impact to the City's General Fund. Funding for CRA staff work regarding negotiations and pre-development is available in the approved CRA 2000-01 budget.

WTF:RMK:jhl

J. MICHAEL CAREY
City Clerk

FRANK T. MARTINEZ
Executive Officer

When making inquiries relative to this matter refer to File No.

# CITY OF LOS ANGELES
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

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CITY CLERK
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Los Angeles, CA 90012
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General Information - (213) 485-5705
Fax: (213) 847-0636
Fax: (213) 485-8944

HELEN GINSBURG
Chief, Council and Public Services Division

99-0697
CD 9

October 31, 2000

HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from the CRA relative to executing an Agreement to the Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc., extending the time period for an additional 180 days, to negotiate a Disposition and Development Agreement for the CRA owned parcel, located at the northwest corner of Flower and 11th Streets, in the Central Business District Redevelopment Project Area, was referred on October 31, 2000, to the HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE.

J. Michael Carey

City Clerk
amm
reports\103100.ltr

**Community Redevelopment Agency**

of the City
of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

An Affirmative Action
Equal Opportunity
Employer

Date OCT 27 2000

File Code

RECEIVED
CITY CLERK'S OFFICE
00 OCT 30 PM 3:47
CITY CLERK
BOARD OF

Council File No.
Council District: 9
Contact Person: A. Hammond 977-1817
M. Cracraft 977-1826

Honorable City Council of the City of Los Angeles
Room 615, City Hall East

**COUNCIL TRANSMITTAL:**

CRA
LA

Transmitted herewith, is a Board Memorandum adopted by the Agency Board on October 19, 2000 for City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

AUTHORIZATION TO EXECUTE AN AMENDMENT TO THE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH FOREST CITY RESIDENTIAL WEST, INC. , EXTENDING THE TIME PERIOD FOR AN ADDITIONAL 180 DAYS TO NEGOTIATE A DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE AGENCY OWNED PARCEL LOCATED AT THE NORTHWEST CORNER OF FLOWER AND ELEVENTH STREETS IN THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT AREA.
CD 9

**RECOMMENDATION**

That the City Council approve the recommendation on the attached Board Memorandum.

**ENVIRONMENTAL REVIEW**

The proposed action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA).

**FISCAL IMPACT STATEMENT:**

There is no fiscal impact to the City's General fund as a result of this recommendation.

Richard L. Benbaw

for Jerry Scharlin, Administrator

Peggy Moore, Chair

Armando Vergara, Sr., Vice Chair
Javier O. Lopez, Treasurer
Greta T. Hutton
Dr. Keith S. Richman
Douglas R. Ring
Christine M. Robert

Jerry A. Scharlin
Administrator

HOUSING & COMMUNITY REDEVELOP

OCT 31 2000

C: Cynthia Landis, Office of the City Clerk (original & 10 Copies)
Kelly Martin, Office of the Mayor
Terry Sauer, Robert Kadomatsu, Office of the CAO
Paul Smith, Office of the CLA
James Santa Maria, CD14
Mirta Ocana, CD 13
Neil Blumenkopf, City Attorney's Office
Stacey Anthony, CD 10
Councilmember Rita Walters, CD9

LA

CIRA

LA

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

8

M E M O R A N D U M

DATE: OCTOBER 19, 2000 SP 1500

TO: AGENCY COMMISSIONERS

FROM: JERRY SCHARLIN, ADMINISTRATOR

SUBJECT: AUTHORIZATION TO EXECUTE AN AMENDMENT TO THE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH FOREST CITY RESIDENTIAL WEST, INC., EXTENDING THE TIME PERIOD FOR AN ADDITIONAL 180 DAYS TO NEGOTIATE A DISPOSITION AGREEMENT FOR THE AGENCY OWNED PARCEL LOCATED AT THE NORTHWEST CORNER OF FLOWER AND ELEVENTH STREETS IN THE SOUTHPARK AREA OF THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT
(CD 9 & 14)

RECOMMENDATION

That the Agency, subject to City Council approval, authorize the Administrator or designee to negotiate and execute an amendment to the Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc., for an additional 180-day period for the development of the Agency owned property located at the northeast corner of Flower and Eleventh Streets in the South Park Area of the Central Business District Redevelopment Project Area.

RE

March 2, 2000 - Agency approval of an amendment to the Exclusive Right to Negotiate extending the period of time for an additional 180 days.

March 29, 2000 - City Council approval of an amendment to the Exclusive Right to Negotiate.

SOURCE OF FUNDS

No funds are required for the recommended action.

ENVIRONMENTAL ACTIONS

The above action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA). The project will undergo environmental review prior to execution of a DDA, which is expected to occur at the end of the period of exclusive negotiations.

## SUMMARY

The recommended action will provide additional time for the Agency to complete the environmental review of the project as required by CEQA and to finalize the Disposition and Development Agreement (DDA), Reciprocal Easement Agreement (REA) and Ground Lease for the proposed project. The proposed project consists of approximately 220 units of live/work housing with ground floor retail. Agency staff shortfalls have resulted in delays beyond the control of the Developer. To complete the required reviews and documentation, the Developer, at the request of the Agency, has retained the services of an outside environmental consultant. The Agency has also retained the services of outside legal counsel to complete the preparation of the DDA and related conveyance documents for Agency and City Council consideration and approval. The assignment of these additional resources is sufficient to bring closure to negotiations within the additional time requested by the recommended action. In addition, the Agency's application to vacate the public alley has not been finalized by the City. The alley bi-sects the site and must be vacated prior to the conveyance of the site to the Developer and the start of construction. The additional time requested should be sufficient for the Bureau of Engineering to complete the processing of the Agency's alley vacation request.

## PROGRAM AND BUDGET IMPACT

The recommended action is consistent with the Fiscal Year 2000-2001 Budget and Work Program. The Developer is responsible for the cost of the environmental consultant.

## BACKGROUND

Between 1988 and 1992, the Agency acquired several properties located in the block bounded by Hope Street, Olympic Boulevard, Eleventh Street and Flower Street for the development of market rate and affordable housing to serve the Downtown workforce. The first development to occur in the block involved the adaptive reuse of the historic NCR building into 40 units of special needs housing by TELACU. Following the preparation of a master plan for the development of the block, in 1997 the Agency conveyed a 16,400 square foot parcel on Flower Street to the 1010 Development Corporation, a community-based nonprofit development corporation founded by the First United Methodist Church. With Agency and HUD 202 funding, the 1010 Development Corporation constructed Villa Flores, a 75-unit senior housing project. In 1999, the Agency conveyed a 49,000 square foot site at Olympic Boulevard and Hope Street for the construction of a 64-unit, townhouse-style family housing project, Hope Village Apartments. This development includes a childcare facility and community center for the benefit of the neighborhood and is currently under construction.

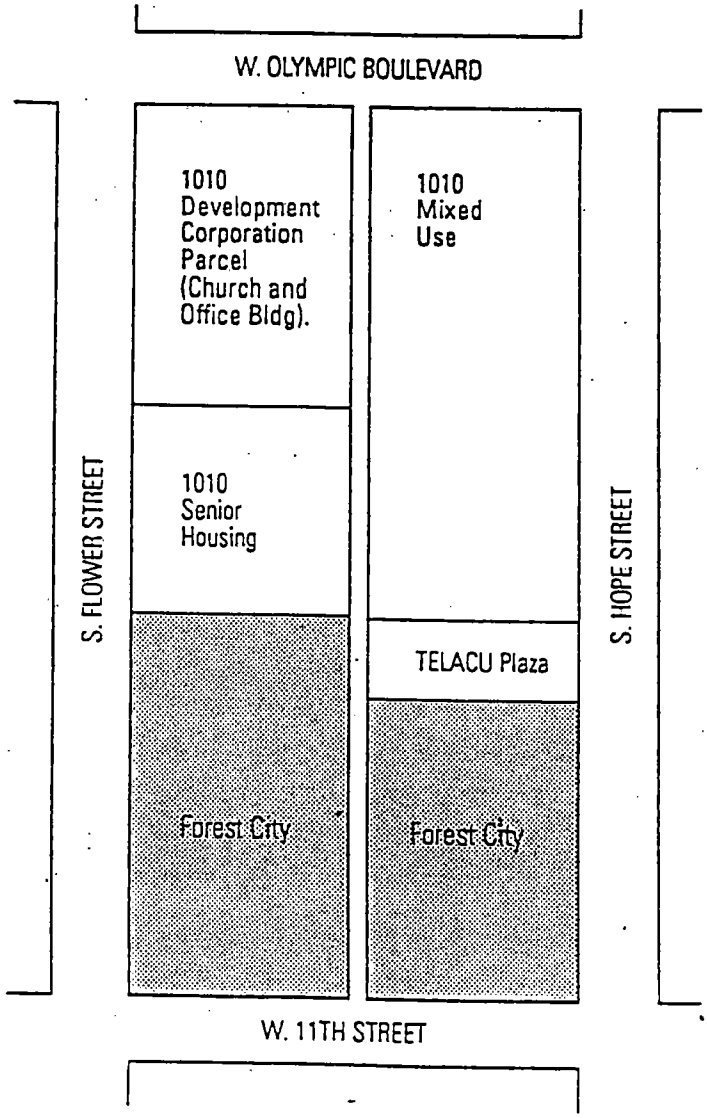
The remaining Agency-owned property in the block is the subject of the Exclusive Negotiation Agreement with Forest City Residential West. The Agency's goal, in accordance with approved plans for South Park, is to achieve a mix of housing for all income groups and household sizes throughout the South Park community. To date, all of the development in the subject block has been affordable housing for seniors, families and the physically handicapped; therefore the remaining parcels in the block will be devoted to predominantly market rate housing to meet this mixed-income goal.

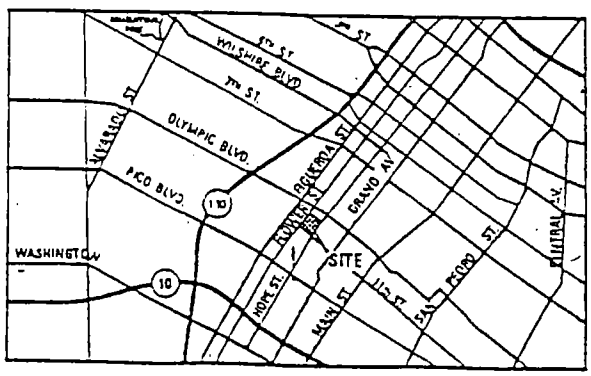
Forest City Residential West has successfully completed several major mixed income projects in South Park, the Skyline Condominium and the Metropolitan Apartments located on the block. The Agency entered into exclusive negotiations with Forest City Industries as an owner participant in accordance with the CBD Redevelopment Plan. The CBD Plan obligates the Agency to extend preferences to property owners in the Project Area provided they are qualified and have the ability to carry out the proposed development.

Jerry Scharlin
Administrator

There is no conflict of interest known to me that exists with regard to any Agency officer or employee concerning this action.

Forest City


W. OLYMPIC BOULEVARD
1010 Development Corporation Parcel (Church and Office Bldg).
1010 Mixed Use
1010 Senior Housing
TELACU Plaza
Forest City
Forest City
S. FLOWER STREET
S. HOPE STREET
W. 11TH STREET


WILSHIRE BLVD
OLYMPIC BLVD.
PICO BLVD.
WASHINGTON
SITE
GRAND AV.
HOPE ST.
MAIN ST.
FIGUEROA ST.
FLOWER ST.
HARBOR FWY
10
110
N

J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

# CITY OF LOS ANGELES
CALIFORNIA

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

99-0697

RICHARD J. RIORDAN
MAYOR

PLACE IN FILES

APR 10 2000

DEPUTY

April 4, 2000

Councilmember Walters
Chief Legislative Analyst
City Administrative Officer
Community Redevelopment Agency
(Administrative Office)

RE: AUTHORITY TO EXECUTE AN AMENDMENT TO AN EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH FOREST CITY RESIDENTIAL WEST, INC

At the meeting of the Council held April 4, 2000, the following action was taken:

| | |
|---|---|
| Mayor approved | |
| Mayor vetoed | |
| Motion adopted to approve attached report | |
| Motion adopted to approve communication | X |
| To the Mayor FORTHWITH | |
| Mayor approved | |
| Mayor failed to act - deemed approved | |
| Findings adopted | |
| Negative Declaration adopted | |

J. Michael Carey

City Clerk
aff
steno\990697

CAL 4/10/00

FF



Recyclable and made from recycled waste.

Rule 70

HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE

~~Report~~/Communication for Signature

Council File Number 98-0697

Committee Meeting Date 3-22-00

Council Date 4-4-2000

| COMMITTEE MEMBER | YES | NO | ABSENT |
|---|---|---|---|
| COUNCILMEMBER PACHECO, CHAIR | ✓ | | |
| COUNCILMEMBER GOLDBERG | | | ✓ |
| COUNCILMEMBER HOLDEN | | | ✓ |

Remarks Exclusive Right to Negotiate w/ Forest City

Cynthia Landis, Legislative Assistant ★★★★ Telephone 485-5733

14

FOR 4-4-2000

TO CITY CLERK FOR PLACEMENT ON NEXT REGULAR COUNCIL AGENDA TO BE POSTED COMMUNICATION #24

**TO:** **LOS ANGELES CITY COUNCIL** **File No. 99-0697**

**FROM:** **COUNCIL MEMBER NICK PACHECO, Chair**
**HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE**

| | Yes | No |
|---|---|---|
| Public Comments | ___ | XX |

COMMUNICATION FROM CHAIR, HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE relative to a request for authority to execute an amendment to an Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc.

Recommendations for Council action:

AUTHORIZE the Community Redevelopment Agency (CRA) Administrator, or designee, to execute an amendment to an Exclusive Right to Negotiate Agreement for an additional 180 days with Forest City Residential West, Inc., for the CRA-owned parcel located at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District.

Fiscal Impact Statement: The CAO states that there will be no impact to the City's General Fund. Funding for CRA staff work regarding negotiations and pre-development has already been approved in the CRA 1999-2000 budget.

SUMMARY

On March 22, 2000, the Housing and Community Redevelopment Committee (HCR) Committee considered CAO and CRA reports relative to a request for authority to execute an amendment to an Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc. The CRA reported that this agreement would extend the existing agreement for an additional 180 days. The agreement is for the development of a CRA-owned parcel at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District. The current proposal is for the development of 210 loft-style residential units. This project will be rented at market rate. However, there are other projects on the block of which 110 units are affordable.

The Chair made reference to a conversation with a constituent, in which the constituent informed him that he had previously rented space in the loft district, but that he had been priced out of the area. The CRA responded that prices had gone up in the loft district and that this was one of the reasons it was developing other loft areas.

The Chair then asked the CRA to look at the rental rates for the area prior to the CRA's development of the artist district, and how that development might have affected the rents in the area. Mr. Pacheco indicated that he wanted to make sure that artists weren't being priced out of the loft-style units, because he didn't want more units developed than the market might be able to bear.

The Chair of the HCR Committee concurred with CAO recommendation and forwarded the matter to Council for its consideration.

Respectfully submitted,

COUNCIL MEMBER NICK PACHECO, Chair
Housing and Community Redevelopment Committee

MOTION ADOPTED TO APPROVE COMMUNICATION RECOMMENDATION

CAL
3/24/00
#990967

ADOPTED

APR 04 2000

LOS ANGELES CITY COUNCIL

COUNCIL VOTE

04-Apr-00 10:36:35 AM, #3

Items for Which Public Hearings Have Not Been Held - Items 12-34
Voting on Item(s): 12,14,16-17,19-28,33-34
Roll Call

| | |
|---|---|
| BERNSON | Yes |
| CHICK | Yes |
| FEUER | Yes |
| *GALANTER | Yes |
| GOLDBERG | Absent |
| HERNANDEZ | Yes |
| HOLDEN | Absent |
| MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PADILLA | Absent |
| RIDLEY-THOMAS | Yes |
| SVORINICH | Yes |
| WACHS | Yes |
| WALTERS | Absent |
| FERRARO | Absent |

Present: 10, Yes: 10 No: 0

# HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE

SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. 99-0697

- [x] Council Member(s) 9
- [ ] Interested Department
- [ ] Mayor (with/without file)
- [x] Chief Legislative Analyst
- [x] City Administrative Officer
- [x] Community Redevelopment Agency (Admin. Office)
- [ ] Community Redevelopment Agency (Budget Office)
- [ ] Los Angeles Housing Department
- [ ] Housing Authority of City of L.A.
- [ ] Community Development Dept.
- [ ] Controller
- [ ] City Clerk
- [ ] City Attorney (with / without file)
- [ ] Department of Transportation
- [ ] City Planning Department
- [ ]
- [ ]
- [ ]
- [ ]

**REPORT** FROM

# CITY ADMINISTRATIVE OFFICE

Date: *March 21, 2000*

CAO File No. 0220-00054-1748
Council File No. 99-0697
Council District: 9

RECEIVED
CITY CLERK'S OFFICE
00 MAR 21 PM 3:02
CITY CLERK
BY
DEPUTY

To: The Council

From: William T Fujioka, City Administrative Officer WTF by mt

Reference: Community Redevelopment Agency transmittal dated March 2, 2000

Subject: Request for Authority to Execute an Amendment to an Exclusive Right to Negotiate Agreement with Forest City Residential West, Inc.

## SUMMARY

The Community Redevelopment Agency (CRA) requests authority to execute an amendment to an Exclusive Right to Negotiate agreement (Agreement) with Forest City Residential West, Inc. (Forest) extending the Agreement for an additional 180 days. The Agreement is for the development of a CRA owned parcel at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District. Forest's current proposal is for the development of 210 loft-style residential units.

The time extension will allow the CRA to continue negotiations with Forest to further refine the project deal points and complete required processes including environmental documentation. The time extension will also allow the CRA to convey the CRA owned parcel to Forest. Currently, the CRA cannot convey the parcel until the fall of 2000 due to the replacement parking stipulation in the Arena (Staples Center) Disposition and Development Agreement.

Forest is a large residential developer and an owner-participant in the South Park neighborhood that has completed two (2) residential developments on an adjacent block, Skyline Condominiums and Metropolitan Apartments.

## RECOMMENDATION

That the City Council authorize the Administrator, or his designee, to execute an amendment to an Exclusive Right to Negotiate agreement for an additional 180 days with Forest City Residential West, Inc.

(Recommendation continued)

HOUSING & COMMUNITY REDEVELOP
MAR 22 2000

for the CRA owned parcel located at the northeast corner of Flower and 11th Streets in the South Park area of the Central Business District.

**FISCAL IMPACT STATEMENT**

There will be no impact to the City's General Fund. Funding for CRA staff work regarding negotiations and pre-development has already been approved in the CRA 1999-2000 budget.

WTF:RMK:lm

J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

CITY OF LOS ANGELES
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

99-0697

March 14, 2000

HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from Community Redevelopment Agency (CRA) relative to authorization to execute an amendment to the exclusive right to negotiate agreement with Forest City Residential West, Inc., was referred on March 13, 2000, to the HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE.

J. Michael Carey

City Clerk
ys

**Community Redevelopment Agency**

of the City
of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

An Affirmative Action
Equal Opportunity
Employer

Date MARCH 6, 2000

File Code #2896

Council File No.
Council District: 9
Contact Person: Ayahlushim Hammond
(213) 977-1817

Honorable City Council of the City of Los Angeles
Room 615, City Hall East

CITY CLERK
00 MAR -8 AM 7:08
RECEIVED
CITY CLERK'S OFFICE

**COUNCIL TRANSMITTAL:**

Transmitted herewith is a Board Memorandum adopted by the Agency Board on March 2, 2000 for City Council review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

AUTHORIZATION TO EXECUTE AN AMENDMENT TO THE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH FOREST CITY RESIDENTIAL WEST, INC., EXTENDING THE TIME PERIOD FOR AN ADDITIONAL 180 DAYS, FOR THE AGENCY OWNED PARCEL LOCATED AT THE NORTHEAST CORNER OF FLOWER AND 11TH STREET IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT
CD 9

**RECOMMENDATION:**

That the City Council approve the Recommendation on the attached Board Memorandum.

**ENVIRONMENTAL REVIEW:**

The above action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA). The project will undergo environmental review prior to execution of a DDA, expected to occur at the end of the period of exclusive negotiation.

Peggy Moore, *Chair*

Armando Vergara, Sr., *Vice Chair*
Juanita G. Chavez, *Treasurer*
Javier O. Lopez
Dr. Keith S. Richman
Christine M. Robert
Clinton F. Rosemond

HOUSING & COMMUNITY REDEVELOP

MAR 10 2000

**FISCAL IMPACT STATEMENT:**

There is no fiscal impact to the City's General Fund as a result of this recommendation.

Jerry A. Scharlin, Administrator

cc: Cynthia Landis, Office of the City Clerk (Original & 10 copies)
Terry Sauer, Office of the CAO
Robert Kadomatsu, Office of the CAO
Paul Smith, Office of the CLA
John Wickham, Office of the CLA
Neil Blumenkopf, Office of the City Attorney
Kelly Martin, Office of the Mayor
Stacey Anthony, CD10
Mirta Ocana, CD13
James Santa Maria, CD14
Hon. Rudy Svorinich, CD14

CRA
LA

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES

7

M E M O R A N D U M

DATE: MARCH 2, 2000 SP 1500

TO: AGENCY COMMISSIONERS

FROM: JERRY SCHARLIN, ADMINISTRATOR

SUBJECT: AUTHORIZATION TO EXECUTE AN AMENDMENT TO THE EXCLUSIVE RIGHT TO NEGOTIATE AGREEMENT WITH FOREST CITY RESIDENTIAL WEST, INC., EXTENDING THE TIME PERIOD FOR AN ADDITIONAL 180 DAYS, FOR THE AGENCY OWNED PARCEL LOCATED AT THE NORTHEAST CORNER OF FLOWER AND 11TH STREETS IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT (CD 9)

RECOMMENDATION

That the Agency, subject to City Council approval, authorize the Administrator or designee to negotiate and execute an amendment to an Exclusive Right to Negotiate for an additional period of 180 days with Forest City Residential West, Inc., for the Agency owned parcel located at the northeast corner of Flower and 11th Streets in the South Park Area of the Central Business District Redevelopment Project Area.

RE

April 15, 1999 - Agency approval of an Exclusive Right to Negotiate.

June 14, 1999 - City Council approval of an Exclusive Right to Negotiate.

SOURCE OF FUNDS

Central Business District Housing Trust Funds

ENVIRONMENTAL ACTIONS

The above action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA). The project will undergo environmental review prior to execution of a DDA, expected to occur at the end of the period of exclusive negotiation.

SUMMARY

The recommended action will provide additional time for the Agency staff to continue negotiations with the developer for the purposes of further refining the project deal points and complete required processes including environmental documentation. The current proposal is to develop up to 210 loft style residential units. All entities are currently revising the project size and scope, analyzing the opportunities for lease payments and completing pre-requisite documents that would define the common spaces for the entire block. In addition, as a result of the Arena DDA, which requires the site to be used for replacement parking until fall, 2000, the Agency is not yet able to convey the site to the developer.

PROGRAM AND BUDGET IMPACT

No Agency Funds are required for the recommended action. Labor dollars for the staff work associated with the completion of negotiations and pre-development items are already budgeted in FY00 (SP 1500).

BACKGROUND

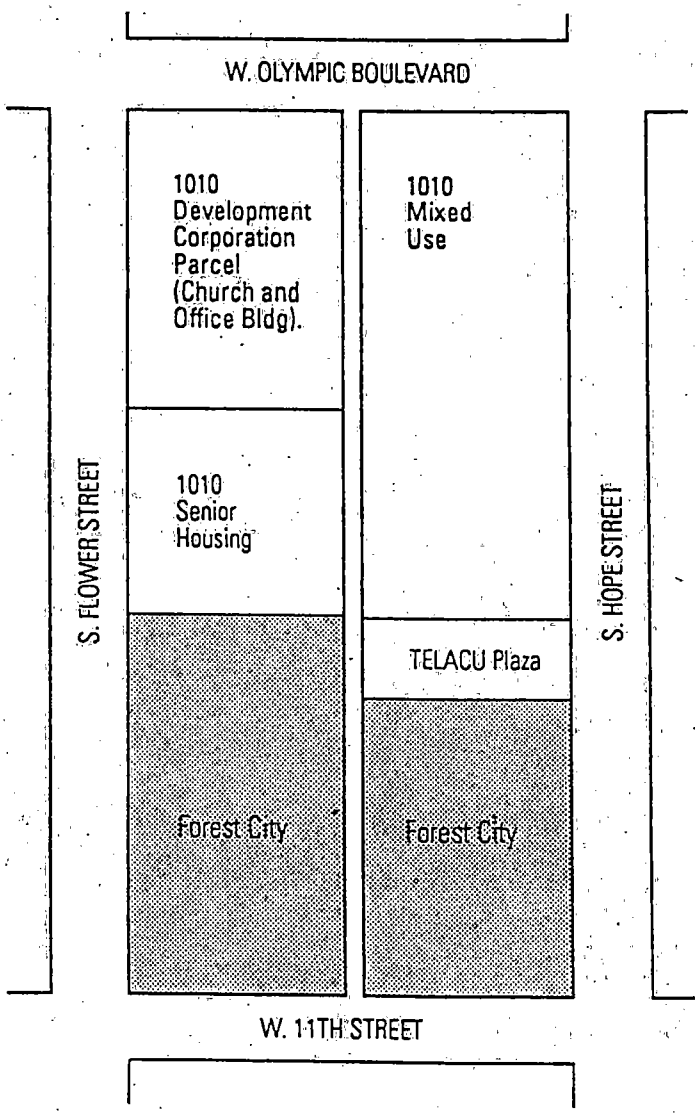
During the period of 1988 through 1992, the Agency acquired property in the block bounded by Hope Street, Olympic Boulevard, 11th Street and Flower Street. In 1991, the Agency conveyed a 5-story "Worthy of Note" vacant office building to TELACU for the development of 40 units of housing for the physically handicapped. In 1997, the Agency conveyed a 16,400 sq. ft. parcel of land to the 1010 Development Corporation for the development of Villa Flores, a 75 unit project for the very low-income elderly. In 1999, the Agency conveyed an additional 49,000 sq. ft. parcel at Olympic Boulevard and Hope Street to 1010 Development Corporation for the purpose of building an additional 64 units of low income townhouses and a child care center. The parcels identified for development by Forest City West, Inc. are the last remaining Agency owned parcels on the block. Forest City West, Inc., is a large residential developer with vast experience in the development of large market rate in-fill residential projects. Its parent, Forest City Industries, is publicly traded on the American Stock Exchange. Forest City completed two larger residential developments on an adjacent block in the same South Park neighborhood: Skyline Condominiums and Metropolitan

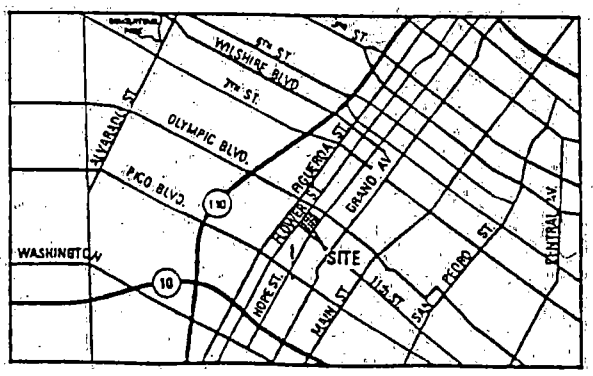
Apartments. As a result, it is an owner participant in the area.

Jerry Scharlin
Administrator

There is no conflict of interest known to me which exists with regard to any Agency officer or employee concerning this action.

Forest City


W. OLYMPIC BOULEVARD
1010 Development Corporation Parcel (Church and Office Bldg).
1010 Mixed Use
1010 Senior Housing
TELACU Plaza
Forest City
Forest City
S. FLOWER STREET
S. HOPE STREET
W. 11TH STREET


WILSHIRE BLVD
OLYMPIC BLVD.
PICO BLVD.
WASHINGTON
SITE
FIGUEROA ST.
GRAND AV.
HOPE ST.
MAIN ST.
PEARL ST.
CENTRAL AV.
10
110
N

J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

# CITY OF LOS ANGELES
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

99-0697

CDs 1 & 9

PLACE IN FILES
OCT - 8 1999
DEPUTY

October 8, 1999

Controller, Room 1200
Accounting Division, F&A
Disbursement Division
City Administrative Officer
Chief Legislative Analyst
City Attorney

Council Member Hernandez
Council Member Walters
Community Redevelopment Agency,
Office of Administrator
cc: Budget Office, 5th Floor

RE: COMMUNITY REDEVELOPMENT AGENCY TRANSFER OF FUNDS FOR TWO ARENA REPLACEMENT HOUSING PROJECTS (HOPE VILLAGE AND GRANDVIEW NINE)

At the meeting of the Council held September 29, 1999, the following action was taken:

| | |
|---|---|
| Attached report adopted | X |
| " motion " ( ) | |
| " resolution " ( ) | |
| Ordinance adopted | |
| Motion adopted to approve attached report | |
| " " " " " communication | |
| To the Mayor FORTHWITH | |
| Ordinance Number | |
| Publication date | |
| Effective date | |
| Mayor vetoed | |
| Mayor approved | 10-06-99 |
| Mayor failed to act - deemed approved | |
| Findings adopted | |
| Negative Declaration adopted | |
| Categorically exempt | |
| Generally exempt | |

J. Michael Carey
City Clerk
dng

FF WK 10-6-99



Recyclable and made from recycled waste.

Mayor's Time Stamp

RECEIVED
'99 OCT -4 P2:59
DEPUTY MAYOR

RECEIVED
CITY CLERK'S OFFICE
City Clerk's Time Stamp

99 OCT -4 PM 2:56

CITY CLERK
BY _____
DEPUTY

**SUBJECT TO MAYOR'S APPROVAL**

COUNCIL FILE NO. 99-0697 COUNCIL DISTRICT NOS. 1 & 9

COUNCIL APPROVAL DATE September 29, 1999

RE: COMMUNITY REDEVELOPMENT AGENCY TRANSFER OF FUNDS FOR TWO ARENA REPLACEMENT HOUSING PROJECTS (HOPE VILLAGE AND GRANDVIEW NINE)

CITY CLERK'S OFFICE
99 OCT -7 AM 11:58
BY _____ CITY CLERK
DEPUTY

LAST DAY FOR MAYOR TO ACT OCT 14 1999
(10 Day Charter requirement as per Charter Section 359)

**DO NOT WRITE BELOW THIS LINE - FOR MAYOR OFFICE USE ONLY**

APPROVED ✓

*DISAPPROVED

*Transmit objections in writing pursuant to Charter Section 354

DATE OF MAYOR APPROVAL OR DISAPPROVAL OCT 06 1999

OCT 07 1999

MAYOR
dng

steno\990697

16

HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE
Report/Communication for Signature

Council File Number 99-0697

Committee Meeting Date 6-22

Council Date 9-29

| COMMITTEE MEMBER | YES | NO | ABSENT |
|---|---|---|---|
| COUNCILMEMBER PACHECO, CHAIR | ✓ | | |
| COUNCILMEMBER GOLDBERG 9/24 | ✓ | | |
| COUNCILMEMBER HOLDEN | ✓ | | |

Remarks CRA transfer of funds for Area Repl. Housing Projects

Adrienne Bass, Legislative Assistant II ---- Telephone 847-0379

File No. 99-0697

TO THE COUNCIL OF THE
CITY OF LOS ANGELES

Your HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE

reports as follows:

| | Yes | No |
|---|---|---|
| Public Comments | XX | |

HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE REPORT relative to Community Redevelopment Agency (CRA) transfer of funds for two Arena Replacement Housing projects (Hope Village and Grandview Nine).

Recommendation for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

APPROPRIATE $2,500,000 from the Replacement Housing for Staples - CRA line item in the Unappropriated Balance to the following CRA work objectives:

| | | |
|---|---|---|
| CW1206 | (Grandview Nine) | $1,500,000 |
| SP1100 | (Hope Village) | 1,000,000 |
| | Total | $2,500,000 |

Fiscal Impact Statement: The City Administrative Officer states that funding in the amount of $2.5 million for Arena Replacement Housing was set aside by the Council in the 1999-2000 Unappropriated Balance. The transfer of these funds to the Community Redevelopment Agency will reduce the Unappropriated Balance by $2.5 million.

Summary:

In a report dated 9-21-99, the City Administrative Officer (CAO) states that Council approved the use of $4,496,000 to provide additional replacement housing as part of the approval of the Staples Arena Project in November 1997. Funding was originally set aside in the Unappropriated Balance in 1996-97 to fund these additional housing requirements. In October 1997, Council directed the Community Redevelopment Agency (CRA) to request funding for the replacement housing as part of the normal budget process in the subsequent fiscal year. The CRA did not request the funding for the Arena Replacement Housing Projects until 1999-2000. The Council approved the inclusion of $2.5 million in the 1999-2000 Unappropriated Balance in order to fund these projects which were anticipated to start construction during the 1999-2000 fiscal year. It is anticipated that the balance of the funds for the Arena Replacement Housing will be requested as part of the 2000-2001 budget.

The CAO reports that the CRA is requesting the transfer of these funds to two work program objectives: Grandview Nine Apartments and Hope Village. Both projects are financed through a combination of tax-exempt bonds and Arena Replacement Housing Funds. Construction on both projects must begin before 12-6-99. In the event that construction does not begin, the bond funds allocated to the project will lose their tax exempt status.

At its regular meeting on 9-22-99, the Housing and Community Redevelopment Agency considered this matter and concurred in the recommendation of the CAO. This matter is now being forwarded to Council for consideration.

Respectfully submitted,

HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE

AB
9-23-99
CD 1 & 9

RPT.
ADOPTED
SEP 29 1999
LOS ANGELES CITY COUNCIL

Mayor With File -354

COUNCIL VOTE

29-Sep-99 10:27:19 AM, #2

Items for Which Public Hearings Have Been Held - Items 4-25
Voting on Item(s): 4-21,23,25
Roll Call

| | |
|---|---|
| BERNSON | Yes |
| CHICK | Yes |
| FEUER | Yes |
| GALANTER | Absent |
| GOLDBERG | Yes |
| HERNANDEZ | Yes |
| HOLDEN | Yes |
| MISCIKOWSKI | Yes |
| PACHECO | Yes |
| PADILLA | Absent |
| RIDLEY-THOMAS | Absent |
| SVORINICH | Yes |
| WACHS | Yes |
| WALTERS | Yes |
| *FERRARO | Yes |

Present: 12, Yes: 12 No: 0

HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE
SUGGESTED NOTIFICATION OF COUNCIL ACTION

Council File No. _____

- [ ] Petitioner/Communicant _____
- [x] Council Member(s) CD 1 & 9
- [x] Mayor (with/without file)
- [x] Community Redevelopment Agency (Office of Administrator)
- [x] Community Redevelopment Agency (Budget Office, 5th Floor)
- [x] City Administrative Officer
- [x] Chief Legislative Analyst
- [x] City Attorney
- [ ] Community Development Department
- [ ] Los Angeles Housing Department
- [ ] Housing Authority of the City of L.A.
- [ ] Department of Transportation
- [ ] City Planning Department
- [ ] Department of Building and Safety
- [x] Controller - Accounting and Disbursement
- [ ] City Clerk, Administrative Services Division
- [ ] _____
- [ ] _____
- [ ] _____

#2

**REPORT** FROM

# CITY ADMINISTRATIVE OFFICER

| TO | DATE | CAO FILE No. |
|---|---|---|
| The Council | 9-21-99 | 0220-00013-1729 |
| REFERENCE | | COUNCIL FILE No. |
| Transmittal from the Community Redevelopment Agency dated September 9, 1999 | | |
| SUBJECT | | COUNCIL DISTRICT |
| Request for Transfer of Funds for Arena Replacement Housing | | |

## SUMMARY

The Council approved the use of $4,496,000 to provide additional replacement housing as part of the approval of the Staples Arena Project in November, 1997. Funding in this amount was originally set aside in the Unappropriated Balance in 1996-97 to fund these additional housing requirements. In October, 1997, the Council directed the CRA to request the funding for the replacement housing as part of the normal budget process in the subsequent fiscal year. The CRA did not request funding for Arena Replacement Housing Projects until 1999-00.

Council approved the inclusion of $2.5 million in the 1999-00 Unappropriated Balance to fund those projects which were anticipated to begin construction during the 1999-00 fiscal year. It is anticipated that the balance of funds for the Arena Replacement Housing will be requested as part of the 2000-01 budget.

The CRA is requesting the transfer of the $2.5 million from the Unappropriated Balance to two work program objectives, Grandview Nine Apartments (C. F. 98-2327) and Hope Village (C.F. 99-0697). Both projects are financed through a combination of tax-exempt bonds and Arena Replacement Housing Funds. Construction on both projects must begin before December 6, 1999. In the event that construction does not begin, the bond funds allocated to the project will lose their tax exempt status.

(Recommendations attached)

CITY ADMINISTRATIVE OFFICER



Recyclable and made from recycled waste.

## RECOMMENDATION

That the Council, subject to the approval of the Mayor, appropriate $2,500,000 from the Replacement Housing for Staples - CRA line item in the Unappropriated Balance to the following CRA work objectives:

| | |
| --- | --- |
| CW1206 (Grandview Nine) | $ 1,500,000 |
| SP 1100 (Hope Village) | 1,000,000 |
| Total | $ 2,500,000 |

## FISCAL IMPACT STATEMENT

Funding in the amount of $2.5 million for Arena Replacement Housing was set aside by the Council in the 1999-00 Unappropriated Balance. The transfer of these funds to the Community Redevelopment Agency will reduce the Unappropriated Balance by $2.5 million.

MTS:jhl

34420a15



Recyclable and made from recycled waste.

J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

CITY OF LOS ANGELES
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

99-0697
CDs 1 & 9

September 14, 1999

HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from the CRA relative to requesting fund transfer to the CRA for two housing projects (Hope Village and Grandview Nine) located at the southwest corner of Olympic and Hope and the southeast corner of Ninth and Grandview Streets, was referred on September 14, 1999, to the HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE.

J. Michael Carey
City Clerk
amm

**Community Redevelopment Agency**

of the City of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

An Affirmative Action Equal Opportunity Employer

Date SEP 9 1999

File Code

Council File No. 96-1590 (Staples)
98-2327 (Grandview Nine)
99-0697 (Hope Village)
Council District : 1 & 9
Contact Person: John McCoy
(213) 977-1822

RECEIVED
CITY CLERK'S OFFICE
99 SEP 10 PM 3:09
CITY CLERK
BY

Honorable Council of the City of Los Angeles
Room 615, City Hall East

**COUNCIL TRANSMITTAL:**

CRA
LA

REQUEST FUNDS FROM THE CITY'S UNAPPROPRIATED BALANCE FOR TRANSFER TO THE COMMUNITY REDEVELOPMENT AGENCY FOR TWO HOUSING PROJECTS (HOPE VILLAGE AND GRANDVIEW NINE) LOCATED AT THE SOUTHWEST CORNER OF OLYMPIC AND HOPE AND THE SOUTHEAST CORNER OF NINTH AND GRANDVIEW STREETS IN THE CITY OF LOS ANGELES.

## RECOMMENDATION

That the City Council approve the recommendation cited above.

## ENVIRONMENTAL REVIEW

The recommended actions do not constitute a project per CEQA.

## FISCAL IMPACT STATEMENT

The proposed action will require that $2,500,000 in City funds currently in the City unallocated budget to be transferred to two separate CRA's work objectives, SP1100 (Hope Village) and work objective CW 1206 (Grandview Nine).

A total of $1,500,000 is to be transferred this fiscal year into CRA work objective CW1206 (Grandview Nine) so this project can commence construction this calendar year. The additional $1,000,000 is also needed for the CRA work objective SP 1100 (Hope Village), so that it can start construction this year.

Peggy Moore, *Chair*

Armando Vergara, Sr., *Vice Chair*
Juanita G. Chavez, *Treasurer*
Javier O. Lopez
Dr. Keith S. Richman
Christine M. Robert
Clinton F. Rosemond

HOUSING & COMMUNITY REDEVELOP

SEP 13 1999

The remaining $1,240,000 for the Grandview Nine project will be needed in July, 2000 to complete construction of this project.

The proposed actions will not affect the City's General Fund.

BACKGROUND

When the City Council approved the Staples Center project in November, 1997, one of the approval conditions imposed on the project was that the developer place $4,496,000 with City to pay for future Replacement Housing created by the implementation of the Staples project.

CRA LA

Both Grandview Nine and Hope Village projects were identified as part of the Replacement Housing projects. This action set aside $2,740,000 for the Grandview Nine project and $1,000,000 for then 1010 senior project, which is now called Hope Village.

In the later part of December 1998, the City of Los Angeles applied for and obtained two different bond allocation from the State of California for seven apartment complexes, that included the Grandview Nine and Hope Village projects. This allowed the City of Los Angeles to issue and sell tax -exempt bonds in the later part of May and beginning of June, 1999, which provided part of the required financing for the Grandview Nine and Hope Village project.

