

# LADF

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LOS ANGELES DEVELOPMENT FUND

**Meeting of the  
Governing Board of Directors *and*  
Advisory Board of Directors *of***

**The Los Angeles Development Fund**  
***and***  
**LADF Management, Inc.**

**July 9, 2015**

**MEETING of the  
GOVERNING BOARD OF DIRECTORS and ADVISORY BOARD OF DIRECTORS of  
THE LOS ANGELES DEVELOPMENT FUND and LADF MANAGEMENT, INC.**

**JULY 9, 2015**

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  - DRAFT Amendment to LADF's Articles of Incorporation

# **Tab 1**

**A G E N D A**

**MEETING of the GOVERNING BOARD OF DIRECTORS and ADVISORY BOARD OF DIRECTORS of  
THE LOS ANGELES DEVELOPMENT FUND and LADF MANAGEMENT, INC.**

**CITY HALL, ROOM 1060  
200 N. SPRING STREET, LOS ANGELES, CA  
Thursday, July 9, 2015 | 3:00pm – 4:30pm**

|   | <b>AGENDA ITEM</b>  | <b>PRESENTER</b>  | <b>TAB</b>     |
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| 5 | Action Items <ol style="list-style-type: none"> <li>1. Request for Authorization of the President and Secretary of LADF to execute an amendment to the Articles of Incorporation of LADF to update the Board position for the “General Manager of the Community Development Department of the City of Los Angeles” to the “General Manager of the Economic and Workforce Development Department of the City of Los Angeles” and to file such amendment with the California Secretary of State</li> <li>2. Request for Authorization of the President and Secretary of LADF to execute an amendment to the Articles of Incorporation of LADF to update the Board position for the “Executive Officer of the Los Angeles Housing Department of the City of Los Angeles” to the “General Manager of the Housing and Community Investment Department of the City of Los Angeles” and to file such amendment with the California Secretary of State</li> </ol> | Sandra Rahimi   | Tab 5<br>Tab 5 |
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| 9 | Adjournment   | Rushmore Cervantes  |                |

The LADF’s Board Meetings are open to the public. Accommodations such as sign language interpretation and translation services can be provided upon 72 hours notice. Contact LADF @ (213) 922-9694.

**PUBLIC COMMENT AT LADF BOARD MEETINGS** – An opportunity for the public to address the Board will be provided at the conclusion of the agenda. Members of the public who wish to speak on any item are requested to identify themselves and indicate on which agenda item they wish to speak. The Board will provide an opportunity for the public to speak for a maximum of three (3) minutes, unless granted additional time at the discretion of the Board. Testimony shall be limited in content to matters which are listed on this Agenda and within the subject matter jurisdiction of the LADF. The Board may not take any action on matters discussed during the public testimony period that are not listed on the agenda.

# **Tab 2**

**LOS ANGELES DEVELOPMENT FUND**  
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC  
THURSDAY, FEBRUARY 13, 2014

**LADF STAFF PRESENT:**

- Sandra Rahimi
- Chris Chorebanian

**1. WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Director Cervantes called the meeting to order at 3:06 pm.

**2. ROLL CALL**

The following Governing Board directors were present at the meeting:

- Director Cervantes (Chairman)
- Director Perry
- Director Kalfayan

**3. APPROVAL OF MINUTES**

Approval of Minutes for Board Meeting(s) on:

- May 31, 2013 – Governing Board Special Meeting
- June 14, 2013 – Governing Board Special Meeting
  
- Moved by Director Perry. Seconded by Director Kalfayan.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

**4. DISCUSSION ITEMS**

➤ **DISCUSSION ITEM 1 – LADF PIPELINE UPDATE**

- **Sandra Rahimi:** I wanted first to give an update on the project that we are in the process of closing, LA Prep Kitchen. It was supposed to close by year-end, but due to some environmental issues they had to work out with the seller, it did not meet that deadline. Then there was some change of personnel at the leverage lenders, so that's delayed things. However, the deadline for closing is March 14th; and if they don't purchase the site by March 14th, they will lose it, because the seller has backup for all cash. So in this industry when there's such a definite deadline, it tends to get people's attention. We had a call earlier today and there was a lot of movement to try and meet that March 14th deadline. We obviously did not meet the December 31st deadline which was when the CDFI fund checked to see how much you had dispersed from previous awards. So we didn't meet that deadline, but the fund is still are reviewing applications. So hopefully they'll check again, even though officially they don't. Hopefully they will. But in any event, we only had \$10 million undispersed when they checked at the end of the year and we do have a record of getting \$115 million out the door, which is a pretty good record of performance.
- **Rushmore Cervantes:** What happens after March 14th if they don't move forward with the project or close?
- **Sandra Rahimi:** They lose the property. So the deal dies.
- **Rushmore Cervantes:** And do we have a backup plan if that does happen?
- **Sandra Rahimi:** I'll give you an update on the other projects that have been in our pipeline and the new deals. But one of the things that I've been pointing out to LA Prep Kitchen is that the longer they wait to close, the closer they are to when the new awards are announced. And then obviously there will be a whole slew of new projects that are out there looking for allocation; and we could always go with one of them if we feel that they have the ability to close rapidly. In San Diego, the CDFI Fund said that they expect to announce the awards around end of April. But when they issued the initial NOAA, it was for two rounds. And so they're waiting to see if they get appropriation for the second round. Right now they have approval for just for one round, and they have not yet decided whether or not to just go ahead with issuing awards for the single-round. And once the CDFI Fund makes that determination, then they have to issue a revised NOAA, and then they can announce the awards. So this being already the middle of February, things are getting delayed. And even though Bob Ibanez did say that the awards have been delayed, he also said that

he doesn't expect to delay the issuance of the application for the next round. In the past few years the application has come out in August or so and been due eight weeks later in late September. And that's the kind of timeline that he's probably looking at for this year. And that would mean that even if you don't get a new award until June, there will be some threshold amount you will have to expend by the end of the year in order to qualify for the next application.

- **Jan Perry:** Is the delay in the award decisions, or is the delay in the funding for the tax credits?
- **Sandra Rahimi:** At the end of January in San Diego, I spoke to Bob Ibanez who's head of the CDIF fund, and he said he had to go back to his room and review some applications. So they are still in the process of reviewing the applications. They haven't made their final determinations. But at the same time parallel to that, