

**CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
(Special Revenue Fund, Capital Projects Fund
and Debt Service Fund of the
City of Los Angeles)**

Independent Auditor's Reports and
Financial Statements

For the Year Ended June 30, 2020



Certified
Public
Accountants

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
For the Year Ended June 30, 2020

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Proposition HHH Special Revenue Fund, Capital Projects Fund and Debt Service Fund (collectively the "Funds") of the City of Los Angeles, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proposition HHH Special Revenue Fund, Capital Projects Fund and Debt Service Fund as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the accompanying financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 8, while the COVID-19 pandemic has had a negative impact on the City's revenues, there is no anticipated impact on the City's ability to meet the Funds' debt service requirements. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2021 on our consideration of the City's internal control over financial reporting as it relates to the Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance related to the Funds. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance related to the Funds.

Macias Gini & O'Connell LLP

Los Angeles, California
June 11, 2021

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Balance Sheet
June 30, 2020

	GOVERNMENTAL FUNDS			TOTAL
	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	
ASSETS				
Cash and Pooled Investments	\$ 195,427,411	\$ 24,613,610	\$ 29,342,040	\$ 249,383,061
Loans Receivable (Net of Allowance for Uncollectibles of \$49,969,716)	94,853,420	-	-	94,853,420
Accrued Interest on Loans Receivable (Net of Allowance for Uncollectibles of \$1,229,751)	2,006,435	-	-	2,006,435
Taxes Receivable (Net of Allowance for Uncollectibles of \$76,278)	-	-	3,697,866	3,697,866
Investment Income Receivable	493,969	93,398	70,220	657,587
Due from City Funds	-	156,182	-	156,182
TOTAL ASSETS	<u>\$ 292,781,235</u>	<u>\$ 24,863,190</u>	<u>\$ 33,110,126</u>	<u>\$ 350,754,551</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 64,119	\$ -	\$ 64,119
Obligations Under Securities Lending Transactions	1,169,455	221,363	185,463	1,576,281
Due to City Funds	170,825	676,107	-	846,932
Other Liabilities	420,699	79,633	66,718	567,050
TOTAL LIABILITIES	<u>1,760,979</u>	<u>1,041,222</u>	<u>252,181</u>	<u>3,054,382</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	-	-	2,961,623	2,961,623
Investment Interest	2,068,364	11,718	10,524	2,090,606
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,068,364</u>	<u>11,718</u>	<u>2,972,147</u>	<u>5,052,229</u>
FUND BALANCES				
Restricted	288,951,892	23,810,250	29,885,798	342,647,940
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 292,781,235</u>	<u>\$ 24,863,190</u>	<u>\$ 33,110,126</u>	<u>\$ 350,754,551</u>

See accompanying notes to the financial statements.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	GOVERNMENTAL FUNDS			TOTAL
	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	
REVENUES				
Property Taxes	\$ -	\$ -	\$ 27,613,101	\$ 27,613,101
Investment Earnings	4,548,911	877,229	403,048	5,829,188
Change in Fair Value of Investments	3,405,414	699,171	619,125	4,723,710
Other	-	-	30,443	30,443
TOTAL REVENUES	<u>7,954,325</u>	<u>1,576,400</u>	<u>28,665,717</u>	<u>38,196,442</u>
EXPENDITURES				
Community Development	31,986,574	-	-	31,986,574
Capital Outlay	-	12,324,656	-	12,324,656
Debt Service:				
Principal	-	-	18,135,000	18,135,000
Interest	-	-	12,283,727	12,283,727
TOTAL EXPENDITURES	<u>31,986,574</u>	<u>12,324,656</u>	<u>30,418,727</u>	<u>74,729,957</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(24,032,249)	(10,748,256)	(1,753,010)	(36,533,515)
OTHER FINANCING SOURCES (USES)				
Transfers In	7,215,168	-	-	7,215,168
Transfers Out	-	(7,215,168)	-	(7,215,168)
TOTAL OTHER FINANCING SOURCES	<u>7,215,168</u>	<u>(7,215,168)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(16,817,081)	(17,963,424)	(1,753,010)	(36,533,515)
FUND BALANCES, JULY 1, 2019	<u>305,768,973</u>	<u>41,773,674</u>	<u>31,638,808</u>	<u>379,181,455</u>
FUND BALANCES, JUNE 30, 2020	<u>\$ 288,951,892</u>	<u>\$ 23,810,250</u>	<u>\$ 29,885,798</u>	<u>\$ 342,647,940</u>