Since the bond issue did not provide the entire amount necessary for the construction of the project on March 5, 1999, City Council reviewed and approved the CRA's actions to provide Gap Financing for the Grandview Nine apartment complex. The CRA action specifically identified the Staples Center Replacement Housing Funds of $2,400,000 as the resource to fund the Gap Loan.

On May 26, 1999, City Council reviewed and approved the CRA's actions to enter into a Disposition and Development Agreement and provide a Gap Loan to 1010 Development Company doing business as Ol Hope. Again, the resource identified to fund the $1,000,000 Gap Loan was the Staples Center Replacement Housing Trust Fund.

Now the funds are needed to allow both of the projects to start construction on or before December 6, 1999, which is a requirement imposed by the State Bond Committee for receiving the bond allocation. If the projects do not start construction by this date, then the bonds will lose its tax -exempt status.

Jerry Scharlin, Administrator

cc: Adrienne Bass, Office of the City Clerk (Original & 10 Copies)
Terry Sauer, Office of the CAO
John Henschel, Office of the CAO
Paul Smith, Office of the CLA
Kelly Martin, Office of the Mayor
Mirta Ocana, CD 13
Dan Farkas/Frances Marquez CD14
Councilmember Rita Walters (CD 9)
Councilmember Mike Hernadez (CD1)

bcc: Don Spivack
Ras Mallari
Susan Totaro (2 copies)
John McCoy
Bert Redulfin
Ayahlushim Hammond
Maxine Chavez
Mike Cracraft
Records (2 copies)

J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

CITY OF LOS ANGELES
CALIFORNIA

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'99 JUN -1 A11:28

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

A Hammond
Ricciello
Spivack
McCoy
Totaro
City Controller
Mallari
Wilkins
C. Santi
Amo A
R. Schell
Wardell
K. Clark

99-0697

CD 9

May 26, 1999

Councilmember Walters
Councilmember Svorinich
Councilmember Alatorre
City Administrative Officer
Chief Legislative Analyst
Los Angeles Housing Department
Treasurer
Office of the Mayor
Community Redevelopment Agency
Controller, Room 1200
Accounting Division, F&A
Disbursement Division

RE: DISPOSITION AND DEVELOPMENT OF LAND FOR A MIXED USE DEVELOPMENT OF HOUSING AND CHILDCARE FOR PROPERTY BOUNDED BY OLYMPIC BOULEVARD, HOPE, 11TH AND FLOWER STREETS

At the meeting of the Council held May 25, 1999, the following action was taken:

| | |
|---|---|
| Attached report adopted | |
| Attached motion (Svorinich - Alatorre) adopted | X |
| Attached resolution adopted () | |
| Mayor concurred | |
| FORTHWITH | |
| Ordinance adopted | |
| Motion adopted to approve attached report | |
| Motion adopted to approve communication | |
| To the Mayor FORTHWITH | |
| Ordinance Number | |

J. Michael Carey
City Clerk
eff
...eno\990697



Recyclable and made from recycled waste

**VERBAL MOTION**

I HEREBY MOVE that Council ADOPT the recommendations of the Community Redevelopment Agency and the Chief Legislative Analyst on today's Council agenda (Item No. 9, CF 99-0697) submitted directly to Council (copy attached to file), and WAIVED by the Housing and Community Redevelopment Committee, relative to the disposition and development of land in the area bounded by Olympic Boulevard, Hope, 11th and Flower Streets, as follows:

PHASE I:

1. ADOPT the accompanying Community Redevelopment Agency (CRA) RESOLUTION making findings pursuant to the Health and Safety Code Section 33433 relating to the disposition of the Agency-owned property to OL Hope, L.P.

2. AUTHORIZE the CRA Administrator, or designee, subject to availability of funding for the project in the fiscal year 1999-00 adopted City Budget, to negotiate and execute a gap-loan agreement in an amount not to exceed $1 million with OL Hope, L.P. for the proposed 67-unit apartments at the southwest corner of Olympic Boulevard and Hope Street.

3. AUTHORIZE the CRA Administrator, or designee, to negotiate and execute a disposition and development agreement with OL Hope, L.P. regarding the leasing of Agency-owned land for the approximate 67-unit, mixed-used project and providing for payment of $400,000 from the Agency to defray the cost of off-site improvements benefitting various properties on the block.

4. ADOPT accompanying JOINT RESOLUTION making a finding, pursuant to Health and Safety Code Section 33433, authorizing the disposition of Agency-owned property at the southwest corner of Olympic Boulevard and Hope Street, Central Business Redevelopment Project.

5. CONCUR in the CRA Board's adoption of Resolution 5899 relative to the subordination of its use restrictions, pursuant to Section 33334.14 of the Community Redevelopment law.

6. ADOPT accompanying JOINT RESOLUTION making findings, pursuant to Health and Safety Code Section 33445, for the construction of certain improvements to assist a 67-unit, mixed-use, family-housing development, Central Business Redevelopment Project.

PHASE II:

7. AUTHORIZE the CRA Administrator, or designee, to negotiate and execute an exclusive right to negotiate for a period of 180 days with Forest City Residential West, Inc. for the Agency-owned parcel at the northeast corner of Flower and 11th Streets in the South Park Area, Central Business District Redevelopment Area.

8. CONCUR in the CRA Board's amendment of the Agency's fiscal year 1999 budget to create a new work objective, SP 1500 (Metropolitan Lofts).

PRESENTED BY _____
RUDY SVORINICH
Councilmember, 15th District

SECONDED BY _____
RICHARD ALATORRE
Councilmember, 14th District

MOTION
ADOPTED

May 25, 1999
CD 9
CF 99-0697
calagend\99-0697.mot

MAY 25 1999

Los Angeles City Council

J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

# CITY OF LOS ANGELES
CALIFORNIA

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'99 MAR 12 A9:34

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

CW 120.60

McCoy
Fors
Lounge
Cracraft
Tokard
Amos
Mallari
Wilkins
City Controller
E. Sato
Woodell

98-2327

CDs 1&8

March 5, 1999

Council Member Hernandez
Council Member Ridley-Thomas
Community Redevelopment Agency,
Office of Administrator
cc: Budget Office, 5th Floor

City Administrative Officer
Controller, Room 1200
Accounting Division, F & A
Disbursement Division

RE: MULTI-FAMILY HOUSING REVENUE BONDS AND CONSTRUCTION AND PERMANENT GAP LOANS FOR AMISTAD PLAZA AND GRANDVIEW NINE APARTMENTS

At the meeting of the Council held March 3, 1999, the following action was taken:

| | |
|---|---|
| Attached report adopted | |
| Attached motion () adopted | |
| Attached resolution adopted | X |
| Mayor concurred | |
| FORTHWITH | |
| Ordinance adopted | |
| Motion adopted to approve attached report | |
| Motion adopted to approve communication recommendation | X |
| To the Mayor FORTHWITH | |
| Ordinance Number | |
| Publication date | |
| Effective date | |
| Mayor vetoed | |
| Mayor approved | |
| Mayor failed to act - deemed approved | |
| Findings adopted | |
| Negative Declaration adopted | |
| Categorically exempt | |
| Generally exempt | |

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'99 MAR 12 P2:
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FINANCIAL SERVICES

J. Michael Carey

City Clerk
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COMMUNICATION

File No. 98-2327

TO: LOS ANGELES CITY COUNCIL

FROM: COUNCIL MEMBER RUDY SVORINICH, Chair
HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE

| | Yes | No |
|---|---|---|
| Public Comments | ___ | XX |

COMMUNICATION FROM CHAIR, HOUSING AND COMMUNITY REDEVELOPMENT COMMITTEE and RESOLUTION relative to Multi-Family Housing Revenue Bonds and Construction and Permanent Gap loans for Amistad Plaza and Grandview Nine Apartments.

Recommendations for Council action:

1. ADOPT the accompanying RESOLUTION approving the issuance of up to $12,500,000 principal amount of multi-family housing revenue bonds in two or more series of the Community Redevelopment Agency (CRA) to finance certain development costs of Amistad Plaza and Grandview Nine Apartments Projects; not more than $7 million for the Amistad Plaza Project and not more than $5.5 million for the Grandview Nine Apartments Project.

2. AUTHORIZE the CRA Administrator or designee to execute Contract No. 50260 with Fulbright & Jaworksi LLP, and Mallory & Associates for an amount not to exceed $105,600 including reimbursable expenses not to exceed $9,600 for two housing project revenue bond issues with a term not to exceed twenty-four months. In the event that only one series of bonds is issued, funding shall be limited to not more than $56,100, including $5,100 for reimbursable expenses.

3. AUTHORIZE the CRA Administrator or designee to execute Contract No. 502061 with Sutter Securities Incorporated and E.J. De La Rosa & Co., Inc. for a period of not more than twenty-four months in amounts not to exceed $19,500 for one private placement, $27,500 for two private placements or alternatively $7.25 per $1,000 principal amount (0.725%) of one series of Bonds underwritten, or $4.95 per $1,000 principal amount (0.495%) of two series of Bonds underwritten simultaneously, and if applicable, 0.125% of variable rate Bonds remarketed annually for placement agent, underwriting, and/or remarketing agency services respectively for each separate bond sale.

4. AMEND the FY99 Budget to receive $2,740,000 of funds from the Staples Center Replacement Housing Fund and deposit funds in Work Objective CW 1206 (Grandview Nine Apartments).

5. AUTHORIZE the CRA Administrator or designee to negotiate and execute a Construction and Permanent Loan Agreement in an amount not to exceed $3,600,000 with Amistad Partners for the 57 unit Amistad Plaza apartments.

6. AUTHORIZE the CRA Administrator or designee to negotiate and execute a Construction and Permanent Loan Agreement in an amount not to exceed $4,132,000 with Pacific Asian Consortium in Employment (PACE) for the 62 unit Grandview Nine Apartments.

Fiscal Impact Statement: The CRA and CAO report that funding sources for this project are the Bunker Hill Replacement Housing Trust Funds, Home Funds, Arena Replacement Housing Funds and Housing Revenue Bond Proceeds and that there is no fiscal impact to the General Fund.

Summary:

On February 24, 1999, the Housing and Community Redevelopment Committee Chair considered the CRA request to issue revenue bonds and loans for the Amistad and Grandview Nine Apartments Projects in the Western-Slauson and proposed Westlake Project Areas.

The apartment units at the Amistad Plaza and Grandview Nine Apartments Projects will be restricted for rental to Low Income persons and families, whose income does not exceed sixty percent of median family income. The Projects have not been successful in the State's "Lottery" system used to allocate State "nine percent" federal housing tax credits and are now seeking tax-exempt bond financing, which will automatically afford "four percent" credits as an alternative.

The Agency Board adopted Resolutions of Official Intent for both projects as initial steps in the issuance of tax-exempt financing. The next step will be to obtain private activity bond allocations from the State. A TEFRA hearing conducted by the CRA Administrator or designee to designate a bond counsel firm was approved by the Board. TEFRA hearings for both projects were held on February 12, 1999. Certified copies of both hearings are enclosed in the Council file.

The Project Developers have advised Agency staff that a major savings and loan institution, Washington Mutual, has expressed interest in the direct purchase of the entire amounts of both bond issues, thereby allowing for "private placements" not requiring bond credit enhancement, ratings, and other underwriting expenses normally associated with a public offering. The recent availability and cost of credit enhancement has been a problem for multi-family housing projects. "Private placements" would more closely resemble long-term direct investments rather than typical negotiable securities. The Agency states that either approach can be accommodated by the recommended actions.

Requests for Proposals (RFPs) process for bond counsel and for underwriters, financial advisors, and remarketing agents were conducted in 1998. The selection of the recommended firms were based on established criteria set forth in the respective RFPs which included factors such as the proposer's overall qualifications, related experience, technical expertise and the proposed fee structure and basis for compensation. Proposers were also given credit for having offices and assignable personnel in the City of Los Angeles.

The Construction and Permanent Loans for both projects shall be subject to the following terms and conditions:

1. Both Construction and Permanent Loans shall bear a 3% interest rate.
2. Funding of the Loans will be contingent upon the receipt of a bond allocation from the State of California.
3. The duration of the Income and Use Covenants will be for 55 years.
4. The term of the Permanent Loan shall coincide with the term of the Primary mortgage, which will be 30 year term or less.
5. Payment of the Permanent Loans shall be made from residual receipts.
6. The Projects' residual receipts shall be split 60%/40% (Agency/Developer).
7. The units shall be restricted to the income and rental limitations restrictions contained in Attachment D of the communication from CRA Administrator to the Board dated February 4, 1999.

Both loans and the projects' construction are subject to the standard Agency conditions including but not limited to payment of prevailing wages, insurance requirements.

The recommended actions are consistent with the Agency's adopted FY'99 Budget and Work Program. Costs of bond issuance will be paid from the proceeds of the respective bond issues and debt service will be paid by the Projects. The balance of the funds for Amistad Plaza have been budgeted in the corresponding Budget Objective CW 1206. Funds for Grandview Nine were allocated from the Staples Center Replacement Housing Fund as part of the Agency and City Council approvals of the Staples Center DDA.

The cost of both projects is based upon schematic design drawings and specifications. CRA staff will review final construction drawings and specifications and proposed contracts between the developers and the general contractors.

Respectfully submitted,

Council Member Rudy Svorinich, Chair
Housing and Community Redevelopment Committee

HCR2/25/99
CDs 1 & 9

ADOPTED
TO APPROVE COMMUNICATION RECOMMENDATIONS
MAR 03 1999
LOS ANGELES CITY COUNCIL
RESOL. ADOPTED

CITY OF LOS ANGELES

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA REGARDING A TEFRA HEARING AND APPROVING THE ISSUANCE OF UP TO $12,500,000 PRINCIPAL AMOUNT OF MULTI-FAMILY HOUSING REVENUE BONDS IN TWO OR MORE SERIES OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES TO FINANCE CERTAIN DEVELOPMENT COSTS OF AMISTAD PLAZA AND GRANDVIEW NINE APARTMENTS PROJECTS**

WHEREAS, The Community Redevelopment Agency of the City of Los Angeles, California (the "Agency") is a redevelopment agency (a public body, corporate and politic) duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part I of Division 24 of the Health and Safety Code of the State of California) (the "Law") and the powers of said Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the Agency intends to issue, in two or more series, tax exempt multi-family housing revenue bonds (the "Bonds") to finance certain development costs of the Amistad Plaza and Grandview Nine Apartments Projects (the "Projects"); and

WHEREAS, actions of the Agency related to the issuance of the Bonds are subject to the approval of this City Council and the Agency is desirous of obtaining such approval; and

WHEREAS, pursuant to section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations section 5f.103-2 (the "Regulations") promulgated under the Code, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes, a public hearing with respect to the Bonds must be held and the issuance of the Bonds must be approved by an authorized elected representative; and

WHEREAS, notice of the public hearing required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was duly published and the public hearing was held by a designated representative of the Agency;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES:

Section 1. The City Council hereby approves the issuance of the Bonds pursuant to the Law, in two or more series, for the purpose of financing certain development costs of the Projects including, without limitation, the funding of a reserve fund for the Bonds and to pay costs of issuance for the Bonds (including any discount or premium in connection with the sale thereof), said Bonds to be issued in accordance with law in such manner and under such terms and conditions as shall be acceptable to the Agency, in the aggregate principal amount of up to $12,500,000, of

which not more than $7,000,000 shall be used for the Amistad Plaza Project and not more than $5,500,000 shall be used for the Grandview Nine Apartments Projects.

Section 2. The Bonds may be issued so that the interest thereon shall be excluded from federal income taxation under the Internal Revenue Code of 1986, as amended, or not so excluded or part excluded and part not excluded and may be issued bearing a fixed interest rate or a variable interest rate or part fixed and part variable; provided, however, that the Bonds shall be sold and awarded under procedures approved by the Agency, at public or private sale, and, provided further, that no Bonds shall bear interest at a rate in excess of the maximum rate permitted by law or have a maturity date in excess of thirty-five years from the date of issuance. Any Bonds sold by the Agency consistent with this resolution shall be, and shall be deemed to be, the duly authorized action of the Agency with respect thereto hereby approved under Section 8.99.04 of the Administrative Code of the City of Los Angeles (the "Administrative Code") and not subject to the provisions of Section 8.99.05 of the Administrative Code.

Section 3. The Agency is hereby authorized and directed to prepare, approve and distribute its resolutions, trust indentures and/or trust agreements authorizing the issuance of the Bonds, one or more loan agreements, one or more official statements or private placement memoranda for the sale of the Bonds, one or more purchase contracts setting forth the details of the sale, and the Agency is hereby further authorized and directed to prepare, publish and distribute such other notices, documents, certificates, opinions and instruments as the Agency shall deem necessary or desirable to effectuate the sale of Bonds and any and all prior and future such actions taken consistent with this resolution shall be, and shall be deemed to be, the duly authorized actions of the Agency with respect thereto hereby approved, ratified and confirmed under Section 8.99.04 of the Administrative Code and not subject to the provisions of Section 8.99.05 of the Administrative Code.

Section 4. This Council confirms that the public hearing with respect to the Bonds required by section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations was properly held by the Agency pursuant to notice as required by law.

Section 5. This Council approves the issuance of the Bonds for purposes of section 147(f) of the Code and section 5f.103-2(d)(1) of the Regulations.

Section 6. This Resolution shall take effect upon adoption.

**PASSED AND ADOPTED THIS** 3RD **DAY OF** MARCH ,

*I hereby certify that the foregoing Resolution was adopted by the City Council of the City of Los Angeles, California, at its meeting held* MAR 02 , *1999.*

*IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Los Angeles this* 5TH *day of* MARCH , *1999.*

*J. Michael Carey, City Clerk*

*By:* Darlene

**DEPUTY**

DK09720/870075/532128.4

J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

# ITY OF LOS ANGELE
CALIFORNIA

RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

99-0697

CD 9

May 26, 1999

PLACE IN FILES
MAY 28 1999
DEPUTY

Councilmember Walters
Councilmember Svorinich
Councilmember Alatorre
City Administrative Officer
Chief Legislative Analyst
Los Angeles Housing Department
Treasurer
Office of the Mayor
Community Redevelopment Agency
Controller, Room 1200
Accounting Division, F&A
Disbursement Division

RE: DISPOSITION AND DEVELOPMENT OF LAND FOR A MIXED USE DEVELOPMENT OF HOUSING AND CHILDCARE FOR PROPERTY BOUNDED BY OLYMPIC BOULEVARD, HOPE, 11TH AND FLOWER STREETS

At the meeting of the Council held May 25, 1999, the following action was taken:

| | |
|---|---|
| Attached report adopted | |
| Attached motion (Svorinich - Alatorre) adopted | X |
| Attached resolution adopted () | |
| Mayor concurred | |
| FORTHWITH | |
| Ordinance adopted | |
| Motion adopted to approve attached report | |
| Motion adopted to approve communication | |
| To the Mayor FORTHWITH | |
| Ordinance Number | |

J. Michael Carey
City Clerk
aff
steno\990697



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**VERBAL MOTION**

I HEREBY MOVE that Council ADOPT the recommendations of the Community Redevelopment Agency and the Chief Legislative Analyst on today's Council agenda (Item No. 9, CF 99-0697) submitted directly to Council (copy attached to file), and WAIVED by the Housing and Community Redevelopment Committee, relative to the disposition and development of land in the area bounded by Olympic Boulevard, Hope, 11th and Flower Streets, as follows:

**PHASE I:**

1. **ADOPT the accompanying Community Redevelopment Agency (CRA) RESOLUTION making findings pursuant to the Health and Safety Code Section 33433 relating to the disposition of the Agency-owned property to OL Hope, L.P.**

2. **AUTHORIZE the CRA Administrator, or designee, subject to availability of funding for the project in the fiscal year 1999-00 adopted City Budget, to negotiate and execute a gap-loan agreement in an amount not to exceed $1 million with OL Hope, L.P. for the proposed 67-unit apartments at the southwest corner of Olympic Boulevard and Hope Street.**

3. **AUTHORIZE the CRA Administrator, or designee, to negotiate and execute a disposition and development agreement with OL Hope, L.P. regarding the leasing of Agency-owned land for the approximate 67-unit, mixed-used project and providing for payment of $400,000 from the Agency to defray the cost of off-site improvements benefitting various properties on the block.**

4. **ADOPT accompanying JOINT RESOLUTION making a finding, pursuant to Health and Safety Code Section 33433, authorizing the disposition of Agency-owned property at the southwest corner of Olympic Boulevard and Hope Street, Central Business Redevelopment Project.**

5. **CONCUR in the CRA Board's adoption of Resolution 5899 relative to the subordination of its use restrictions, pursuant to Section 33334.14 of the Community Redevelopment law.**

6. **ADOPT accompanying JOINT RESOLUTION making findings, pursuant to Health and Safety Code Section 33445, for the construction of certain improvements to assist a 67-unit, mixed-use, family-housing development, Central Business Redevelopment Project.**

**PHASE II:**

7. **AUTHORIZE the CRA Administrator, or designee, to negotiate and execute an exclusive right to negotiate for a period of 180 days with Forest City Residential West, Inc. for the Agency-owned parcel at the northeast corner of Flower and 11th Streets in the South Park Area, Central Business District Redevelopment Area.**

8. **CONCUR in the CRA Board's amendment of the Agency's fiscal year 1999 budget to create a new work objective, SP 1500 (Metropolitan Lofts).**

PRESENTED BY _____
RUDY SVORINICH
Councilmember, 15th District

SECONDED BY _____
RICHARD ALATORRE
Councilmember, 14th District

MOTION
**ADOPTED**

MAY 25 1999

Los Angeles City Council

May 25, 1999
CD 9
CF 99-0697
calagend\99-0697.mot

COUNCIL VOTE

25-May-99 10:28:19 AM, #2

Items for Which Public Hearings Have Not Been Held - Items 6-17
Voting on Item(s):
Roll Call

| | |
|---|---|
| ALATORRE | Yes |
| BERNSON | Absent |
| CHICK | Yes |
| FEUER | Yes |
| GALANTER | Yes |
| GOLDBERG | Yes |
| HERNANDEZ | Yes |
| HOLDEN | Absent |
| MISCIKOWSKI | Yes |
| RIDLEY-THOMAS | Absent |
| SVORINICH | Yes |
| WACHS | Yes |
| WALTERS | Yes |
| *FERRARO | Yes |
| | Absent |

Present: 11, Yes: 11 No: 0

**CITY COUNCIL**
**SUGGESTED NOTIFICATION OF COUNCIL ACTION**

**COUNCIL FILE NUMBER** 99-0697

☐ Petitioner/Communicant _____

☐ Councilperson(s) 15 + 14 + 9

- ☐ City Administrative Officer
- ☒ Chief Legislative Analyst
- ☐ City Atty (with/without file)
- ☐ Building & Safety
- ☐ City Engineer
- ☐ Fire Commission
- ☐ General Service
- ☐ Police Commission
- ☐ Police Department
- ☐ Development Services, Attn: Glenn Hirano (with file)
- ☐ Planning Department
- ☐ MTA
- ☐ Transportation Department
- ☐ Cultural Affairs
- ☒ Los Angeles Housing Dept
- ☐ County Board of Supervisors
- ☐
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- ☒ Treasurer
- ☒ Controller
- ☐ Information Technology Agency
- ☐ City Clerk (Name Dept)

_____

- ☐ Fire Department
- ☐ Bureau of Street Services
- ☐ Personnel Department
- ☒ Bureau of Engineering
- ☐ Board of Public Works
- ☐ CDD - Raul Gonzales (with file)
- ☐ Water and Power Commission (Attn: John Burmahln)
- ☒ Mayor (with / without file)
- ☐ Street Lighting
- ☒ Community Redevelopment Agency
- ☐ Alcoholic Beverage Control Board
- ☐
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# CITY OF LOS ANGELES SPEAKER CARD

Date: 5/12/99

Council File No., Agenda Item, or Case No.: 3 rg

I wish to speak before the HOUSING + COMMUNITY REDEVELOPMENT COMMITTEE
Name of City Agency, Department, Committee or Council

Do you wish to provide general public comment, or to speak for or against a proposal on the agenda?
(X) For proposal
( ) Against proposal
( ) General comments

Name: JUDY SCHWARTZ

Business or Organization Affiliation: CENTRAL CITY ASSOC.

Address: 606 So OLIVE LA
Street City State Zip

Business phone: 213-624-1213 Representing: CCA

**CHECK HERE IF YOU ARE A PAID SPEAKER AND PROVIDE CLIENT INFORMATION BELOW:** ☐

Client Name: _____ Phone #: _____

Client Address: _____
Street City State Zip

Please see reverse of card for important information and submit this entire card to the presiding officer or chairperson.

9

PLS SCHEDULE FOR COUNCIL CONSIDERATION ON TUES., MAY 25, 1999.

TY,

SLG

ITEM ()

99-0697
CD 9

CONSIDERATION OF COMMUNITY REDEVELOPMENT AGENCY AND CHIEF LEGISLATIVE ANALYST REPORTS and RESOLUTIONS relative to the disposition and development of land in the area bounded by Olympic Boulevard, Hope, 11th and Flower Streets.

Recommendations for Council action:

PHASE I:

1. ADOPT the Community Redevelopment Agency (CRA) resolution making findings pursuant to the Health and Safety Code Section 33433 relating to the disposition of the Agency-owned property to OL Hope, L.P.

2. AUTHORIZE the CRA Administrator or designee of the CRA, subject to availability of funding for the project in the fiscal year 1999-00 adopted City budget, to negotiate and execute a gap-loan agreement in an amount not to exceed $1 million with OL Hope, L.P. for the proposed 67-unit apartments at the southwest corner of Olympic Boulevard and Hope Street.

3. AUTHORIZE the CRA Administrator or designee to negotiate and execute a disposition and development agreement with OL Hope, L.P. regarding the leasing of Agency-owned land for the approximate 67-unit, mixed-used project and providing for payment of $400,000 from the Agency to defray the cost of off-site improvements benefitting various properties on the block.

4. ADOPT accompanying JOINT RESOLUTION making a finding, pursuant to Health and Safety Code Section 33433, authorizing the disposition of Agency-owned property at the southwest corner of Olympic Boulevard and Hope Street, Central Business Redevelopment Project.

5. CONCUR in the CRA Boards adoption of Resolution 5899 relative to the subordination of its use restrictions, pursuant to Section 33334.14 of the Community Redevelopment law.

6. ADOPT accompanying JOINT RESOLUTION making findings, pursuant to Health and Safety Code Section 33445, for the construction of certain improvements to assist a 67-unit, mixed-use, family-housing development, Central Business Redevelopment Project.

PHASE II:

7. AUTHORIZE the CRA Administrator or designee to negotiate and execute an exclusive right to negotiate for a period of 180 days with Forest City Residential West, Inc. for the Agency-owned parcel at the northeast corner of Flower and 11th Streets in the South Park Area, Central Business District Redevelopment Area.

8. CONCUR in the CRA Board's amendment of the Agency's fiscal year 1999 budget to create a new work objective, SP 1500 (Metropolitan Lofts).

Fiscal Impact Statement: The Chief Legislative Analyst reports that CRA will pay $400,000 for off-site improvements within SP 1110 (Olympic Hope Apartments). The Chief Legislative Analyst has recommended that the Council approve the requested gap loan to the Phase I developer, subject to the availability of funding for the project in the fiscal year 1999-00 adopted City budget. There is no fiscal impact to the General Fund resulting from the recommended actions.

SUBJECT FILE TO BE TRANSMITTED FORTHWITH TO CONCERNED DEPARTMENTS

**(Housing and Community Redevelopment Committee waived consideration of the above matter).**

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CRA recommendations relative to the disposition and development of land to OL Hopes, L.P. for a mixed-use development of housing and child care (Phase I); construction of public improvements and negotiations with Forest City Residential West for a mixed-used development of housing and commercial (Phase II) in the area bounded by Olympic, Hope, 11th and Flower Streets.

Fiscal Impact Statement Submitted: Yes, by CRA.

DISPOSITION Continued

(4)

99-0694
CD 8

CRA recommendations relative to a two-phase project consisting of housing for the elderly on the east side of Vermont Avenue between 39th Street and 39th Place, Hoover Redevelopment Project Area.

Fiscal Impact Statement Submitted: Yes, by CRA.

DISPOSITION

COMMENTS FROM PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S SUBJECT MATTER JURISDICTION

hc0512.agd

# OFFICE OF THE CHIEF LEGISLATIVE ANALYST

May 11, 1999

TO: Honorable Members, Housing & Community Redevelopment Committee

FROM: Ronald F. Deaton RFD
Chief Legislative Analyst

SUBJECT: **OLYMPIC HOPE APARTMENTS**

## DISCUSSION

The Community Redevelopment Agency (CRA) requests Council approval and authority to negotiate and execute a $1,000,000 gap loan agreement and a disposition and development agreement with OL Hope, L.P. for phase one of a two-phased housing project that will provide over 237 low-income and market-rate units in the downtown area. This two-phased project will complete the development of the entire block bordered by Olympic Blvd., Hope, Flower and 11th streets. The block contains housing serving lower-income families and very low-income elderly persons including those with physical handicaps. The CRA also requests Council approval and authority to negotiate and execute an exclusive right to negotiate for a period of 180 days with Forest City Residential West, Inc. for phase two of the housing project. Completion of phase two will finalize the development of all CRA-owned property on the block.

The 1010 Development Corporation will develop phase one consisting of 67 units of housing for families with incomes at or below 60% of the area median and a childcare center serving 50 children. The 1010 Development Corp. is a non-profit affiliate of the First United Methodist Church. It is requesting a $1,000,000 gap loan from the CRA to complete the financing package it has assembled for the project and disposition and development agreement regarding the leasing of the Agency-owned land. The financing package includes the following: (1) a commitment from the Los Angeles Housing Department (LAHD) for tax-exempt bond financing in the amount of $5,470,000 and a residual receipts gap loan of $3,400,000; (2) a commitment of $395,000 from the Community Development Department (CDD) for the childcare facility; (3) a day-care grant of $195,000 from Bank of America; and (4) an allocation of 4% tax credits which is expected to yield $522,730 in equity contributions from investors.

This housing project was one of two projects specifically identified in the Sports Arena Replacement Housing Plan. The CRA had previously provided the 1010 Development Corp. with a pre-development loan of $481,000. The Agency's recommended actions would convert the CRA's pre-development loan into a construction and permanent residual receipts gap loan and increase it by $519,000 for a total of $1,000,000. The source of the CRA loan would be the City's Arena Replacement Fund. But the Mayor's 1999-2000 proposed budget did not include any funding for

the Arena Replacement Fund. The lack of funding in the proposed budget prompted the Ad Hoc Committee on the City Budget to request the CAO to address this issue.

On May 6, 1999, the CAO submitted to the Ad Hoc Committee a memo recommending that funding be included for this project in the fiscal year 1999-2000 budget.

The developer has expressed great urgency in executing the disposition and development agreement to ensure that its tax credits will remain in place. Under the disposition and development agreement, the CRA would be responsible for constructing various off-site improvements for the block as the housing is being constructed. The developer will oversee the construction, and CRA will pay the actual cost of the improvements in an amount not to exceed $400,000. These funds have been designated for this project in the Agency's FY 1999 budget under SP 1110 (Olympic Hope Apartments). The developer will be responsible for any costs in excess of $400,000.

If the Council approves the gap loan, the loan and ground lease will be payable from future residual receipts. The ground lease would receive 25% of the residual receipts. The balance of the residual receipts would be split 12%, 38% and 50% among the CRA, LAHD and the developer.

Phase two of the proposed development entails the construction of 170 market-rate housing units. CRA is requesting authority to enter into an exclusive right to negotiate for a period of 180 days with Forest City for this phase of the development. This period will insure that the design of both phases are coordinated and will provide time for the Agency and Forest City to attempt to reach an agreement on the project design, terms of a ground lease or sale of land and contributions to the community. The required environmental determinations and actions will also be completed.

**RECOMMENDATIONS**

That the Council with respect to phase one:

1. Adopt the CRA resolution making findings pursuant to the Health and Safety Code Section 33433 relating to the disposition of the Agency-owned property to OL Hope, L.P. for the phase-one site;

2. Authorize the Administrator or designee of the CRA, subject to availability of funding for the project in the FY 1999-2000 adopted City budget, to negotiate and execute a gap loan agreement in an amount not to exceed $1,000,000 with OL Hope, L.P. for the proposed 67 unit apartments located at the southwest corner of Olympic and Hope Street

3. Authorize the Administrator or designee of the CRA to negotiate and execute a disposition and development agreement with OL Hope, L.P. regarding the leasing of Agency-owned land for the approximate 67-unit mixed-used project and providing for payment of $400,000 from the Agency to defray the cost of off-site improvements benefitting various properties on the block;

4. Adopt the CRA resolution making a finding that an economically feasible alternative method

of financing on substantially comparable terms without subordination of the Agency's low and moderate-income restrictions is not reasonably available; and

That the Council with respect to phase two:

5. Authorize the Administrator or designee of the CRA to negotiate and execute an exclusive right to negotiate for a period of 180 days with Forest City Residential West, Inc. for the Agency-owned parcel located at the northeast corner of Flower and 11th Streets in the South Park Area of the Central Business District Redevelopment Area;

6. Authorize the Administrator or designee of the CRA to amend the Agency's FY '99 budget to create a new work objective, SP 1500 (Metropolitan Lofts);

7. Adopt the CRA resolution making findings of benefit to the fund cost of certain public improvements pursuant to Health and Safety Code Section 33445 for the proposed Olympic Hope Mixed Use Development.

**FISCAL IMPACT**

The CRA will pay $400,000 for off-site improvements within SP 1110 (Olympic Hope Apartments). The CLA has recommended that the Council approve the requested gap loan to the phase one developer subject to the availability of funding for the project in the FY 1999-2000 adopted City budget. There is no fiscal impact to the General Fund resulting from the recommended actions.

Benjamin Ceja
Legislative Analyst

CLA:BC:P:\CRA Reports\Olympic-Hope.wpd

Agenda 3

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**REPORT** FROM

# CITY ADMINISTRATIVE OFFICER

| TO | DATE | CAO FILE No. |
|---|---|---|
| The Mayor<br>The Council | 5/10/99 | 0220-00540-0336 |
| **REFERENCE** | | **COUNCIL FILE No.** |
| Los Angeles Housing Department transmittal dated April 29, 1999 | | 98-2175 |
| **SUBJECT** | | **COUNCIL DISTRICT** |
| Proposed $32.2 Million Tax-Exempt Multi-Family Housing Bond Issuance and $205,000 Taxable Bonds Issuance in Thirteen Separate Bond Issues | | Various |

## SUMMARY

In December 1998, the Mayor and Council authorized the Los Angeles Housing Department (LAHD) to submit an application to the California Debt Limit Allocation Committee (CDLAC) for a total of $229 million in tax-exempt bond allocation authority (C.F. 98-2175). LAHD subsequently submitted applications for allocations totaling $160 million to CDLAC. This amount was ultimately reduced to a total of $32,214,063 by CDLAC due to an unprecedented demand for Tax Exempt Bond allocations.

The intent of the bonds is to provide permanent financing for the acquisition, construction and/or rehabilitation of multi-family rental housing developments, including earthquake damaged properties. The bonds are not general obligations of the City. They are project specific debt which will be repaid by each project's gross rents. Some of the actions requested by LAHD are an attempt to offset the shortfall in the current year bond allocation. See Findings section for project descriptions.

A shortfall in funding has been identified in the Central City Apartments project in the amount of $1,095,000. The project has received an allocation from CDLAC in the amount of $3,528,000. Permanent financing was based on the project receiving funds from the County of Los Angeles which never materialized, creating the unfunded gap. The LAHD does not want to lose the current CDLAC allocation and is proposing to come forward immediately with an alternative funding source.

LAHD now requests authority to do the following:

- Issue twelve new and separate long-term bonds for a combined maximum of approximately $32.2 million in tax-exempt multi-family housing bonds;
- Issue one taxable multi-family bond for a total of $205,000 for the Los Altos project;
- Refund and reissue unused bonds in the amount of $1,075,000 for the Baldwin Village project;
- Increase the bond allocation by $1,075,000 for a total of $5,475,000 for Baldwin Village;

(Summary continued)

P. K. Caulfield

Acting CITY ADMINISTRATIVE OFFICER



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- Increase the LAHD loan by $2,041,426 for a total of $4,780,426 for the Baldwin Village project;
- Increase the bond allocation by up to $105,268 for the Barnsdall Court project;
- Allocate funds in the amount of $500,000 to pay for the interim cost of issuance of the bonds.

**RECOMMENDATIONS**

That the Council, subject to the approval of the Mayor:

1. Approve the Bond Resolutions and other related documents (attached to the LAHD transmittal) authorizing the issuance of $32,214,063 in 1999 multi-family tax-exempt bonds, which will be privately placed with institutional investors, and $5,475,000 in previously issued bonds up to the following amounts and series:

   $5,470,272 for 1999 Series B bonds (Olympic Hope Apartments);
   $3,577,073 for 1999 Series C bonds (Alegria Apartments);
   $3,159,000 for 1999 Series E bonds (Washington Court Apartments);
   $4,032,000 for 1999 Series F bonds (Lakeview Manor Apartments);
   $5,475,000 for 1999 Series G bonds (Baldwin Village Apartments);
   $3,528,000 for 1999 Series H bonds (Central City Apartments);
   $1,945,449 for 1999 Series I bonds (Preservation I Project);
   $1,803,216 for 1999 Series J bonds (Preservation II Project);
   $1,141,992 for 1999 Series K bonds (Preservation III Project);
   $ 500,111 for 1999 Series L bonds (Preservation IV Project);
   $2,709,232 for 1999 Series M bonds (Preservation V Project); and,
   $4,347,718 for 1999 Series N bonds (Los Altos Apartments);

2. Approve the Bond Inducement Resolution (attached to the LAHD transmittal) authorizing the issuance of multi-family taxable bonds, structured as a private placement sold to institutional investors, up to the following amount and series:

   $205,000 for 1999 Series O bonds (Los Altos Apartments);

3. Authorize the General Manager, LAHD, to subordinate City loans to conventional or bond financing and negotiate, execute and deliver all related documents and agreements, subject to the approval of the City Attorney;

4. Instruct the General Manager, LAHD, with respect to the Central City Apartments project, to identify additional sources of funding in the amount of $1,095,000 to fund the gap in the financing of this project to make it financially feasible;

5. Authorize the General Manager, LAHD, for the Preservation (I-V) Projects to:

   a. Seek HUD designation as a HUD approved Section 236 lender, and execute related agreements;

(Recommendations continued)



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b. Execute agreements to purchase FHA 236 Notes from FNMA;

c. Execute documents to transfer HUD Interest Reduction Payment (IRP) contracts from Fannie Mae to the City of Los Angeles; and,

d. Execute a loan servicing agreement with an FHA approved service provider to administer FHA 236 and other bond funded loans;

6. Conduct the required Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) public hearing for the Baldwin Village project (see Exhibit III of LAHD transmittal);

7. Approve the increase in the amount of tax-exempt bonds to the Baldwin Village project from the previously approved $4,400,000 (C.F. 97-2150) to $5,475,000 through the additional refunding of $1,075,000 in tax exempt bonds from 1994 A and 1996 A bond series;

8. Approve a construction loan in the amount of $2,041,426 for the Baldwin Village project to be rolled over and included as part of the permanent gap financing, for a total of $4,780,426;

9. Authorize the General Manager, LAHD, to amend the terms and conditions of the Preservation (I-V) Projects Neighborhood Preservation Program loans to a 30 year term, residual receipts note, and other modifications which may be required by HUD in order to meet the underwriting guidelines for the 4% tax credit and tax exempt bond financing programs;

10. Approve the minutes from the TEFRA public hearing which was held on December 9, 1998 (see Exhibit IV of the LAHD transmittal);

11. Authorize the General Manager, LAHD to increase the 1997C tax-exempt bond financing to the Barnsdall Court (formerly known as Villa Mariposa) Apartments project in the amount of $105,268 from $2,673,154 to $2,778,422;

12. Find that:

a. Under Article VII, Section 1.a(4) of the California Environmental Quality Act (CEQA), Central City Apartments, Los Altos Apartments, Preservation (I-V) Projects, and Washington Court are all categorically exempt. Additionally, that the aforementioned projects will comply with the National Environmental Policy Act (NEPA), as implemented by the U.S. Department of Housing and Urban Development (HUD);

b. A Mitigated Negative Declaration will be prepared in accordance with CEQA for Lakeview Manor, and Olympic Hope Apartments. The Mitigated Negative Declarations will be submitted for approval by City Council at a future date, and that the aforementioned projects will comply with NEPA, as implemented by HUD;

(Recommendations continued)



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c. Approve the Mitigated Negative Declaration for the Alegria Apartments project attached to the LAHD transmittal; and,

d. Under Article VII, Section 1.c(17) of the California Environmental Quality act (CEQA), Baldwin Village Apartments is categorically exempt. Additionally, that the aforementioned project will comply with NEPA, as implemented by HUD;

13. Authorize the City Controller to establish, appropriate and expend funds not to exceed $500,000 upon proper presentation of demand from the General Manager of LAHD, for bond costs of issuance from the Municipal Housing Finance Fund 815, Account N007 (Cost of Issuance);

14. Authorize the City Controller, upon proper presentation of demand from the General Manager, of LAHD, to expend funds not to exceed $2,041,426 for a construction loan on the Baldwin Village project from Fund 561, Account P211 Housing Production; and,

15. Authorize the General Manager, LAHD, to prepare Controller instructions and make any necessary technical adjustments consistent with the Mayor and Council actions on these projects, subject to the approval of the City Administrative Officer (CAO), and authorize the Controller to implement the instructions.