See accompanying notes to the financial statements.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 1 – BACKGROUND

In November 2016, registered voters of the City of Los Angeles, California (City) approved Proposition HHH, Homelessness Reduction and Prevention, Housing and Facilities Bond (Bond) authorizing the issuance and sale of taxable general obligation bonds not to exceed \$1,200,000,000 to be used to finance the acquisition or improvement of real property to provide: (a) supportive housing for extremely low income or very low income individuals and families who are homeless or chronically homeless, which includes facilities from which assistance and services, such as mental health treatment, health care, drug and alcohol treatment, education and job training, may be provided; (b) temporary shelter facilities, storage facilities, shower facilities and other facilities to be used to provide supportive services or goods to, or otherwise benefit, those who are homeless, chronically homeless or at risk of homelessness; (c) affordable housing, including veterans housing, for extremely low income, very low income and/or low income individuals and families, including those who are at risk of homelessness; and (d) associated infrastructure and landscaping, including utilities, sidewalks and streets to be used in connection with the aforementioned housing units and other facilities; any of which may be operated, managed, owned or used by the City, other public entities, nonprofit entities or private entities, as permitted by law.

The table below sets forth the amount of Bonds authorized and issued pursuant to Proposition HHH (Prop HHH) as of June 30, 2020:

	<u>Amount</u>	<u>Date</u>
Voter authorization	\$ 1,200,000,000	November 8, 2016
Bonds issued:		
Series 2017-A Bond	86,370,000	July 13, 2017
Series 2018-A Bond	<u>276,240,000</u>	July 12, 2018
Authorized but unissued	<u><u>\$ 837,390,000</u></u>	

The following projects were included in the Series 2017-A Bond: 88th & Vermont, PATH Metro Villas Phase 2, Six Four Nine Lofts, McCadden Plaza Youth Housing, Casa Del Sol, Flor 401 Lofts, Rise Apartments, SP 7 Apartments the Pointe on Vermont, South Campus, CD 8 Navigation Center, 88th & Vermont Youth and Community Center, Joshua House Health Center, Sherman Way Navigation Center, Women’s Bridge Housing and Navigation Center at San Pedro Harbor. The City may substitute other authorized projects eligible for funding.

The following projects were included in the Series 2018-A Bond: Depot at Hyde Park, Adams Terrace, McCadden Campus Senior Housing, PATH Villas Hollywood, Gramercy Place Apartments, Casa de Rosa Campus, Cambria Apartments, Missouri & Bundy Housing, Isla de Los Angeles, Firmin Court, Hartford Villa Apartments, PATH Villas Montclair, 433 Vermont Apartments, Residences on Main, Summit View Apartments, West Third Apartments Preservation, Western Avenue Apartments, Building 205, Building 208, Broadway Apartments, Marcella Gardens, Metamorphosis on Foothill, Emerson Apartments, Rosa De Castilla Apartments, St. Barnabas Senior Center of Los Angeles, La Posada, Senior Center Minor Rehabilitation Project, Crisis Shelter ADA Accessibility Compliance Project, Seismic Retrofit & ADA Accessibility Project, Beverly Health Center Renovation Project, Wraparound Recuperative Care Center, Primary Care Wellness Project, Ruth’s Place, Fannie Lou Hammer Emergency Shelter, The Good Seed, Veteran Opportunity Center, PATH’s Interim Facility, Viki’s House, Kosumosu Transitional Facility, The Midnight Mission Center, Village Renovation and WLCAC Homeless and Housing Access Center. The City may substitute other authorized projects eligible for funding.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial position and the changes in financial position of the Proposition HHH Funds (Funds) and do not purport to, and do not, present fairly the City's financial position as of June 30, 2020 and the changes in its financial position of the City for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Funds are comprised of the following governmental funds:

- The Special Revenue fund is used to account for financial resources for loans to developers for financing of permanent supportive housing, affordable housing and supportive facilities for the homeless.
- The Capital Projects fund is used to account for financial resources for capital outlays for the City's homeless navigation centers and interim housing facilities.
- The Debt Service fund is used to account for the payment of the maturing principal and interest from property tax collections.

The Funds' activities are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if collected within 60 days of the end of the current fiscal period. Revenue from property taxes are recognized in the fiscal year for which the taxes are levied. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures are recorded only when payment is due.