**FISCAL IMPACT STATEMENT**

Approval of these requests will result in the issuance of $32,214,063 in new tax-exempt multi-family housing bonds in twelve separate series and $205,000 in taxable multi-family housing bonds in one series. Also requested is an increase of a LAHD loan in the amount of $2,041,426 for the Baldwin Village project to be funded by HOME Investment Partnership Act funds. There is no impact on the City's General Fund.

(Statement of Findings attached)



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## FINDINGS

### 1. Basis for Report

A transmittal dated April 29, 1999 from the Los Angeles Housing Department (LAHD) requested approval of several actions related to the Multi-family bond financing of various projects. This request was referred to the Housing and Community Redevelopment Committee, which requested that we report back to the committee.

### 2. Olympic Hope Apartments

The Olympic Hope Apartment Project is located at 1031 South Hope Street in Council District 9. The Olympic Hope Apartment Project involves the construction of sixty-seven (67) affordable apartments and a day care center serving 70 children. The project proposes 8 one-bedroom units, 27 two-bedroom units, 24 three-bedroom and 8 four-bedroom units for a total of 67 units.

The project is utilizing a tax exempt bond/4% Low Income Housing Tax Credit Financing Structure. As is allowed under the NOFA, the borrower submitted the application utilizing only the bond/4% scenario. The cost of completion of this project is estimated to be $10,624,414 or $158,588 per unit. The costs of the project include the payment of Federal Davis-Bacon wages.

### 3. Alegria Apartments

The Alegria Apartments project is located at 2737 Sunset Boulevard in Council District 13. The proposed project is new construction of 45 units consisting of 9 one-bedroom, 10 two-bedroom and 26 three-bedroom units in the Silverlake area. The Alegria project will serve homeless and very low-income and/or formerly homeless families, particularly minority women and children, in which at least one member is disabled by HIV/AIDS or related conditions. In addition the project will include the construction of a 12,000 square foot child care center funded by corporate donations, Proposition "K" funds, or other grant funds guaranteed by the sponsor.

The project is utilizing a Tax Exempt Bond/4% Low Income Housing Tax Credit structure. The cost of the completion of this project is $8,587,204 or $190,286 per unit. The City is providing funding in the amount of $7,098,364 or $157,741 per unit. The remaining $1,488,840 is the cost associated with the day care component which is not included in the financing.

LAHD loan funding is contingent on the project receiving either Los Angeles County Industry or HOPWA funds. The developer will also apply for 4% low income housing tax credits. Under the permanent financing structure, LAHD will be leveraging $2,743,000 in loan funds with $2,282,900 in tax credit equity, $1,800,000 in County Industry funds, $197,964 of AHP Grant

(Findings continued)



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and $74,500 in deferred developer fees. For this investment the City will gain 45 units of affordable housing, all rent and income restricted for 55 years.

4. **Washington Court Family Housing**

The Washington Court Family Housing Project is located at 1717 East 103rd Street in Council District 15. The proposed project involves the rehabilitation of 102 rental units. Existing units will be improved with new finishes, new plumbing fixtures and HVAC. Existing exterior spaces will be organized to provide a picnic area and tot lot.

The Washington Court Family Housing is currently a project based Section 8 subsidized project. The subsidy will expire within the next year. It is anticipated that the tenants will be provided with vouchers through the Section 8 Program after they are assessed for continued rental assistance.

The project is utilizing a Tax Exempt Bond/4% Low Income Housing Tax Credit Structure. The cost of completion of this project is estimated to be $6,539,525 or $64,113 per unit. The costs of the project include the payment of Federal Davis-Bacon wages.

Under the permanent financing structure, LAHD will be leveraging up to $1,705,347 in loan funds with $3,159,000 in tax exempt municipal bonds from a conventional lender, and $1,675,178 in tax credit equity. An undetermined rent subsidy will also be leveraged with the LAHD loan. For its investment, the City will gain 102 units of affordable housing with accompanying supportive services with all rent and income restricted for 55 years.

5. **Lakeview Manor**

The Lakeview Manor Project is located at 11681 Foothill Boulevard in Council District Seven. The proposed project involves the construction of 56 new units on a vacant lot. The proposed project is the construction of three two-story buildings which will contain a total of 56 units consisting of an equal number of two and three bedroom units.

The project is utilizing a Tax Exempt Bond/4% Low Income Housing Tax Credit structure. The cost of the project is estimated to be $7,931,812 for $141,640 per unit. Under the permanent financing structure, LAHD will be leveraging $2,826,894 in loan funds with $2,569,959 in tax exempt municipal bonds from a conventional lender, $2,447,400 in tax credit equity and $87,559 in deferred developer fees. For this investment the City will gain 56 units of newly constructed affordable housing for families with rent and income restricted for 55 years.

6. **Baldwin Village**

This project is a scattered sites project consisting of 10 units of new construction at one site and a rehabilitation and reconfiguration to 73 units on four other sites for a total of five sites

(Findings continued)



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and 83 units. The project site for the 10 units of new construction is 6122 Eleventh Avenue in Council District 6. The rehabilitation sites are 3939 Ursula Avenue, 4729 Tacana Avenue, 4040 Nicolet and 3919 Nicolet in Council District 8.

All units will be restricted to households at or below 60% median income. This project combines what was originally two different developments, Watson Terrace II and Baldwin Village. In December 1997, the City Council approved an increase in the existing $443,553 loan to $2,739,000 in CDBG and HOME funds. This project has already been allocated $4,400,000 in tax-exempt bond financing (C.F. 97-2150).

The current request before Council is to increase the existing loan by $2,041,426 in HOME funds for a total LAHD commitment of $4,780,426, and to increase the existing bond allocation by $1,075,000 for a total tax-exempt authority of $5,475,000. The additional bond authority will come from a refunding and reissue of 1994 A and 1996 A bond series. The construction loan will be for a 40-year term at 5 percent interest, repayable from 50% of the residual receipts of the projects.

The increase in bond allocation is needed to meet the actual construction costs that have been verified as part of the rehabilitation loan financing and to satisfy the Low Income Housing Tax Credit (LIHTC) 50% rule. The increased loan is needed due to a significant change in the scope of the rehabilitation work on the four rehab properties, including repiping, unplanned relocation expenses, the payment of Davis-Bacon wages and hazardous materials abatement. The total increases to the construction costs are $3.5 million, and the remaining gap is $2,041,426. Total project costs are expected to be $12,284,460 or $147,883 per unit.

7. **Central City Apartments**

The Central City Apartments Project is located on three sites: 746 S. Lake Street, 1315 W. 9th Street and 1810 W. 12th Street in Council District One. The proposed project is the rehabilitation and reconfiguration of three unreinforced masonry buildings from 110 units to 63 family units. The buildings are not contiguous but are all located within the same general neighborhood of Westlake/Temple Edgeware.

The project is utilizing a Tax Exempt Bond/4% Low Income Housing Tax Credit structure. The cost of the project is estimated to be $7,170,404 or $113,815 per unit. The LAHD had structured the financing under the assumption that the project would be receiving $1,095,000 in County/City of Industry funds. Those funds have not materialized. Therefore, the project is not fully funded.

Under the permanent financing structure, LAHD will be leveraging $2,067,191 in loaned funds with $1,768,060 in convention bond proceeds and $2,240,153 in tax credit equity. This leaves an unfunded gap of $1,095,000. The LAHD must provide a source of these funds for the project to be viable.

(Findings continued)



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For this investment the City will gain 63 units of affordable housing with all rents and income restricted for 55 years. The cost summarized above include the payment of Federal Davis-Bacon wages.

8. **Preservation Projects I through V**

These proposed projects represent 400-units of affordable housing at 24 separate sites which are at risk of being converted to market rate housing. The subject properties currently have FHA 236 insured mortgages and participate in Section 8 rental assistance. The sale of these structures to new owners would allow the prepayment of FHA mortgages and the opting-out of the Section 8 program. Such properties could then be rented at market rates and be free of HUD imposed cash flow restrictions. It is the expressed purpose of the Preservation Project to preserve long term affordability, and to rehabilitate such property to improve habitability.

The proposed development team is comprised of: Concerned Citizens of South Central (a non-profit corporation), Preservation Properties LLC, and Fannie Mae. Preservation Properties is comprised of James M. Perely Inc., dba Western America Properties; Dave Perel; Squier Properties, LLC; and Alex Tucciarone. Western America Properties will be the property manager.

The development team will purchase and rehabilitate all 24 properties (five project packages), as follows:

- LAHD will issue tax exempt bonds in an amount equal to the existing FHA 236 mortgages;
- Washington Mutual Bank will buy the bonds;
- Some bond proceeds will be used to purchase existing mortgages from Fannie Mae, and LAHD will hold first trust deeds;
- Balance of bond proceeds will be loaned to cover other projects (second trust deeds);
- LAHD will make a total of $1.5 million in rehabilitation loans ($3,750/unit);
- Earthquake loans for Projects I, III and V will be reduced in the aggregate by $600,000 and amortized over 15 years; and,
- Preservation Partners will syndicate low income tax credits.

LAHD advises that the key to these transactions is for HUD to make Interest Reduction Payments (IRP) to LAHD for 15 years. Project financing combines tax exempt financing, low income tax credits and the extension of a special HUD annuity or IRP. The IRP subsidy reduces interest rates from market (about 7.5%) to 1%. These payments will run for 15 years. This financing tool can only be used if the purchaser of the FHA mortgage is a unit of government. IRP payments apply to all preservation projects - I through V.

(Findings continued)



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The overall project includes the moderate rehabilitation of all 24 properties. Rehabilitation activities will not require the tenant to leave the premises. Tenants will have access to the full range of services offered by the Concerned Citizens of South Central Los Angeles.

Preservation Projects will be comprised of 400 rental units including: 302 efficiency units, 95 one bedroom units, and 3 two bedroom units, plus 5 manager's units. Both the City and the State Tax Credit Allocation Committee have imposed affordability restrictions. The current project based Section 8 rent subsidies will also continue for the life of the project assuming that Congress continues to fund this program. Project costs include the payment of Federal Davis-Bacon wages. Sources of funding for the proposed preservation projects are as follows:

**Sources of Funding - Preservation Projects**

| Project | I | II | III | IV | V | Total |
| --- | --- | --- | --- | --- | --- | --- |
| Bond Amt. | $ 1,945,449 | $ 1,803,216 | $ 1,141,992 | $ 500,111 | $ 2,709,232 | $ 8,100,000 |
| Taxable Loan | 7,813 | 9,376 | 4,588 | 2,006 | 10,880 | 34,663 |
| Tax Credits | 900,352 | 608,424 | 455,688 | 214,880 | 1,253,888 | 3,433,232 |
| HELP Loan | 792,561 | 0 | 48,158 | 0 | 1,227,657 | 2,068,376 |
| Reserves | 0 | 340,000 | 376,000 | 150,700 | 0 | 866,700 |
| NPP Loan | 347,300 | 200,000 | 158,000 | 130,000 | 523,966 | 1,359,266 |
| Total | $ 3,993,475 | $ 2,961,016 | $ 2,184,426 | $ 997,697 | $ 5,725,623 | $ 15,862,237 |

The specific bond amounts for the Preservation I through V projects as shown above may be subject to minor fluctuation. However, the aggregate bond amount may not exceed $8.1 million as determined by CDLAC.

9. **Los Altos Apartments**

This project involves acquisition and rehabilitation of 67 units in a five-story apartment complex located at 4121 Wilshire Boulevard in Council District 4. Forty percent of the units (27 units) will be restricted to households at or below 60% of median income, while the other 60 percent (40 units) will be market rate apartments. During the life of this project, which was first approved by the City Council in March of 1996, the LAHD has granted a loan, decreased it, and then increased it to its existing level of $1,975,706. Total project costs are expected to be $10,010,395 or $149,409 per unit. Davis-Bacon wages were paid.

The current request was for tax-exempt bond financing in the amount of $4,500,000. However, the project was only awarded $4,347,718 by CDLAC, creating a gap in funding. The additional bond authority needed is proposed to come from a taxable bond issue in the amount of $205,000.

(Findings continued)



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The project is essentially complete. However, it experienced unexpected cost increases during the rehabilitation. Each of the lenders, with the exception of the California Housing Finance Agency (CHFA), agreed to either extend or increase their funding to help offset the revised cost. The LAHD increased its loan, but CHFA was unable to augment its commitment which created a gap in the permanent financing.

10. **Barnsdall Court**

This project is new construction of 38 units currently under construction at 1632 N. Normandie Avenue in Council District 13. All units will be restricted to households at or below 60% median income. This project has already been allocated $2,673,154 in tax-exempt bond financing, and the current request is to increase that amount by $105,268 for a total authority of $2,778,422. This amount is only needed on an interim basis and will be reduced to $1,510,000 in the permanent financing scheme. A total of $1,510,000 in bonds will be combined with the existing permanent earthquake loan of $2,303,344, tax credit equity of $2,014,229 and deferred developers fees of $150,000 for a total of $5,977,573 or $157,305 per unit.

John H. Henschel
Administrative Analyst II

APPROVED:

Patricia B. Canfield
Assistant City Administrative Officer

JHH:klc

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J. MICHAEL CAREY
City Clerk

When making inquiries relative to this matter refer to File No.

CITY OF LOS ANGELES
CALIFORNIA




RICHARD J. RIORDAN
MAYOR

Office of the
CITY CLERK
Council and Public Services
Room 615, City Hall
Los Angeles, CA 90012
Council File Information - (213) 485-5703
General Information - (213) 485-5705

99-0697
CD 9

April 27, 1999

HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE

In accordance with Council Rules, communication from the Community Redevelopment Agency relative to various actions including the disposition and development of land to 01 Hope, L.P. for a mixed used development of housing and childcare (Phase 1), construction of public improvements benefitting the entire block and an exclusive right to negotiate with Forest City Residential West for a mixed use development of housing and commercial use (Phase 2) on the block bounded by Olympic Boulevard, Hope Street, 11th Street, and Flower Street in the South Park Area of the Redevelopment Project Area, was referred on April 27, 1999, to the HOUSING & COMMUNITY REDEVELOPMENT COMMITTEE.

J. Michael Carey
City Clerk
amm



Recyclable and made from recycled waste.

**Community Redevelopment Agency**

of the City of Los Angeles

354 South Spring Street
Suite 800
Los Angeles
California 90013-1258

213 977 1600

Fax
Number 213 977 1665

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Date APR 22 1999

File Code 2726

Council File No.
Council District: 9
Contact Person: John McCoy
(213) 977-1822
Ayahlushim Hammond
(213) 977-1817

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99 APR 26 AM 7:02
CITY CLERK
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Honorable Council of the City of Los Angeles
Room 615, City Hall East
200 North Main Street
Los Angeles, Ca 90012-4801
Attention: J. Michael Carey, City Clerk

CRA

LA

**COUNCIL TRANSMITTAL:**

Transmitted herewith, is a Board Memorandum adopted as amended (see revised Board Memo with bold text and strike throughs) by the Agency Board on April 15, 1999, for City Council for review and approval in accordance with the "Community Redevelopment Agency Oversight Ordinance" entitled:

VARIOUS ACTIONS INCLUDING THE DISPOSITION AND DEVELOPMENT OF LAND TO OL HOPE, L.P. FOR A MIXED USE DEVELOPMENT OF HOUSING AND CHILDCARE ("PHASE ONE"), CONSTRUCTION OF PUBLIC IMPROVEMENTS BENEFITING THE ENTIRE BLOCK AND AN EXCLUSIVE RIGHT TO NEGOTIATE WITH FOREST CITY RESIDENTIAL WEST FOR A MIXED USE DEVELOPMENT OF HOUSING AND COMMERCIAL USES ("PHASE TWO") ON THE BLOCK BOUNDED BY OLYMPIC BOULEVARD, HOPE STREET, 11TH STREET, AND FLOWER STREET IN THE SOUTH PARK AREA OF THE REDEVELOPMENT PROJECT AREA.

**RECOMMENDATION**

That the City Council adopt the Joint Resolutions in Recommendations 3 and 9 on the attached Board Memorandum.

That the City Council approve Recommendations 4 through 8 on the attached Board Memorandum.

John E. Molloy
Administrator

**ENVIRONMENTAL REVIEW**

An Initial Study has determined that the Olympic Hope Mixed Use Development or Phase One qualifies for a Negative Declaration because of mitigation measures incorporated into the proposed development.

HOUSING & COMMUNITY REDEVELOP
APR 26 1999

A separate evaluation of the Phase Two development will be conducted once the project's scope has been further established.

**FISCAL IMPACT STATEMENT**

The recommended actions implement the Agency's FY' 99 Work Program for the Central Business District Project Area under SP 1100 (Olympic/Hope Apartments), and add a new objective SP 1500 (Metropolitan Lofts). Both actions are consistent with the 5-Year Implementation Plan for the Central Business District Redevelopment Project Area. Both objectives will continue in FY' 2000.

CRA
LA

An additional $1,000,000 from the Arena Replacement Housing Fund will be recognized and allocated to SP 1100. The Olympic Hope Apartment project is one of two projects specifically identified in the Sports Arena Replacement Housing Plan

There is no fiscal impact to the City's General Fund, as a result of these actions.

John E. Molloy, Administrator

cc: Bill Speedie, Office of the City Clerk (Original & 10 Copies)
Terry Sauer, Office of the CAO
John Henschel, Office of the CAO
Paul Smith, Office of the CLA
Jennifer Pogue, Office of the CLA
Kelly Martin, Office of the Mayor
James Santa Maria, CD15
Rita Walters, CD 9
DarEll Weist, 1010 Development Corporation
Stan Michota, Forest City Development

**REVISED**

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CA.

M E M O R A N D U M

3

DATE: APRIL 15, 1999

SP 1100
SP 1500

TO: AGENCY COMMISSIONERS

FROM: JOHN E. MOLLOY, ADMINISTRATOR

SUBJECT: PUBLIC HEARING AND VARIOUS ACTIONS INCLUDING DISPOSITION OF LAND TO OL HOPE L.P. FOR A MIXED USE DEVELOPMENT OF HOUSING AND CHILDCARE ("PHASE ONE"), CONSTRUCTION OF PUBLIC IMPROVEMENTS BENEFITING THE ENTIRE BLOCK AND AN EXCLUSIVE RIGHT TO NEGOTIATE WITH FOREST CITY RESIDENTIAL WEST FOR A MIXED USE DEVELOPMENT OF HOUSING AND COMMERCIAL USES ("PHASE TWO") ON THE BLOCK BOUNDED BY OLYMPIC BOULEVARD, HOPE STREET, 11TH STREET AND FLOWER STREET IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT.
(CD 9)

RECOMMENDATION

That the Agency, with respect to Phase One:

1. Adopt the attached Resolution making a finding of no significant effect on the environment because of the mitigation measures incorporated in the proposed development and adopt a Negative Declaration for the proposed Olympic Hope Mixed Use Development ("Phase One"), in the Central Business District Redevelopment Project; and

2. Hold a Public Hearing pursuant to the Health and Safety Code Section 33433 regarding the proposed disposition of property ("Phase One") at the southeast corner of Olympic Boulevard and Hope Street in the South Park Area of the Central Business District (CBD); and

**That the Agency and City Council:**

3. **Adopt the attached joint Resolution making findings pursuant to Section 33433 relating to the disposition of Agency owned property to Ol Hope, L.P. for the phase one site.**

That with respect to Phase One, the Agency, subject to City Council review and approval;

4. Authorize the Administrator or designee to negotiate and execute:

   A. A Gap Loan Agreement in an amount not to exceed $1,000,000 with OL Hope, L.P. for the proposed 67 unit apartments located at the southwest corner of Olympic and Hope Street;

   B. A Disposition and Development Agreement with OL Hope, L. P., regarding the leasing of Agency-owned land for the approximate 67 unit mixed-use project, and providing for payment ~~to the developer~~ of $400,000 from the Agency to defray the cost of off-site improvements benefiting various properties on the block; and

5. Adopt the attachment Resolution making a finding that an economically feasible alternative method of financing on substantially comparable terms without subordination of the Agency's low and moderate-income restrictions is not reasonably available.

6. Amend the FY'99 Budget to receive $950,000 into SP 1100 (Olympic Hope Apartments) from the Arena Replacement Housing Fund

That with respect to Phase Two the Agency, subject to City Council review and approval;

7. Authorize the Administrator or designee to negotiate and execute an Exclusive Right to Negotiate for a period of 180 days with Forest City Residential West, Inc. for the Agency owned parcel located at the northeast corner of Flower and 11th Streets in the South Park Area of the Central Business District Redevelopment Project Area.

8. Amend the FY'99 Budget to create a new work objective, SP 1500 (Metropolitan Lofts); and

That with respect to the Public Improvements benefiting the entire block, the Agency, ~~subject to~~ **and the** City Council ~~review and adoption~~;

9. Adopt the attached Resolution making findings of benefit to fund the cost of certain public improvements pursuant to Health and Safety Code Section 33445 for the proposed Olympic Hope Mixed Use Development in the Central Business District Redevelopment.

RE

July 11, 1996- Predevelopment Loan Agreement with 1010 Development Corporation.

August 14, 1996- City Council approval of this action.

October 21, 1997- City Council approval of the various actions regarding the Sports Arena, including the allocation of $4.5 Million in General Fund revenues for meeting the project's Replacement Housing Obligation.

SOURCE OF FUNDS

Arena Replacement Housing Funds.

ENVIRONMENTAL REVIEW

Based upon the attached Initial Study for the Olympic Hope Mixed Use Development, (elsewhere in this memorandum referred to as Phase One) Agency staff has concluded that the project qualifies for a Negative Declaration, (finding of no significant effect on the environment) because of the mitigation measures incorporated in the proposed development. Staff recommends the adoption of the attached Resolution.

A separate evaluation of the proposed Olympic Flower project (also identified as Phase Two) will be conducted once the project's scope has been further established during the exclusive negotiation period.

SUMMARY

The recommended actions will implement an integrated primarily residential mixed-use project on Agency owned property in the block bounded by Olympic Boulevard, Hope Street, Eleventh Street, and Flower Street. Phase One will be developed by OL Hope L.P. It consists of 67 units of one, two, three, and four bedroom housing for families with incomes at or below 60% of the area median, a Childcare facility serving 50 children, and a neighborhood service facility operated by the Downtown Service Center, a non-profit affiliate of the First United Methodist Church. The second phase, to be developed by Forest City Residential West ("Forest City") in a coordinated design utilizing the same architect, will consist of approximately 170 units of market rate housing comprised primarily of studio and one-bedroom units, with commercial uses at ground level. The two-phased project will provide a total of over 247 units in downtown Los Angeles, and will complete the development of an entire block by a number of developers with Agency assistance. The block contains housing serving a wide range of incomes and family sizes, including large lower income families, very low income elderly persons, and those with physical handicaps. An increase in the downtown housing stock for all income groups has been a principal Agency objective for many years.

The Agency originally entered into an agreement with 1010 Development, which called for them to develop a mixed income

project. However, they were not able to do so without a significant Agency subsidy for the market rate rental units. Staff then determined that the Agency would achieve the economic mix by permitting 1010 Development to develop an entirely very low to moderate income project, and seeking a more traditional private sector developer to construct market rate housing on another portion of the site. Staff has received a written proposal from Forest City Industries, a significant property owner on the block immediately north of the subject, to exercise its Owner Participant Rights within the Central Business District Redevelopment Project Area. Forest City is proposing to develop approximately 170 market rate apartments over street level commercial/retail facilities without any additional commitment of financial resources by the Agency. Both phases of development are being designed by the same architectural firm, Togawa and Smith.

**PHASE ONE - 67 UNITS OF LOW INCOME HOUSING AND CHILDCARE CENTER**

The Agency provided 1010 Development Corporation, a non-profit affiliate of the First United Methodist Church with a predevelopment loan in the amount of $481,000. They have received commitments from the Los Angeles Housing Department, ("LAHD") for tax exempt bond financing in the amount of $5,470,000 and a residual receipts gap loan of $3,400,000. They have also received a commitment of ~~$590,000~~ $395,000 from the City's Community Development Department ("CDD") for the childcare facility, **a Day Care grant of $195,000 from Bank of America**, and an allocation of "4%" tax credits which is expected to yield $522,730 in equity contributions from investors. The recommended actions would convert the Agency's Predevelopment Loan into a construction and permanent residual receipts gap loan, and increase it by $519,000 to a total of $1,000,000.

The Disposition and Development Agreement provides that the Agency will be responsible for constructing various off-site improvements for the block as the housing is being constructed. In lieu of the Agency constructing the off-sites, the Developer will oversee the construction and the Agency ~~the developer~~ will pay the actual cost of constructing these improvements, in an amount not to exceed $400,000. These improvements include a "mid-block crossing" which provides pedestrian movement through the block from Hope to Flower, the closure and resurfacing of a portion of the existing alley from the mid-block crossing to Olympic Boulevard which will provide pedestrian and limited vehicular access to segments of the block, and sidewalk improvements on Hope Street. The Developer will be responsible for any costs in excess of $400,000.

In accordance with the California Environmental Quality Act and State and Agency environmental guidelines, an Initial Study for the Olympic Hope Mixed- Use project was prepared. The Initial Study concluded that the proposed project qualifies for a Negative Declaration. The environmental documents were made available for public review and comment for a 20-day period. No comments were

received. To complete the environmental review process, Board needs to adopt the attached Resolution

The developer has obtained a commitment of tax exempt bond financing in the amount of $5.4 million and gap financing in the amount of $3.3 million from LAHD. Syndication of "4% tax credits" a childcare grant from the Community Development Department and the Agency assistance will complete the financing package.

The proposed breakdown of the anticipated Sources of funding and estimated Uses for the 1010 Development project are:

**SOURCES**

| | |
|---|---|
| Bond Financing **Construction** | $5,470,270 |
| LAHD Gap Loan | **$3,488,400** |
| CRA Gap Loan | $1,000,000 |
| CRA Off-Site Payment | $ 400,000 |
| Developer Tax Equity | **$ 427,030** |
| Developer Land Sale Equity-Service Center | $ 296,700 |
| **B of A Childcare Grant** | $ 195,000 |
| CDD Childcare Loan | $ **325,000** |
| **Total Sources** | **$11,602,400** |

**USES**

| | |
|---|---|
| Construction Hard Costs- Residential | $ 7,000,000 |
| Construction Fees | $ 900,000 |
| General Development costs | $ 1,870,000 |
| Contingency | $ 535,000 |
| Day Care/Community Service Facility | $ 600,700 |
| Community Service Facility | $ 296,700 |
| Off-Site Costs | $ 400,000 |
| **Total Uses** | **$11,602,400** |

The Agency's loan and ground lease will be payable from future residual receipts. The ground lease will have priority over the gap financing, and be payable from 25% of residual receipts. The balance of residual receipts available after payment of the ground lease will be split (12%/38%/50%) between the Agency, LAHD, and the Developer.

According to the California Redevelopment Law and Health and Safety Code Section 33433 the Agency must ~~obtain~~ **determine the** ~~fair~~ market value ~~for the disposition~~ of its properties it elects to sell or lease, **subject to Agency imposed conditions and restrictions.** The estimated fair market value of the Site with market rate apartments is $3,700,000, but has a reuse value of zero due to the Agency's occupancy restrictions for the low income **(60% of median)** housing.

Because of the tax credit restrictions all of the units will be rented to low income (~~50%~~ 60% of Area Median Income). The negotiated terms of the groundlease require the Developer to pay the Agency the first 25% of the project's residual receipts as ground rent. The remaining residual receipts will be split 12% to the Agency to be applied toward interest and principal on the gap loan, 38% to LAHD for payment of interest and principal on their gap loan, and 50% to the owners as return on capital investment.

1010 Development Corp. owns an office building on the block containing a church, childcare facility and offices for service providers in the greater downtown area. They also own Casa Flores, a 75 unit elderly project on the same block at 1020 South Flower Street .

The project is also subject to the annual South Park Open Space Fee, which is estimated to be $25,000 per year.

**PHASE TWO-170 UNITS OF MARKET RATE HOUSING WITH ANCILLARY GROUND FLOOR RETAIL**

Staff recommends that the Agency enter into an Exclusive Right to Negotiate for a period of 180 days for Phase Two of the project with Forest City Residential West at this time to insure that the design of both phases are fully coordinated. Completion of Phase Two will complete development of all Agency owned property on this block.

Forest City is a large residential developer with vast experience in the development of large market rate in-fill residential projects. It's parent, Forest City Industries is publicly traded on the American Stock Exchange. Forest City was responsible for two larger residential developments on an adjacent block in the South Park neighborhood, Skyline Condominiums and Metropolitan Apartments. Forest City also has a corporate office within the Metropolitan project.

During the Exclusive Negotiation Period, staff and Forest City will attempt to reach an agreement on project design, terms of a ground lease or sale of land and contributions to the community. The required environmental determinations and actions will also be completed.

PROGRAM AND BUDGET IMPACT

The recommended actions implement the Agency's FY'99 work program for SP 1100, and add a new objective, SP 1500 (Metropolitan Lofts). Both actions are consistent with the 5-year implementation plan for South Park. Both objectives will be continued in FY'2000.

An additional $1,000,000 from the Arena Replacement Housing Fund will be recognized at this time. The Olympic Hope project was one of two projects specifically identified in the Sports Arena Replacement Housing Plan. A total of $4,496,000 was established for the Replacement Housing Fund. The fund set-side $2,740,000 for the Grandview Nine project in CD 1, $1,000,000 for the 1010 Phase II (Olympic Hope) project in CD 9, $80,000 for AN 1070 (Move-on Program) in CD 1, and $177,000 for N5 1070 (Scattered Site Housing) in CD 8. A balance of $499,000 would sill remain in the Sports Arena Replacement Housing fund for a future project(s).

BACKGROUND

Between 1988 and 1992 the Agency acquired all of the property in the block bounded by Hope Street, Olympic Boulevard, 11th Street and Flower Street, except for a 25,000 sq. ft. parcel containing a 5-story office building owned by The First Methodist Church.

In 1991 the Agency conveyed a 5-story "Worthy of Note" office building fronting on Hope Street, to TELECU. This building was then converted it into 40 units of housing for the physically handicapped, still owned and operated by TELACU with financial assistance from HUD. In 1997 the Agency conveyed a 16,400 sq. ft. parcel of land to 1010 Development Corp., which combined it with 11,000 sq.ft. of the Church's property to construct Villa Flores, a 75 unit project for very low income elderly.

Both developers will be required to comply with the standard Agency loan requirements including the payment of "Prevailing Wages" to all construction workers and are **amenable to pay** a "Living Wage" to all on site employees, **if the Board adopts a Living Wage Policy.** ~~Employees of the childcare center will also be subject to the Living Wage provisions~~.

John E. Molloy, Administrator

Attachment

There is no conflict of interest known to me, which exists with regard to any Agency officer or employee concerning this action.

THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

RESOLUTION NO. 5898

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, MAKING A FINDING OF NO SIGNIFICANT EFFECT ON THE ENVIRONMENT AND ADOPTING A NEGATIVE DECLARATION AND MITIGATION MONITORING PLAN FOR THE OLYMPIC/HOPE MIXED USE DEVELOPMENT, 1031 SOUTH HOPE STREET; CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT

WHEREAS, in implementation of the Central Business District ("CBD") Redevelopment Plan, the developer, Olympic Hope, L.P., proposes to develop certain real property, located at 1031 South Hope Street within the Central Business District Redevelopment Project in the City of Los Angeles and referred to as the Olympic/Hope Mixed Use Development ("project"); and

WHEREAS, a Final Environmental Impact Report ("EIR") for the CBD Redevelopment Plan was prepared by The Community Redevelopment Agency of the City of Los Angeles, California ("Agency") and certified inn 1975, and supplemented by the Final Environmental Impact Statement issued in 1978; and

WHEREAS, said Final EIR is a Program EIR as defined by State and local guidelines for the implementation of the California Environmental Quality Act ("CEQA") of 1970, as amended; and

WHEREAS, in compliance with CEQA and State and local guidelines adopted pursuant thereto, the Agency as Lead Agency prepared an Initial Study of the environmental effects of the proposed project; and

WHEREAS, based on the findings of said Initial Study, a Negative Declaration for the proposed project was prepared and executed on March 16, 1999; and

WHEREAS, this Negative Declaration with mitigation measures was made available for review and comment pursuant to CEQA and the CEQA guidelines; and

WHEREAS, the Agency has reviewed and considered the information contained in this Initial Study and Negative Declaration.

NOW, THEREFORE, BE IT RESOLVED by the Community Redevelopment Agency of the City of Los Angeles, California as follows:

1. The Community Redevelopment Agency hereby certifies that the Negative Declaration prepared for the proposed project has been prepared and circulated in compliance with the California Environmental Quality Act of 1970, as amended, and State and local guidelines adopted pursuant thereto.

2. The Community Redevelopment Agency further certifies that the information contained in said Negative Declaration has been

reviewed and considered by the Agency Commissioners and reflects the independent judgment of the Agency.

3. The Community Redevelopment Agency hereby finds and determines that the proposed implementation of the Olympic/Hope Mixed Use Development will not have a significant effect on the environment because of mitigation measures as set forth in the Negative Declaration.

4. The Community Redevelopment Agency hereby adopts the Negative Declaration and Mitigation Monitoring Plan prepared for the Olympic/Hope Mixed Use Development in the Central Business District Redevelopment Project and all implementing actions.

ADOPTED: April 15, 1999

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CA**

**RESOLUTION NO. 5899**

**A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA REGARDING THE SUBORDINATION OF ITS USE RESTRICTIONS PURSUANT TO SECTION 33334.14 OF THE COMMUNITY REDEVELOPMENT LAW.**

**WHEREAS**, the Community Redevelopment Agency of the City of Los Angeles, California ("Agency") proposes to enter into a Disposition and Development Agreement with OL Hope, LP, a California limited partnership ("Developer") pursuant to which the Agency will provide financial assistance to the Developer for the purpose of developing housing that is affordable to persons or families of very low, low and moderate income (the "Rental Project"); and

**WHEREAS**, the Loan Agreement requires covenants to be recorded against the Rental Project placing certain limits on the maximum rents that can be charged, and the maximum income that can be earned by tenants qualified to rent such housing (the " Income and Rent Restrictions"); and

**WHEREAS**, Section 33334.14 of the Community Redevelopment Law permits the Agency, under circumstances, to subordinate the Income and Rents Restrictions to the lien of a lender providing financing for the Rental Project; and

**WHEREAS**, the Developer has obtained commitments of financing from a lender conditioned upon the subordination of the Agency's Income and Rent Restrictions, Groundlease and Deed of Trust; and

**WHEREAS**, there has been presented to the Agency evidence sufficient on which to find that an economically feasible alternative method of financing the Rental Project on substantially comparable terms and conditions, but without subordination, is not reasonably available.

**NOW, THEREFORE, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, DOES HEREBY RESOLVE AS FOLLOWS:**

1. The Agency hereby finds that an economically feasible alternative method of financing the Rental project on substantially comparable terms and conditions, but without subordination, is not reasonably available.

2. The Agency hereby authorizes the Administrator of the Agency, or such other official of the Agency as the Administrator may designate, to take such actions as may be necessary in order to subordinate the Agency's Income and Rent Restrictions, Groundlease, and Deed of Trust to the lien of the lender(s) providing financing for the Rental Project, but only upon receipt by the Administrator or such designee of written commitments from such lender, reasonably designated to protect the Agency's investment in the event of default, such as the following:

(a) a right of the Agency to cure a default on the loan;

(b) a right of the Agency to negotiate with the lender after the notice of default from the lender;

(c) an agreement that if prior to foreclosure of the loan, the Agency takes title to the Rental Project and cure the default on the loan, the lender will not exercise any right of title to the Agency;

(d) a right of the Agency to purchase the Rental Project from the Developer at any time after a default on the loan.

ADOPTED: April 15, 1999

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES,**

**CALIFORNIA ENVIRONMENTAL QUALITY ACT**

**NEGATIVE DECLARATION**

(Article V - CRA CEQA Guidelines)

Date: March 16, 1999

Project Title: Olympic/Hope Mixed Use Development, Central Business Redevelopment Project

Project Location: 1031 South Hope Street

Project Description: Development of a 5-story apartment complex (67 dwelling units) over a 2-level structure containing 74 parking spaces, a day care center and a neighborhood resource center.

Developer entity (if applicable): Olympic/Hope, L.P.

The Community Redevelopment Agency of the City of Los Angeles has determined that this project will not have a significant effect on the environment for the following reasons:

The proposed project represents infill development within the long-established South Park area of downtown Los Angeles. Compliance with applicable City ordinances will reduce potential significant effects due to seismic activity, construction noise and air quality emissions, increases in runoff, water usage, wastewater and solid waste, and increased demand for police and fire services to less than significant levels. The developer will pay applicable fees to the Los Angeles Unified Schools District to reduce impacts on local schools to a less than significant level.

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The Initial Study prepared for this project is attached. Copies may be obtained from the Community Redevelopment Agency of the City of Los Angeles, California, 354 South Spring Street, Records Center - Suite 500, Los Angeles, California 90013, telephone (213) 977-1925.

Pauline Lewicki, Senior Planner

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES**

**CALIFORNIA ENVIRONMENTAL QUALITY ACT**

**INITIAL STUDY AND CHECKLIST**
(Article IV - CRA CEQA Guidelines)

Date: March 15, 1999

Project Title: Olympic/Hope Mixed Use Development, Central Business District (CBD) Redevelopment Project

Project Location: 1031 South Hope Street, Los Angeles

Project Description: Five-story 67 dwelling unit apartment complex over 2-level structure containing day care facility, neighborhood resource center and 74 parking spaces

Previous Completed Environmental Documents: Final EIR for the CBD Redevelopment Plan, certified 1975 and supplemented by the Final EIS issued in 1978

DETERMINATION

On the basis of the attached initial study checklist and evaluation:

___I find the proposed project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.

_X_ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because the mitigation measures described in Attachment Three have been added to the project. A NEGATIVE DECLARATION WILL BE PREPARED.

___I find the proposed project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.

___I find that THERE IS ADDITIONAL INFORMATION for the proposed project with respect to environmental conditions, impacts, mitigation measures or alternatives identified in the prior environmental impact report. Only minor additions or changes will be necessary to make the previous EIR adequately apply to the project in the changed situation and a SUPPLEMENT TO THE EIR will be prepared.