Cash and Pooled Investments

Cash and pooled investments represent the Funds' allocated portion of the City's pooled cash and investments. Cash and pooled investments are stated at fair value based on quoted market prices or values of comparable investments, except for money market investments that have remaining maturities of one year or less at the time of purchase, which are reported at amortized cost. Interest earned on such pooled investments is allocated to the City funds based on each fund's average daily cash balance during the allocation period.

As permitted by the California Government Code (Code), the City engages in securities lending activities. The Funds' share of assets and liabilities arising from the reinvested cash collateral has been recognized in the financial statements.

Loans Receivable

Loans Receivable includes two types of loan programs; the housing loan program, which is used for the acquisition, construction and permanent housing loans and the facilities loan program. The housing loans are recorded when a warrant is issued for an approved expenditure of the project. Interest at rates ranging from one (1%) to three percent (3%) per annum accrues on the principal amount outstanding from the date of the warrant, until the loan is repaid. Facility loans are recorded when a warrant is issued for an approved expenditure of the project. No interest is recorded for facility loans. Facility loans are in the form of service payback loans, whereby borrowers repay the loan by providing specified services in accordance with the loan agreement.

**CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS**

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans receivable are reported net of the allowance for uncollectible loans. In estimating the allowance, similar type loans in the City’s portfolio were considered such as: the composition of the loan portfolio, past write-off experience, past market valuation and the average year-end allowance balance as a percentage of the total portfolio. No allowance is recorded for facility loans as management expects that services will be rendered as stated in the loan agreement.

Taxes Receivable

Taxes Receivable records the property taxes that are levied but not received as of June 30, 2020 and is reported net of allowance for uncollectible accounts. The allowance represents the delinquent unsecured property taxes that may not be collected in subsequent periods due to business closures.

Deferred Inflows of Resources

A deferred inflow of resources is defined as an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measurable and available. Deferred inflows of resources reported on the balance sheet represent revenues that were not received within the City’s 60-day availability period.

Other Liabilities

Other liabilities represent the Funds’ share of the Pool’s pending investments trade at year-end.

Fund Balances

The balance sheets of governmental funds classify fund balances based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent. The Funds only have restricted fund balances at June 30, 2020. Restricted fund balance represents amounts when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – CASH AND POOLED INVESTMENTS

The Funds maintain their cash in the City’s cash and pooled investments (the Pool). The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2020, the Funds’ share of the Pool was \$249,383,061, which represents approximately 4.07% of the Pool. There are no specific investments belonging to the Funds. The Pool is not rated as of June 30, 2020. The City issues a publicly available financial report that includes complete disclosures related to the entire cash and investment pool. The report may be obtained by writing to the City of Los Angeles, Office of the Controller, 200 North Main Street, City Hall East Suite 300, Los Angeles, CA 90012, or at www.lacontroller.org.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 3 – CASH AND POOLED INVESTMENTS (CONTINUED)

City of Los Angeles Securities Lending Program

The Securities Lending Program (SLP) is permitted and limited under provisions of California Government Code Section 53601. The City Council approved the SLP on October 22, 1991 under Council File No. 91-1860, which complies with the California Government Code. The objectives of the SLP in priority order are

the safety of loaned securities and prudent investment of cash collateral to enhance revenue from the investment program. The SLP is governed by a separate policy and guidelines, with oversight responsibility by the Investment Advisory Committee of the City Council.

The City's custodial bank acts as the securities lending agent. In the event a counterparty defaults by reason of an act of insolvency, the bank shall take all actions which it deems necessary or appropriate to liquidate permitted investments and collateral in connection with such transaction and shall make a reasonable effort for two business days (Replacement Period) to apply the proceeds thereof to the purchase of securities identical to the loaned securities not returned. If during the Replacement Period the collateral liquidation proceeds are insufficient to replace any of the loaned securities not returned, the bank shall, subject to payment by the City of the amount of any losses on any permitted investments, pay such additional amounts as necessary to make such replacement.

Under the provisions of the SLP, and in accordance with the California Government Code, no more than 20% of the market value of the Pool is available for lending. The City receives cash, U.S. government securities, and federal agency issued securities as collateral on loaned securities. The cash collateral is reinvested in securities permitted under the investment policy. In accordance with the Code, the securities lending agent marks to market the value of both the collateral and the reinvestments daily. Except for open loans where either party can terminate a lending contract on demand, term loans have a maximum life of 92 days.

Earnings from securities lending accrue to the Pool and are allocated on a pro-rata basis to all Pool participants. The Funds participate in the City's securities lending program through the pooled investment fund. The Funds recognize their proportionate share of the cash collateral received for securities loaned and the related obligation for the general investment pool. At June 30, 2020, the Funds' portion of the cash collateral and the related securities lending obligation was \$1,576,281. The Funds' portion of the securities purchased from the reinvested cash collateral at June 30, 2020 was \$1,576,281. Such securities are reported at fair value. The Funds' portion of the noncash collateral at June 30, 2020 was \$18,083,110.

During the fiscal year, collateralization on all loaned securities were within the required 102% of market value. The City can sell collateral securities only in the event of borrower default. The lending agent provides indemnification for borrower default. There were no violations of legal or contractual provisions and no borrower or lending agent default losses during the year. There was no credit risk exposure to the City at June 30, 2020 because the amounts owed to the borrowers exceeded the amounts borrowed.

Loaned securities are held by the City's agents in the City's name and are not subject to custodial credit risk.

NOTE 4 – LOANS AND INTEREST RECEIVABLE

Loans receivable consists of two types of loan programs as follows:

**CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

The Housing Loan Program provides funding commitments to project sponsors who meet specific criteria. This program is designed to leverage existing and future City, County, State and Federal funding streams to construct permanent supportive housing and affordable housing units. The principal and accrued interest is due and payable on the earliest of (a) fifty-five (55) or fifty-seven (57) year covenant from the date of the execution of the loan, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by Borrower. Interest at the rate of one percent (1%) to three percent (3%) per annum accrues on the principal amount outstanding from the date of the warrant, until paid.

The Facilities Loan Program provides funding for the development, acquisition or improvement of facilities used to provide supportive services or goods to or otherwise benefit those who are homeless, chronically homeless or at risk of homelessness. These loans are in the form of a service payback agreement with a term corresponding to the useful life of the facility. The provider is required to provide supportive services, goods, or other benefits to persons who are homeless for the periods ranging from 16 (sixteen) to 50 (fifty) years from the completion of the projects as specified in the agreement. Loans receivable consists of the following:

<u>Project</u>	<u>Amount</u>
Housing Loan Program:	
88th & Vermont	\$ 10,105,608
PATH Metro Villas Phase 2	3,362,155
Six Four Nine Lofts	5,180,579
McCadden Plaza Youth Housing	2,633,462
Casa del Sol	3,228,702
Flor 401 Lofts	10,854,321
RISE Apartments	8,758,040
SP7 Apartments	6,628,692
The Pointe on Vermont	3,204,372
McCadden Campus Senior Housing	5,046,203
Gramercy Place Apartments	3,988,646
Casa de Rosas Campus	1,755,091
Cambria Apartments (Aria Apartments)	9,670,251
Missouri & Bundy Housing (Missouri Place Apartments)	1,871,180
Hartford Villa Apartments	11,818,899
PATH Villas Montclair	230,875
433 Vermont Apartments	1,209,784
Residences on Main	3,979,881
Summit View Apartments	971,671
West Third Apts Preservation	10,763,174
Western Ave Apts	4,873,373
Broadway Apartments	4,591,393
Metamorphosis on Foothill	5,020,302
Melrose Apartments (Emerson Apartments)	5,162,788
Rosa de Castilla Apartments	8,143,841
Florence Towne	1,600,450
Subtotal	<u>\$ 134,653,731</u>
Facilities Loan Program:	
South Campus	\$ 1,302,500
88th & Vermont Youth and Community Center	3,245,154
Joshua House Health Center	3,312,725
Fannie Lou Hammer Emergency Shelter (Jennessee Center)	463,770
Viki's House (House of Ruth)	764,000
New Economics for Women	2,420,972
Haven Hills Crisis Shelter	7,695
Haven Hills Seismic Retrofit	89,411
Volunteers America Los Angeles	5,081
St. John's Well Child and Family Center	136,487
Coalition for Responsible Community Development	125,987
Little Tokyo Service Center Community Development Corp	27,921
Midnight Mission	136,738
The People Concern	1,367,150
Subtotal	<u>13,405,591</u>
Total Loans Receivable Before Allowance	<u>148,059,322</u>
Less Allowance	<u>(51,199,467)</u>
Total Loans Receivable	<u>\$ 96,859,855</u>

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

Housing Loan Program

In March 2018, the City entered into a loan agreement with 88th & Vermont, LP for an amount not to exceed \$9,680,000 and secured initially by a Fee and Leasehold Deed of Trust recorded against certain fee and leasehold parcels of the property, and further secured by the Deed of Trust recorded against the remaining fee parcels of the property. The Loan is for the construction of a 62-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-five (55) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$10,105,608 includes interest of \$425,608 at June 30, 2020.