___I find that none of the conditions requiring an additional environmental document have occurred.

Pauline Lewicki, Senior Planner

# CALIFORNIA ENVIRONMENTAL QUALITY ACT
# INITIAL STUDY CHECKLIST
(Article IV - CRA CEQA Guidelines)

Answers to questions marked Potentially Significant Unless Mitigation Incorporated, or Less Than Significant, are discussed in "Attachment Two".

| Issues | Potentially significant impact | Potentially significant unless mitigation incorporated | Less than significant impact | No impact |
|---|---|---|---|---|
| **1. LAND USE AND PLANNING** Would the proposal: | | | | |
| a. Conflict with general plan designation or zoning? | | | | X |
| b. Conflict with applicable environmental plans or policies adopted by agencies with jurisdiction over the project? | | | | X |
| c. Be incompatible with existing land use in the vicinity? | | | | X |
| d. Affect agricultural resources or operations (e.g. impacts to soils or farmlands, or impacts from incompatible land uses)? | | | | X |
| e. Disrupt or divide the physical arrangement of an established community (including a low-income or minority community)? | | | | X |
| **2. POPULATION AND HOUSING** Would the proposal: | | | | |
| a. Cumulatively exceed official regional or local population projections? | | | | X |
| b. Induce substantial growth in an area either directly or indirectly (e.g. through projects in an undeveloped area or extension of major infrastructure)? | | | | X |
| c. Displace existing housing, especially affordable housing? | | | | X |
| **3. GEOLOGICAL PROBLEMS** Would the proposal result in or expose people to potential impacts involving: | | | | |
| a. Fault rupture? | | | X | |
| b. Seismic ground shaking? | | X | | |

| Issues | Potentially significant impact | Potentially significant unless mitigation incorporated | Less than significant impact | No impact |
|---|---|---|---|---|
| c. Seismic ground failure, including liquefaction? | | | | X |
| d. Seiche, tsunami, or volcanic hazard? | | | | X |
| e. Landslides or mudflows? | | | | X |
| f. Erosion, changes in topography or unstable soil conditions from excavation, grading or fill? | | | | X |
| g. Subsidence of the land? | | | | X |
| h. Expansive soils? | | | | X |
| i. Unique geological or physical features? | | | | X |
| **4. WATER** Would the proposal result in: | | | | |
| a. Changes in the absorption rates, drainage patterns, or the rate and amount of surface runoff? | | | X | |
| b. Exposure of people or property to water related hazards such as flooding? | | | | X |
| c. Discharge into surface waters or other alteration of surface water quality (e.g. temperature, dissolved oxygen or turbidity)? | | | | X |
| d. Changes in the amount of surface water in any water body? | | | | X |
| e. Changes in current, or the course or direction of water movements? | | | | X |
| f. Change in the quantity of ground waters, either through direct additions or withdrawals, or through interception of an aquifer by cuts or excavations or through substantial loss of groundwater recharge capability? | | | | X |
| g. Altered direction or rate of flow of groundwater? | | | | X |
| h. Impacts to groundwater quality? | | | | X |
| i. Substantial reduction in the amount of groundwater otherwise available for public water supplies? | | | | X |

| Issues | Potentially significant impact | Potentially significant unless mitigation incorporated | Less than significant impact | No impact |
|---|---|---|---|---|
| **5. AIR QUALITY**<br>Would the proposal: | | | | |
| a. Violate any air quality standard or contribute to an existing or projected air quality violation? | | | X | |
| b. Expose sensitive receptors to pollutants? | | | X | |
| c. Alter air movement, moisture, or temperature, or cause any change in climate? | | | | X |
| d. Create objectionable odors? | | | | X |
| **6. TRANSPORTATION/CIRCULATION**<br>Would the proposal result in: | | | | |
| a. Increased vehicle trips or traffic congestion? | | | X | |
| b. Hazards to safety from design features (e.g. sharp curves or dangerous intersections) or incompatible uses (e.g. farm equipment)? | | | | X |
| c. Inadequate emergency access or access to nearby uses? | | | | X |
| d. Insufficient parking capacity on-site or off-site? | | | | X |
| e. Hazards or barriers for pedestrians or bicyclists? | | | | X |
| f. Conflicts with adopted policies supporting alternative transportation (e.g. bus turnouts, bicycle racks)? | | | | X |
| g. Rail, waterborne or air traffic impacts? | | | | X |
| **7. BIOLOGICAL RESOURCES**<br>Would the proposal result in impacts to: | | | | |
| a. Endangered, threatened or rare species or their habitats (including but not limited to plants, fish, insects, animals, and birds)? | | | | X |
| b. Locally designated species (e.g. heritage trees)? | | | | X |
| c. Locally designated natural communities (e.g. oak forest, coastal habitat, etc.)? | | | | X |
| d. Wetland habitat (e.g. marsh, riparian and vernal pool)? | | | | X |

| Issues | Potentially significant impact | Potentially significant unless mitigation incorporated | Less than significant impact | No impact |
|---|---|---|---|---|
| e Wildlife dispersal or migration corridors? | | | | X |
| **8. ENERGY AND MINERAL RESOURCES** Would the proposal: | | | | |
| a. Conflict with adopted energy conservation plans? | | | | X |
| b. Use non-renewable resources in a wasteful and inefficient manner? | | | | X |
| c. Result in the loss of availability of a known mineral resource that would be of future value to the region and the residents of the State? | | | | X |
| **9. HAZARDS** Would the proposal involve: | | | | |
| a. A risk of hazardous explosion or release of hazardous substances (including, but not limited to: oil, pesticides, chemicals or radiation)? | | | | X |
| b. Possible interference with an emergency response plan or emergency evacuation plan? | | | | X |
| c. The creation of any health hazard or potential health hazard? | | | | X |
| d. Exposure of people to existing sources of potential health hazards? | | | | X |
| e. Increased fire hazard in areas with flammable brush, grass, or trees? | | | | X |
| **10. NOISE** Will the proposal result in: | | | | |
| a. Increases in existing noise levels? | | | X | |
| b. Exposure of people to severe noise levels? | | | X | |
| **11. PUBLIC SERVICES** Will the proposal have an effect upon, or result in a need for new or altered government services in any of the following areas: | | | | |
| a. Fire protection? | | | X | |

| Issues | Potentially significant impact | Potentially significant unless mitigation incorporated | Less than significant impact | No impact |
|---|---|---|---|---|
| b. Police protection? | | | X | |
| c. Schools? | | | X | |
| d. Parks or other recreational facilities? | | | X | |
| e. Maintenance of public facilities, including roads? | | | | X |
| f. Other governmental services? | | | | X |
| **12. UTILITIES** Will the proposal result in a need for new systems or supplies, or substantial alterations to the following utilities: | | | | |
| a. Power or natural gas? | | | | X |
| b. Communication systems? | | | | X |
| c. Local or regional water treatment or distribution facilities? | | | | X |
| d. Sewer or septic tanks? | | | X | |
| e. Storm water drainage? | | | | X |
| f. Solid waste disposal? | | | X | |
| g. Local or regional water supplies? | | | X | |
| **13. AESTHETICS** Would the proposal: | | | | |
| a. Affect a scenic vista or scenic highway? | | | | X |
| b. Have a demonstrable negative aesthetic effect? | | | | X |
| c. Create light or glare? | | | | X |

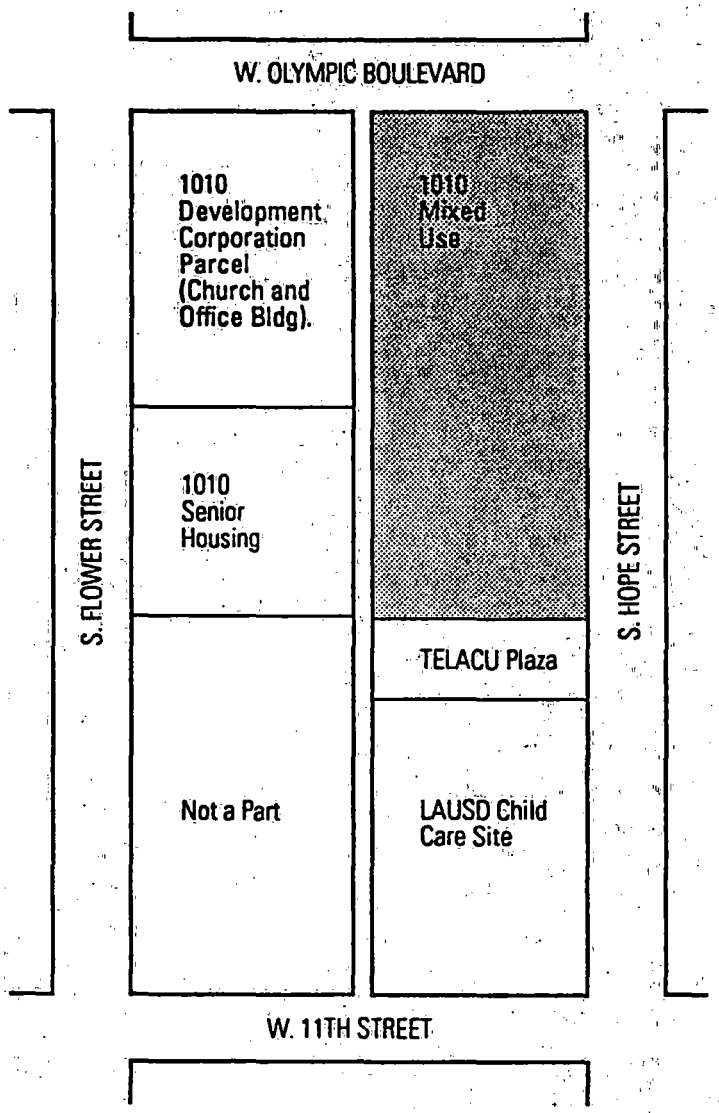
| Issues | Potentially significant impact | Potentially significant unless mitigation incorporated | Less than significant impact | No impact |
|---|---|---|---|---|
| **14. CULTURAL RESOURCES** Would the proposal: | | | | |
| a. Disturb paleontological resources? | | | | X |
| b. Disturb archaeological resources? | | | | X |
| c. Affect historical resources? | | | | X |
| d. Have the potential to cause a physical change which would affect unique ethnic cultural values? | | | | X |
| e. Restrict existing religious or sacred uses within the potential impact area? | | | | X |
| **15. RECREATION** Would the proposal: | | | | |
| a. Increase the demand for neighborhood or regional parks or other recreational facilities? | | | X | |
| b. Affect existing recreational facilities? | | | X | |
| **16. MANDATORY FINDINGS OF SIGNIFICANCE** Does the project: | | | | |
| a. Have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory? | | | | X |
| b. Have the potential to achieve short-term, to the disadvantage of long-term, environmental goals? | | | | X |
| c. Have impacts which are individually limited, but cumulatively considerable?** | | | | X |
| d. Have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly? | | | | X |

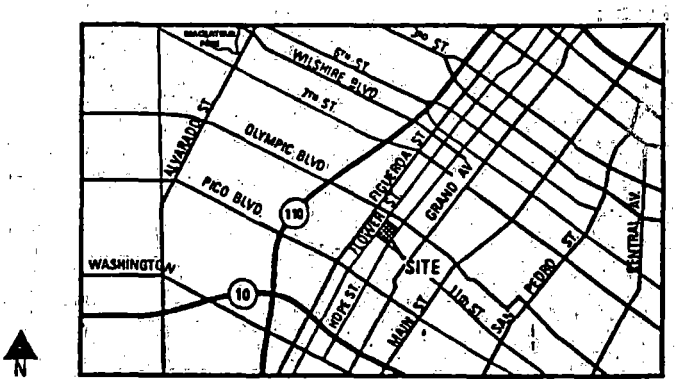
** "Cumulatively considerable" means that the incremental effects of an individual project are considerable when viewed in connection with the effects of past projects, the effects of other current projects, and the effects of probable future projects.

# S I T E M A P

Attachment One
Olympic-Hope Mixed Use Development

**In the CBD (Southpark)**



## BACKGROUND

Section 21090 of the Public Resources Code states that "... all public and private activities or undertakings pursuant to or in furtherance of a redevelopment plan shall be deemed a single project." Further, Section 21166 provides that once an Environmental Impact Report (EIR) has been prepared for a project no "... subsequent or supplemental EIR shall be required by the Lead Agency... unless one or more of the following events occurs: (a) substantial changes are proposed in the project which will require major revisions of the EIR, (b) substantial changes occur with respect to the circumstances under which the project is being undertaken which will require major revisions in the environmental impact report, or (c) new information, which was not known and could not have been known at the time the Environmental Impact Report was certified as complete, becomes available." These provisions are reflected in Section 15180 (b) of the State CEQA Guidelines which states that "an EIR on a redevelopment plan shall be treated as a program EIR with no subsequent EIRs required for individual components of the redevelopment plan unless a subsequent EIR or a supplement to an EIR would be required by Section 15162 or 15163." The Final EIR for the Central Business District (CBD) Redevelopment Plan was certified by the Agency in 1975 and supplemented by the Final Environmental Impact Statement issued in 1978. All subsequent environmental documents in the CBD Redevelopment Project are incorporated herein, by reference, in accordance with Article 11, Section 15168(d)(2) of the Guidelines for the Implementation of the California Environmental Quality Act (CEQA), as amended, Title, 14, Chapter 3, State of California Code of Regulations.

## DOCUMENTATION

Supplemental materials required, prepared, or used as a reference in connection with this environmental evaluation include, but are not limited to:

1. Environmental Information Form, dated March 1, 1999
2. Conceptual Design Package, Togawa & Smith, Inc., Architects; March 4, 1999
3. Phase I Environmental Site Assessment, Garrett Environmental; October 3, 1996
4. Redevelopment Plan For the CBD Redevelopment Project, May 1975.
5. Central City Community Plan, Department of City Planning, Los Angeles, California.
6. CEQA Air Quality Handbook, prepared by South Coast Air Quality Management District.

## DESCRIPTION OF ENVIRONMENTAL SETTING

### Proposed Site

The project site is located at the southwest corner of Olympic Boulevard and Hope Street in the South Park area of downtown Los Angeles. The approximately 1.2 acre site is flat. The northerly portion of the site is currently used as temporary "community garden" by residents of the area. Planting beds of various sizes are bordered by pieces of broken concrete. The plantings in early March included just emerging vegetable plants, flowering annuals and perennials, several good-size artichoke plants, two young fruit trees, several dried cornstalks, a row of agave (also known as century plant) and two rather dry appearing arundo cane plants. The southerly portion of the site is used as a surface parking lot.

### Surrounding Area

The surrounding area contains a mix of office, residential, retail, and educational/cultural uses. Structures in the area range in age from the 1920's to recent construction. The project site is located on the block bounded by Olympic Boulevard on the north, Flower Street on the west, 11th Street on the south, and Hope Street on the east. Other uses on the block include: the First United Methodist Church building directly west of the project site (across Pembroke Alley) at the southeast corner of Flower Street and Olympic Boulevard; the new 1020 S. Flower residential development to the southwest of the project site; surface parking lots on the approximate southerly third of the block, and the former NCR office building, converted to housing several years ago, directly south of the project site on Hope Street.

The historic Petroleum Building, now accommodating Bank of America offices, is to the west at the southwest corner of Flower Street and Olympic Boulevard. The block to the north, across Olympic Boulevard, is occupied by the historic Standard Oil Building, recently rehabilitated for office uses, and two modern 12-story residential developments. The block to the northeast is occupied by Grand Hope Park, the Fashion Institute of Design and Merchandising and a contemporary office building, which also houses the Museum of Neon Art. The block directly to the east across Hope Street is fronted by a 1950's office/commercial building with a windowless metallic grill-type facade, a surface parking lot and a 1920's brick structure currently housing garment manufacture related uses.

The project site is in an area well served by public transit: regular bus routes, DASH and rail (Blue Line, with connections to the Red Line).

**Land Use**

The CBD Redevelopment Plan designates the project site as Alternative Use - High Density Housing and/or Commercial/Parking - Regional Center with a 6:1 Floor Area Ratio for residential or mixed use. The maximum allowable density of 80 units per gross acre would permit 102 dwelling units on the site. The Central City Community Plan designates the site for High-Density Multifamily Residential use, also with a maximum density of 80 dwelling units per acre. The proposed mixed-use project, with a maximum of 67 dwelling units, conforms to the adopted Redevelopment and Community Plans.

## DESCRIPTION OF PROPOSED PROJECT

The proposed project consists of the construction of a 5-story wood-frame residential complex, accommodating 67 dwelling units, over a 2-level concrete base that would include a day care center, a neighborhood resource center and parking for 74 vehicles. The top of the concrete base or podium level of the residential component will be landscaped and provide distinct recreational areas for children and for adolescents/adults. The design of the project incorporates neo-classical elements within a contemporary envelope. The major entrances pay respect to the architecture of the two significant historic office buildings on Olympic Boulevard through arched doorways and similar fenestration. The arch motif is also incorporated in the central part of the complex. The 5-story height of the development along Hope Street and along Olympic Boulevard (with six stories facing directly south and west) is within the context of other buildings on the block as well as the nearby historic structures.

The project is intended to provide housing for low-income seniors and families. It will include 8 1-bedroom units and 27 2-bedroom units for small families or seniors. Large families will be accommodated in 24 3-bedroom and 8 4-bedroom apartments.

Other features of the proposed development include children's day care facility and a neighborhood resource center. The day care facility will occupy approximately 3,000 square feet of indoor and approximately 5,250 square feet of outdoor space. The facility will provide care for about 70 to 74 children, an expansion from the 60 spaces currently provided on the First United Methodist Church

property. That existing childcare facility is scheduled for demolition. The new day care center is intended to provide childcare for employees in downtown Los Angeles, and in particular those residing and working in the South Park area of downtown. It is anticipated that 40% to 50% of the children will be from low-income households, which could include residents of the proposed project. The facility will provide care for both infants and pre-school children and will be staffed by the current staff of 17 professionals.

The neighborhood resource center, with about 4,000 square feet of space, will provide a range of social services, most of which are already offered by the Downtown Service Center. Many of the programs are directed toward children and youth. Other services include food distribution, medical and legal referrals, referrals to specific social services and establishment of a neighborhood watch or Block Club organization.

**DISCUSSION OF ENVIRONMENTAL IMPACTS**

**Geological Problems, Items 3a, b and c:** The proposed project, along with much of Southern California, is likely to experience ground shaking due to seismic activity during the lifetime of the project. The recent discovery of an active blind thrust fault deep under downtown in addition to several previously known active faults within and near the greater Los Angeles area underscores the likelihood of such a happening. Current data do not indicate the potential for ground rupture or subsidence/liquefaction in the vicinity of the project site. The proposed project will be required to meet all applicable seismic building codes which provide a reasonable level of safety for persons and property.

**Water, Item 4a:** There will be a slight increase in runoff due to the removal of the temporary garden uses on part of the site and coverage of the site with impervious surfaces. This impact is deemed to be less than significant since the project plans will have to include drainage facilities to the satisfaction of the City of Los Angeles Bureau of Engineering.

**Air Quality, Item 5a:** Short term impacts will occur as a result of demolition and grading activities and machinery, both are not considered to be significant. Development of the project will be according to South Coast Air Quality Management District (SCAQMD) regulations for site preparation, clearing, grading, excavation, and construction to minimize fugitive dust during construction. The proposed project does not exceed the SCAQMD air quality impact/threshold criteria. Therefore, short-term air quality impacts will be insignificant and will not adversely impact the environment.

**Transportation/Circulation, Item 6a:**

The proposed project will generate a minimal increase in peak hour traffic trips since it is intended to serve a population with low vehicle ownership - low income families and seniors. The site is in an area of downtown that is well served by public transit, including bus (regular and DASH) and rail systems.

**Noise, Items 10a and b:** Demolition, paving, and construction activity may generate intermittent temporary noise impacts. Short-term demolition and construction impacts will be mitigated to acceptable levels by measures specified in the Los Angeles Municipal Code Section 41.40, which will be enforced by the Department of Building and Safety and the Police Department.

**Public Services, Items 11a, b, c and d:** Implementation of the proposed project will increase the demand for fire and police services. This impact is considered less than significant as a result of the project's compliance with applicable City of Los Angeles Fire Department regulations. The project will incorporate appropriate safety features as required by the City of Los Angeles Police Department through the plan check process.

The project applicant will pay a mitigation fee to the Los Angeles Unified School District (LAUSD) to

reduce impacts on school facilities to less than significant levels. Since the proposed project is intended to provide housing for a population that often lives in overcrowded conditions, it is likely that some of the school age residents of the proposed project already attend local schools. The project includes onsite recreational facilities for children and for adolescents/adults thus resulting in less than significant effects on recreational facilities. It is noted that the proposed project is in conformance with the goal to establish a residential community in the South Park, which is served by Grand Hope Park.

**Utilities, Items 12d, f and g:** Implementation of the proposed project will generate increased demands for water and additional wastewater and solid waste. These increased will be reduced to less than significant levels by adherence to applicable City of Los Angeles ordinances for reducing water usage, wastewater flows and solid waste.

**Recreational Facilities, Items 15 a and b:** The residents will increase the demand for recreational uses. This demand will be offset in part by on site recreational facilities for both children and adolescents/adults. As noted under the discussion of Public Services above, the proposed project is also in implementation of the South Park residential community that includes the Grand/Hope Park. Impacts on recreational facilities from the 67-dwelling unit project are deemed less than significant.

## MITIGATION AND MITIGATION MONITORING PLAN

Effective January 1, 1989, the California Environmental Quality Act (CEQA) was amended to add Section 210816.6, implementing Assembly Bill (AB) 3180. As part of CEQA (state-mandated) environmental review procedures, AB 3180 requires a public agency to adopt a monitoring and reporting program for assessing and ensuring efficacy of any required mitigation measures applied to proposed developments. As stated in Section 21081.6 of the Public Resources Code:

"...the public agency will adopt a reporting or monitoring program for the changes to the project which it has adopted, or made a condition of project approval, in order to mitigate or avoid significant affects on the environment."

The draft Mitigation Monitoring program is presented below. Each required mitigation measure is listed and categorized by impact area, with accompanying discussion of:

The party or parties responsible for implementation;
The phase of the project during which the measure should be monitored:

Pre-Construction (prior to issuance of a building permit)
Construction (prior to certificate of occupancy)
Post-Occupancy

The enforcement agency; and,
The monitoring agency.

In some cases, a specific mitigation measure may require compliance monitoring during two or three phases of the project. Such cases are noted within the discussion of the specific mitigation measure.