In December 2017, the City entered into a loan agreement with Metro Villas Phase 2 Los Angeles, LP for the PATH Metro Villas Phase 2 project for an amount not to exceed \$3,513,721 and secured by a City Deed of Trust recorded against the property to construct a 122-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 360-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-five (55) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$3,362,155 includes interest of \$199,806 at June 30, 2020.

In December 2017, the City entered into a loan agreement with Six Four Nine Lofts, LP for an amount not to exceed \$5,500,000 and secured by a City Deed of Trust recorded against the property to construct a 55-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 360-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$5,180,579 includes interest of \$190,435 at June 30, 2020.

In September 2018, the City entered into a loan agreement with McCadden Plaza TAY Housing, LP for an amount not to exceed \$5,018,298 and secured by a City Deed of Trust recorded against the property to construct a 26-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$2,633,462 includes interest of \$47,292 at June 30, 2020.

In September 2018, the City entered into a loan agreement with Sun Valley Housing, LP (Casa Del Sol project) for an amount not to exceed \$8,065,143 and secured by a Deed of Trust recorded against the property to construct a 44-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-five (55) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$3,228,702 includes interest of \$96,900 at June 30, 2020.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

In December 2018, the City entered into a loan agreement with FLOR 401 Lofts, LP for an amount not to exceed \$11,980,000 and secured by a City Deed of Trust recorded against the property to construct a 99-unit apartment building. The loan bears interest at the rate of one percent (1%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$10,854,321 includes interest of \$75,882 at June 30, 2020.

In October 2018, the City entered into a loan agreement with RISE Housing, LP (RISE Apartments) for an amount not to exceed \$9,500,000 and secured by a Deed of Trust recorded against the property to construct a 57-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$8,758,040 includes interest of \$176,978 at June 30, 2020.

In September 2018, the City entered into a loan agreement with SP7 Apartments, LP for an amount not to exceed \$12,000,000 and secured by a Deed of Trust recorded against the property to construct an 80-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$6,628,692 includes interest of \$42,355 at June 30, 2020.

In June 2019, the City entered into a loan agreement with Pointe on Vermont, LP for an amount not to exceed \$10,400,000 and secured by a Deed of Trust recorded against the property to construct a 50-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$3,204,372 includes interest of \$40,395 at June 30, 2020.

In December 2018, the City entered into a loan agreement with McCadden Plaza, LP (McCadden Campus Senior Housing Project) for an amount not to exceed \$5,500,000 and secured by a Deed of Trust recorded against the property to construct a 97-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$5,046,203 includes interest of \$96,203 at June 30, 2020.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

In April 2019, the City entered into a loan agreement with Hollywood Community Housing Corporation (Gramercy Place Apartments) for an amount not to exceed \$13,920,000 and secured by a Deed of Trust recorded against the property to construct a 64-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$3,988,646 includes interest of \$20,037 at June 30, 2020.

In March 2019, the City entered into a loan agreement with Casa de Rosa Campus, LP for an amount not to exceed \$7,920,000 and secured by a Deed of Trust recorded against the property to construct a 37-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$1,755,091 includes interest of \$31,938 at June 30, 2020.

In December 2018, the City entered into a loan agreement with Cambria PSH, LP (Aria Apartments) for an amount not to exceed \$12,000,000 and secured by a Deed of Trust recorded against the property to construct a 56-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$9,670,251 includes interest of \$240,251 at June 30, 2020.

In October 2019, the City entered into a loan agreement with Missouri and Bundy Housing, LP (Missouri Place Apartments) for an amount not to exceed \$11,520,000 and secured by a Deed of Trust recorded against the property to construct a 74-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$1,871,180 includes interest of \$12,954 at June 30, 2020.

In November 2018, the City entered into a loan agreement with Hartford Villa Apartments, LP for an amount not to exceed \$12,000,000 and secured by a Deed of Trust recorded against the property to construct a 100-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$11,818,899 includes interest of \$400,416 at June 30, 2020.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

In December 2019, the City entered into a loan agreement with Montclair LA, LP (PATH Villas Montclair project) for an amount not to exceed \$9,900,000 and secured by a Deed of Trust recorded against the property to construct a 46-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$230,875 includes interest of \$197 at June 30, 2020.

In March 2019, the City entered into a loan agreement with 433 Vermont, LP for an amount not to exceed \$8,700,000 and secured by a Deed of Trust recorded against the property to construct a 72-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$1,209,784 includes interest of \$11,924 at June 30, 2020.

In April 2019, the City entered into a loan agreement with Residence on Main, LP for an amount not to exceed \$10,780,000 and secured by a Deed of Trust recorded against the property to construct a 50-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$3,979,881 includes interest of \$76,966 at June 30, 2020.

In December 2019, the City entered into a loan agreement with 11681 Foothill, LP (Summit View Apartments) for an amount not to exceed \$10,560,000 and secured by a Deed of Trust recorded against the property to construct a 49-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$971,671 includes interest of \$546 at June 30, 2020.

In November 2018, the City entered into a loan agreement with West Third Apartments Preservation, LP for an amount not to exceed \$10,291,998 and secured by a Deed of Trust recorded against the property to construct a 136-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$10,763,174 includes interest of \$471,176 at June 30, 2020.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

In November 2018, the City entered into a loan agreement with Western Avenue Apartments Preservation, LLC for an amount not to exceed \$4,660,033 and secured by a Deed of Trust recorded against the property to construct a 32-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$4,873,373 includes interest of \$213,340 at June 30, 2020.

In March 2019, the City entered into a loan agreement with Broadway Apartments Preservation, LP for an amount not to exceed \$4,443,480 and secured by a Deed of Trust recorded against the property to construct a 35-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$4,591,393 includes interest of \$147,913 at June 30, 2020.

In February 2019, the City entered into a loan agreement with Metamorphosis on Foothill, LP for an amount not to exceed \$10,340,000 and secured by a Deed of Trust recorded against the property to construct a 47-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$5,020,302 includes interest of \$36,120 at June 30, 2020.

In November 2019, the City entered into a loan agreement with Melrose PSH, LP (Emerson Apartments) for an amount not to exceed \$8,360,000 and secured by a Deed of Trust recorded against the property to construct a 39-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$5,162,788 includes interest of \$41,015 at June 30, 2020.

In April 2019, the City entered into a loan agreement with Rosa de Castilla, LP for an amount not to exceed \$12,000,000 and secured by a Deed of Trust recorded against the property to construct an 85-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$8,143,841 includes interest of \$129,262 at June 30, 2020.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

In February 2020, the City entered into a loan agreement with Florence Towne, LP for an amount not to exceed \$7,000,000 and secured by a Deed of Trust recorded against the property to construct a 51-unit apartment building. The loan bears interest at the rate of three percent (3%) per annum on the principal amount outstanding from the date of the warrant for approved expenditures until paid. Interest is computed based upon a 365-day year, and a 30-day month. The principal and accrued interest is due and payable on the earliest of (a) fifty-seven (57) years from the date of occupancy, (b) the date the property is sold, assigned, transferred, or refinanced, or (c) an Event of Default by the Borrower. The loan receivable balance of \$1,600,450 includes interest of \$10,271 at June 30, 2020.

Facilities Loan Program

In March 2018, the City entered into a sixteen (16) year service payback loan agreement with L.A. Family Housing Corporation for an amount not to exceed \$1,302,500 and secured by a leasehold deed of trust, to perform construction rehabilitation to the Los Angeles Family Housing South Campus property. The 16-year service payback period will begin upon completion of the construction. The loan receivable balance at June 30, 2020 is \$1,302,500.

In March 2018, the City entered into a thirty-nine (39) year service payback loan agreement with Community Build, Inc. for an amount not to exceed \$3,245,154 and secured by a limited partner deed of trust assigned to the City, to perform construction on the 88th and Vermont Youth and Community Center. Community Build, Inc. passed the loan funds from the City to 88th and Vermont, LP for the construction. The 39-year service payback period will begin upon completion of the construction. The loan receivable balance at June 30, 2020 is \$3,245,154.

In December 2017, the City entered into a thirty-nine (39) year service payback loan agreement with Los Angeles Christian Health Centers for an amount not to exceed \$3,700,000 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to construct a 37,500 sq. ft. health clinic called the Joshua House Health Center. The 39-year service payback period will begin upon completion of the construction. The loan receivable balance at June 30, 2020 is \$3,312,725.

In January 2019, the City entered into a fifty (50) year service payback loan agreement with the Jenessee Center. for an amount not to exceed \$750,800 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform construction rehabilitation to the Fannie Lou Hammer Emergency Shelter. The loan receivable balance at June 30, 2020 is \$463,770.