Geological

- The project will comply with City standards and requirements for all excavation, grading, site preparation, and structural design. The project applicant will submit the foundation/soils report which investigates existing conditions and recommends appropriate measures and grading practices to the City of Los Angeles Department of Building and Safety for review and approval. To mitigate potential impacts due to the seismicity of California, the project will comply with provisions in the City's Seismic Safety Plan, portions of the Municipal Code and the Department of Building and Safety's codes.

| | |
|---|---|
| **Responsibility for Implementation:** | Project Applicant |
| **Monitoring Phase:** | Pre-Construction |
| **Enforcement Agency:** | City of Los Angeles Department of Building and Safety |
| **Monitoring Agency:** | City of Los Angeles Department of Building and Safety |

Air Quality

- The project will incorporate South Coast Air Quality Management District (SCAQMD) regulations and recommendations for site preparation, clearing, demolition, grading, excavation work, and construction to minimize fugitive dust during construction.

| | |
|---|---|
| **Responsibility for Implementation:** | Project Applicant |
| **Monitoring Phase:** | Construction |
| **Enforcement Agency:** | City of Los Angeles Department of Building and Safety/SCAQMD |
| **Monitoring Agency:** | City of Los Angeles Department of Building and Safety/SCAQMD |

Noise

- To mitigate potential noise impacts to less than significant levels, compliance with all provisions of the City of Los Angeles Noise Ordinance (Ordinance No. 144,331) will be required. Provisions of the Ordinance include, but are not limited to, the following regulations concerning construction activities:

    - The operation of the equipment associated with general construction work within a residence zone or within 500 feet of a residence zone must not be performed in a manner that the noise created is loud, unnecessary, and unusual and substantially exceeds the noise customarily and necessarily attendant to the reasonable and efficient performance of such work.

    - Operation of construction machinery in a residential zone or within 500 feet of a residential zone will not exceed a noise level of 75 dBA at a distance of 50 feet from the point of operation.

- Enforcement of the Ordinance is as follows: (a) the Department of Building and Safety will have the power and duty to enforce Code Section 112.02 (exhaust fans, etc.). Any issues regarding compliance with this section can be addressed to Building and Safety, Bureau of Community Safety, (213) 485-7064; (b) the Police Department will have the power and duty to enforce the following noise control provisions of the Code: Section 112.03 (construction noise) and Section 112.05 (maximum noise level of powered equipment or powered hand tools). Any issues regarding compliance with these sections can be addressed by contacting the Noise Enforcement Team of the Los Angeles Police Department at (213) 485-4575.

| | |
|---|---|
| **Responsibility for Implementation:** | Project Applicant |
| **Monitoring Phase:** | Construction |
| **Enforcement Agency:** | City of Los Angeles Department of Building and Safety/City of Los Angeles Police Department |
| **Monitoring Agency:** | City of Los Angeles Department of Building and Safety/City of Los Angeles Police Department |

Public Services

- The project applicant will consult with the Los Angeles Police and Fire Departments to identify measures for incorporation into the project design to reduce potential impacts. The proposed project will comply with all applicable State and local codes and ordinances, and the guidelines found in the Fire Protection and Fire Prevention Plan, as well as the Safety Plan. These mitigation measures will reduce police and fire impacts to less than significant levels.

| | |
|---|---|
| **Responsibility for Implementation:** | Project Applicant |

| | |
|---|---|
| **Monitoring Phase:** | Pre-construction |
| **Enforcement Agency:** | City of Los Angeles Police and Fire Departments |
| **Monitoring Agency:** | City of Los Angeles Police and Fire Departments |

Utilities

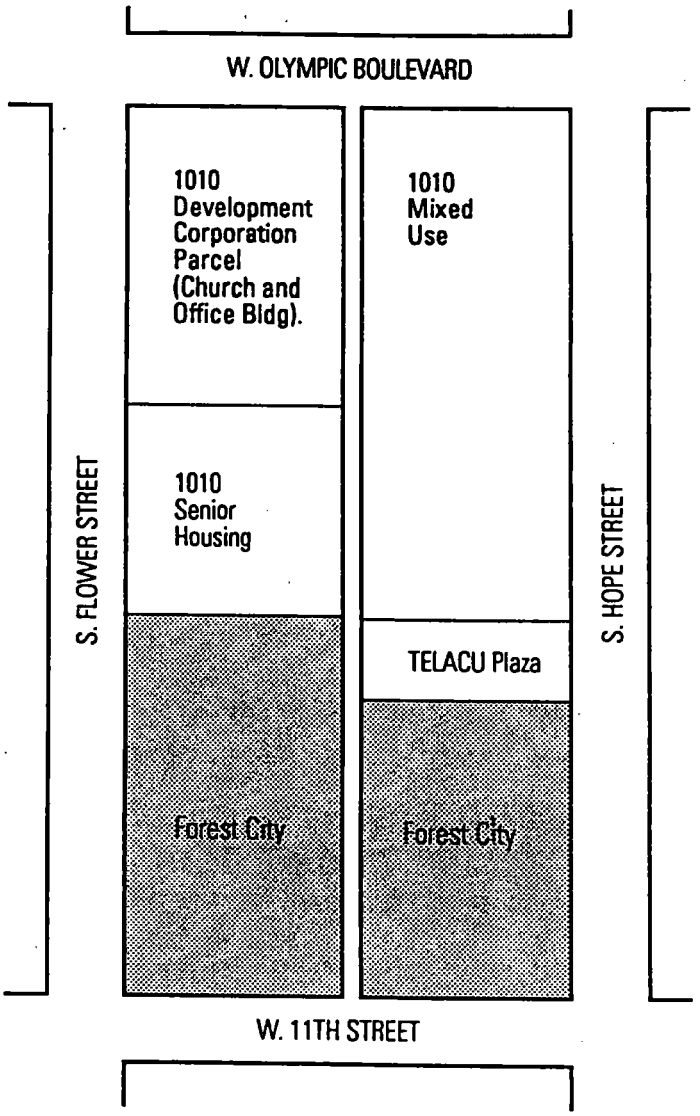
- The proposed project will be subject to Ordinance Number 166,060, effective August 23, 1990 which limits the issuance of building permits in the Hyperion Service Area and links permits to the capacity of the Hyperion Treatment Facility to process additional sewage. If conditions dictate, the Bureau of Engineering may postpone new sewer connections for this project until system capacity is adequate, thus mitigating the project's sewage impact to a level of insignificance.

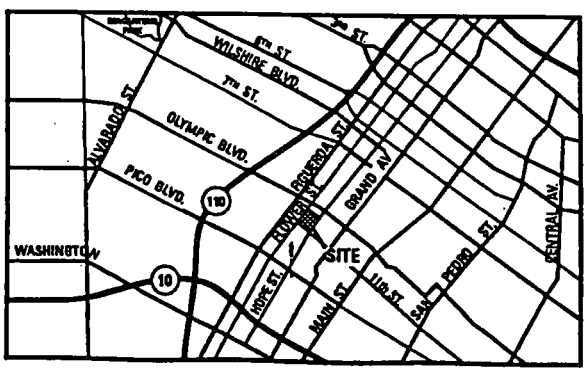
| | |
|---|---|
| **Responsibility for Implementation:** | Project Applicant |
| **Monitoring Phase:** | Pre-Construction |
| **Enforcement Agency:** | City of Los Angeles Bureau of Engineering |
| **Monitoring Agency:** | City of Los Angeles Department of Public Works |

- The proposed project will comply with the Xeriscape Ordinance, which imposes numerous water conservation measures in landscape installation and maintenance. The proposed project will also comply with the City's Water Conservation Ordinance, with regard to plumbing fixtures. These measures will reduce any potential water impacts to less than significant levels.

| | |
|---|---|
| **Responsibility for Implementation:** | Project Applicant |
| **Monitoring Phase:** | Pre-Construction and Post-Occupancy |
| **Enforcement Agency:** | City of Los Angeles Department of Water and Power/Department of Building and Safety |
| **Monitoring Agency:** | City of Los Angeles Department of Water and Power/Department of Building and Safety |

Forest City


W. OLYMPIC BOULEVARD
1010 Development Corporation Parcel (Church and Office Bldg).
1010 Mixed Use
1010 Senior Housing
S. FLOWER STREET
S. HOPE STREET
TELACU Plaza
Forest City
Forest City
W. 11TH STREET


WILSHIRE BLVD.
OLYMPIC BLVD.
PICO BLVD.
ALVARADO ST.
WASHINGTON
10
110
GRAND AV.
FIGUEROA ST.
HOPE ST.
MAIN ST.
SAN PEDRO ST.
CENTRAL AV.
SITE
N

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**

**and**

**THE LOS ANGELES CITY COUNCIL**

**RESOLUTION NO._____**

**A JOINT RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, AND THE LOS ANGELES CITY COUNCIL MAKING FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 33433 AUTHORIZING DISPOSITION OF AGENCY OWNED PROPERTY LOCATED AT THE SOUTHWEST CORNER OF OLYMPIC BOULEVARD AND HOPES STREET IN THE CENTRAL BUSINESS REDEVELOPMENT PROJECT**

**WHEREAS**, the City Council of the City of Los Angeles (the "City Council") has adopted and approved a redevelopment plan (the "Redevelopment Plan") for a redevelopment project area known and designated as the Central Business District Redevelopment Project Area (the Project Area"), and all requirements of law for, and precedent to the adoption and approval of said Redevelopment Plan have been duly complied with; and

**WHEREAS**, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") is vested with responsibility pursuant to the Community Redevelopment Law (Part 1 of Division 24 of Health and Safety Code of the State of California) (the "Law") to implement the Redevelopment Plan in and for the benefit of the Project Area; and

**WHEREAS**, the Agency adopted on November 3, 1994 and amended on January 30, 1997 a five year Implementation Plan for the Project Area, (the Implementation Plan"), pursuant to Section 33490 of the Law; and

**WHEREAS**, the Agency proposes to lease a property owned by the Agency located at the southwest corner of Olympic Boulevard and Hope Street in the Redevelopment Area (the "Property"), to OL Hope, L.P.,

a California limited partnership (the "Developer") for the Development of sixty-seven (67) units of family housing along with a day care center and social service facility (the "Development"); and

WHEREAS, the Agency advertised and held a public hearing to consider the proposed Disposition and prepared a Summary of the Purchase and Sale Agreement of Agency owned land and filed it with the Agency Records Department on April 2, 1999; and

WHEREAS, to implement the Redevelopment Plan in a manner consistent with the Implementation Plan, and to further the parties' mutual objectives for the construction of the Development and the Public Improvements, the Agency desires to enter into a Disposition and Development Agreement (the "Agreement"), with the Developer, a copy of which is on file with the Agency Secretary; and

WHEREAS, the Property was purchased with Central Business District Housing Trust and Tax Increment funds.

NOW, THEREFORE, BE IT RESOLVED by The Community Redevelopment Agency of the City of Los Angeles, California and the Los Angeles City Council as follows, pursuant to California Health and Safety Code Section 33433:

1. The sale of the Property will assist in the elimination of blight.

2. The sale is consistent with the Central City Community Plan and residential zoning designation of the City of Los Angeles.

3. The consideration is not less than the fair reuse value at the use and with the covenants and conditions authorized by the lease.

Adopted:_____

**SUMMARY OF THE PROPOSED SALE OF AGENCY OWNED LAND PURSUANT TO THE CALIFORNIA REDEVELOPMENT LAW AND HEALTH AND SAFETY CODE SECTION 33433**

**PROPOSED AMENDED AND RESTATED DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE OLYMPIC HOPE MIXED USE APARTMENT COMPLEX IN THE SOUTH PARK AREA OF THE CENTRAL BUSINESS DISTRICT REDEVELOPMENT PROJECT**

The Agency acquired the site and improvements with Central Business District tax increment funds. Accordingly the City Council must approve the proposed sale, after considering information about the cost of the agreement to the Agency, and after a noticed public hearing.

A. **ESTIMATED COST OF THE AGREEMENT TO THE AGENCY**

| | |
|---|---|
| ACQUISITION COST OF LAND | $ 5,947,000 |
| RELOCATION | $ 0 |
| DEMOLITION | $ 10,000 |
| PUBLIC IMPROVEMENTS | $ 0 |
| SUBTOTAL | $5,945,000 |
| LESS GROUNDLEASE (LAND VALUE) | $ 0 |
| PLUS INTEREST ON BOND FINANCING | $ 0 |
| TOTAL COST TO AGENCY | $5,945,000 |

B. **ESTIMATED VALUE OF THE FEE INTEREST DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE PLAN**

The highest use permitted under the Redevelopment Plan would be a high rise market rate apartment complex.

**PROJECT DESCRIPTION**

Olympic Hope is a proposed 5- story 67 unit mixed-use residential complex located at the southwest corner of Olympic Boulevard and 11th Street in the South Park Area. All 67 units will be restricted to very low (50% of median) income households, low income (60% of median) and moderate (120% of median) income households. Thirty-four (34) of the units will be restricted to moderate income and thirty- three (33) units will be restricted to low and very low income households.

Units will be equipped with appliances, carpeting, at least one bathroom. Also proposed is 1,500 square foot 75 child day care facility and a 1,200 square foot social services facility structure. There will be two and five story residential buildings

with a common entry area located on Hope Street. A total of 69 parking spaces is planned with 4 handicapped stalls.

**IDENTITY OF DEVELOPER**

The proposed developer is 1010 Community Development Corporation who will be doing business as OL Hope, LP, a California limited partnership located at 1010 Flower Street, Suite 200, Los Angeles, CA. 90013. 1010 Development Corporation recently completed the six story Villa Flores senior citizens apartment complex. The chief executive Officer for 1010 Development Corporation is DarEll Weist.

**SITE AND FINANCING PLAN**

The subject property is located at the southwest corner of Olympic Boulevard and Hope Street in the South Park Area of the Central Business District Redevelopment Project.

Financing for the development is expected to be provided by a combination of public and private funds. The City of Los Angeles will be issuing (selling) tax exempt mortgage revenue bonds, the City Housing Department will be providing a second mortgage, the Agency a third mortgage and the Community Development Department will be providing a grant.

The projected total development costs are as follows:

**USES**

| | | |
|---|---|---|
| Land Acquisition | $ 0 | |
| Construction Hard Costs | $ 7,000,000 | |
| Soft/Other Development Costs | $ 1,870,000 | |
| Day Care Facility | $ 600,000 | |
| Social Services Facility | $ 296,700 | |
| Off-site Improvements | $ 400,000 | |
| Contingency | $ 535,000 | |
| Total Development Costs | $ 11,602,400 | ($149,254/unit) |

**SOURCES**

| | |
|---|---|
| Bond First Mortgage | $ 5,470,270 |
| LAHD Second Mortgage | $ 3,322,700 |
| CRA Third Mortgage | $ 1,000,000 |
| CDD Child Care Loan | $ 395,000 |
| CDD Child Care Grant | $ 195,000 |
| CRA Off-Site Grant | $ 400,000 |
| Developer Equity | $ 819,430 |
| Total Sources | $11,602,400 |

**(A) COST OF THE AGREEMENT TO THE AGENCY**

**PROPOSED TERMS AND CONDITIONS OF THE DISPOSITION AND DEVELOPMENT AGREEMENT**

The Agency proposes to enter into a groundlease for the above described site. The market value of the Site is $3,600,000 for determined, however the reuse fair market based upon an income approach has value of $0. The Agency's financial assistance not to exceed $1,000,000 may be used to pay for the financial shortfall arising from the cost to construct the Improvements and the maximum supportable mortgage with the income conditions, costs associated with complying with Agency identified environmental mitigation measures and other reasonably necessary costs.

The cost of the Agreement shall not exceed $1,400,000, which includes not more than $1,000,000 in Agency loan and approximately $400,000 for the cost of the off-site improvements.

(B) THE ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED OR LEASED, DETERMINED AT THE HIGHEST USES PERMITTED UNDER THE PLAN

The zoning designation of the site is Q R5, Density Multiple Dwelling Zone. This zoning allows for density of up to 100 dwelling units per acre and a maximum building height of 20 stories.

**(C) THE GROUNDLEASE**

The Agency proposes to enter into a long -term lease of the Site for one third of the annual residual receipts. The expected ground rental should generate an annual payment in excess of the reuse value of the Site.

**THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA**

**and**

**THE LOS ANGELES CITY COUNCIL**

**RESOLUTION NO._____**

**A JOINT RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, AND THE LOS ANGELES CITY COUNCIL MAKING FINDINGS PURSUANT TO HEALTH AND SAFETY CODE SECTION 33445 FOR THE CONSTRUCTION OF CERTAIN IMPROVEMENTS TO ASSIST A 67 UNITS MIXED-USE FAMILY HOUSING DEVELOPMENT IN THE CENTRAL BUSINESS REDEVELOPMENT PROJECT**

**WHEREAS**, the City Council of the City of Los Angeles (the "City Council") has adopted and approved a redevelopment plan (the "Redevelopment Plan") for a redevelopment project area known and designated as the Central Business District Redevelopment Project Area (the Project Area"), and all requirements of law for, and precedent to the adoption and approval of said Redevelopment Plan have been duly complied with; and

**WHEREAS**, the Community Redevelopment Agency of the City of Los Angeles (the "Agency") is vested with responsibility pursuant to the Community Redevelopment Law (Part 1 of Division 24 of Health and Safety Code of the State of California) (the "Law") to implement the Redevelopment Plan in and for the benefit of the Project Area; and

**WHEREAS**, the Agency adopted on November 3, 1994 and amended on January 30, 1997 a five year Implementation Plan for the Project Area, (the Implementation Plan"), pursuant to Section 33490 of the Law; and

**WHEREAS**, the Agency proposes to lease a property owned by the Agency located at the southwest corner of Olympic Boulevard and Hope Street in the Redevelopment Area (the "Property"), to OL Hope, L.P., a California limited partnership (the "Developer") for the Development of sixty-seven (67) units of family

housing along with a day care center and social service facility (the "Development"); and

**WHEREAS**, the Agency wishes to assist the Developer in the construction of the Development by constructing certain off-site public improvements to benefit the Development and nearby parcels in the Project Area (the "Public Improvements"); and

**WHEREAS**, pursuant to Section 33445 of the Law as set forth more fully in the attached staff report (the "Staff Report"), the Agency is authorized, with the consent of City Council, to pay part or all of the value of land and cost of construction of buildings, facilities and improvements which are publicly owned and are of benefit to the Project Area; and

**WHEREAS**, to implement the Redevelopment Plan in a manner consistent with the Implementation Plan, and to further the parties' mutual objectives for the construction of the Development and the Public Improvements, the Agency desires to enter into a Disposition and Development Agreement (the "Agreement"), with the Developer, a copy of which is on file with the Agency Secretary; and

**WHEREAS**, the Agreement provides among other things, for the Agency to provide an amount not to exceed Four Hundred Thousand Dollars ($400,000) for the construction of the Public Improvements on behalf of the Agency in accordance with the scope of work set forth in the Agreement; and

**WHEREAS**, by the Staff Report accompanying this Resolution and incorporated herein by this reference, the City Council and the Agency have been provided with additional information upon which the findings and actions set forth in this Resolution are based.

**NOW, THEREFORE, BE IT RESOLVED as follows:**

Section 1 the Agency and City Council hereby find all of the above recitals are true and correct, and the Agency and City Council have based the findings and actions set forth in this Resolution, in part, on such Recitals.

Section 2 Pursuant to Section 33445 of the Law, the Agency and the City Council hereby find and determine that the construction of the Public Improvements as

contemplated in the Agreement (a) is of benefit to the Project Area and the immediate neighborhood in which the Public Improvements are located, and (b) will assist in the elimination of one or more blighting conditions inside the Project Area. These findings are based on facts and analysis in the Staff Report.

Section 3 Pursuant to Section 33445 of the Law, the Agency and the City Council hereby find and determine that there are no other reasonable means available to the community of financing the Public Improvements as contemplated in the Agreement. The finding is based on facts and analysis in the Staff Report.

Section 4 Pursuant to Section 33445 of the Law, the Agency and the City Council hereby find and determine that the Agency funding of Public Improvements in accordance with the Agreement is consistent with the Agency's Implementation Plan adopted and amended pursuant to Section 33490 of the Law. This finding is based on facts and analysis in the Staff Report.

Section 5 The Agency and city Council hereby approve the appropriation of the Improvement Funds in the amount not to exceed Four Hundred Thousand Dollars ($400,000).

Section 6 This Resolution shall take immediate effect from and after its passage and approval.

WE HEREBY CERTIFY that the foregoing Resolution was introduced at a regular meeting of the Community Redevelopment Agency of the City of Los Angeles on April 15, 1999 and the City Council of the City of Los Angeles on April , 1999 who moved its adoption and passage by the following vote:

**Adopted:**_____