In April 2019, the City entered into a twenty-seven year and 6 months (27.5) service payback loan agreement with the House of Ruth, for an amount not to exceed \$1,219,185 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform building improvements to Viki's House. The loan receivable balance at June 30, 2020 is \$764,000.

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

In December 2018, the City entered into a twenty (20) year service payback loan agreement with the New Economics for Women for an amount not to exceed \$2,974,841 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform construction rehabilitation to the New Economics for Women. The loan receivable balance at June 30, 2020 is \$2,420,972.

In March 2019, the City entered into a fifteen (15) year service payback loan agreement with Haven Hills for an amount not to exceed \$278,338 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform construction rehabilitation to the Haven Hills Crisis Shelter. The loan receivable balance at June 30, 2020 is \$7,695.

In March 2019, the City entered into a fifteen (15) year service payback loan agreement with Haven Hills for an amount not to exceed \$599,824 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform construction rehabilitation to the Haven Hills Seismic Retrofit. The loan receivable balance at June 30, 2020 is \$89,411.

In October 2019, the City entered into a ten (10) year service payback loan agreement with the Volunteers of America Los Angeles for an amount not to exceed \$1,742,200 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform construction rehabilitation to the Volunteers of America Los Angeles. The loan receivable balance at June 30, 2020 is \$5,081.

In January 2019, the City entered into a fifty (50) year service payback loan agreement with the St. John's Well Child and Family Center for an amount not to exceed \$3,500,000 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform construction rehabilitation to the St. John's Well Child and Family Center. The loan receivable balance at June 30, 2020 is \$136,487.

In April 2019, the City entered into a fifty (50) year service payback loan agreement with the Coalition for Responsible Community Development for an amount not to exceed \$3,500,000 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee's interest in lease, with the power to assign borrower's interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform construction rehabilitation to Ruth's Place. The loan receivable balance at June 30, 2020 is \$125,987.

**CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS**

Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 4 – LOANS AND INTEREST RECEIVABLE (CONTINUED)

In April 2019, the City entered into a twenty-seven year and 6 months (27.5) service payback loan agreement with the Little Tokyo Service Center, for an amount not to exceed \$943,191 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee’s interest in lease, with the power to assign borrower’s interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform building improvements to Little Tokyo Service Center. The loan receivable balance at June 30, 2020 is \$27,921.

In January 2019, the City entered into a fifteen (15) year service payback loan agreement with Midnight Mission, for an amount not to exceed \$3,100,000 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee’s interest in lease, with the power to assign borrower’s interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform building improvements to Midnight Mission. The loan receivable balance at June 30, 2020 is \$136,738.

In February 2019, the City entered into a fifteen (15) year service payback loan agreement with the People Concern, for an amount not to exceed \$1,367,150 and secured by, as applicable, (a) a deed of trust with the power to sell the property in favor of the City; or (b) a collateral assignment of lessee’s interest in lease, with the power to assign borrower’s interest in the lease of the real property to the City; or (c) any other instrument that the City deems appropriate in order to secure the obligation to repay the City. The loan funds are to perform building improvements to the People Concern interim housing facility. The loan receivable balance at June 30, 2020 is \$1,367,150.

NOTE 5 – PROPOSITION HHH BOND

On July 13, 2017, the City issued taxable General Obligation Bonds (GOB) Series 2017-A in the principal amount of \$86,370,000 payable through September 1, 2037, with a premium of \$582,034 and interest rates ranging from 1.47% to 3.5%. The GOB is secured by and payable with property taxes. Principal payments are due annually on September 1 of each year and Interest payments are due semiannually on March 1 and September 1 of each year until maturity. The outstanding balance at June 30, 2020 is \$77,730,000.

On July 12, 2018, the City issued taxable General Obligation Bonds (GOB) Series 2018-A Proposition HHH in the principal amount of \$276,240,000 payable through September 1, 2038 with a premium of \$1,112,660 and interest rates ranging from 2.90% to 4.0%. The GOB is secured by and payable with property taxes. Interest payments are due semiannually on March 1 and September 1 of each year until maturity. The outstanding balance at June 30, 2020 is \$262,425,000.

The bond activity for the year ended June 30, 2020, is as follows:

Balance at June 30, 2019	Additions	Reductions	Balance at June 30, 2020
\$ 358,290,000	\$ -	\$ 18,135,000	\$ 340,155,000

**CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS**

Notes to the Financial Statements (Continued)

For the Year Ended June 30, 2020

NOTE 6 – TRANSFERS IN/OUT

Transfers of \$7,215,168 were made from the capital projects fund to the special revenue to fund facilities loans.

NOTE 7 – ENCUMBRANCES AND COMMITMENTS

At June 30, 2020, the following outstanding project loan encumbrances, which represents the remaining available loan balance, are as follows:

<u>Project</u>	<u>Amount</u>
Housing Loan Program:	
PATH Metro Villas Phase 2	\$ 351,372
Six Four Nine Lofts	509,857
AMRC McCadden Campus - TAY Hsng	2,432,128
Casa del Sol	4,933,341
Flor 401 Lofts	1,201,561
RISE Apartments	918,938
SP7 Apartments	5,413,662
McCadden Campus Senior Housing	550,000
Cambria Apartments	2,570,000
Hartford Villa Apartments	581,517
Rosa de Castilla Apartments	3,985,427
Gramercy Place Apartments	5,951,391
Casa De Rosa Campus	6,196,847
Missouri & Bundy Housing	9,661,774
PATH Villas Montclair	9,669,322
433 Vermont Apartments	6,002,140
Residences on Main	6,877,085
Summit View Apartments	9,578,874
Metamorphosis on Foothill	5,355,818
Emerson Apartments	4,118,227
410 E Florence Apartments	5,328,116
The Pointe on Vermont	4,736,023
Subtotal housing loan encumbrances	\$ 96,923,420
Facilities Loan Program:	
Joshua House Health Center	\$ 387,275
Fannie Lou Hammer Emergency Shelter (Jenessee Center)	287,030
Viki's House (House of Ruth)	455,185
New Economics for Women	553,869
Haven Hills Crisis Shelter	270,643
Haven Hills Seismic Retrofit	510,413
Volunteers America Los Angeles	1,736,920
St. John's Well Child and Family Center	3,363,513
Coalition for Responsible Community Development	3,374,013
Little Tokyo Service Center Community Development Corp	915,270
Midnight Mission	2,963,262
Subtotal facilities loan encumbrances	14,817,393
Total loan encumbrances	\$ 111,740,813

CITY OF LOS ANGELES, CALIFORNIA
PROPOSITION HHH FUNDS
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2020

NOTE 7 – ENCUMBRANCES AND COMMITMENTS (CONTINUED)

In addition to the table above, the City-owned projects consisting of 1) the CD 8 Navigation Center, 2) Navigation Center at San Pedro Harbor Center, 3) Sherman Way Navigation Center and 4) the Women’s Bridge Housing, had outstanding encumbrances totaling \$11,695,077 at June 30, 2020.

Total project commitments as of June 30, 2020, for permanent supportive housing projects are approximately \$1,054,536,000 for 8,031 units. Total project commitments for facilities projects totaled \$57,704,124. The Proposition HHH funds are fully committed as of June 30, 2020.

NOTE 8 – IMPACT OF COVID-19 PANDEMIC

In March 2020 the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak has adversely affected workforces, customers, and economies, and increased volatility in financial markets globally. The pandemic has negatively impacted entities that conduct business with the City and revenue collected from constituents, and increased public health expenditures at all levels of government. While the spread of the virus in the United States has slowed significantly due to public health policies and widespread vaccinations, the full impact of the pandemic is not yet over. While the overall risk is unknown, the only known risk to the Proposition HHH program is the risk that Property Tax remittances could decrease, though unlikely, to a level which would not cover the program's debt service obligations.

NOTE 9 – SUBSEQUENT EVENTS

Debt Service Payments for the GOB Series 2017-A

On September 1, 2020, principal and interest were paid in the amount of \$4,320,000 and \$1,170,754, respectively. On March 1, 2021 interest was paid in the amount of \$1,116,754.

Debt Service Payments for the GOB Series 2018-A

On September 1, 2020, principal and interest were paid in the amount of \$13,815,000 and \$4,815,464, respectively. On March 1, 2021 interest was paid in the amount of \$4,539,164.

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**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and Members of the City Council
City of Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proposition HHH Special Revenue Fund, Capital Projects Fund and Debt Service Fund (collectively the “Funds”) of the City of Los Angeles, California (City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated June 11, 2021. Our report includes an emphasis of matters paragraph indicating that the financial statements presents only the Funds’ financial statements and the impact of the COVID-19 pandemic to the funds’ financial condition.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over the Funds’ financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Funds’ financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control related to the Funds. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control related to the Funds.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Funds’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance related to the Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance related to the Funds. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
June 11, 2021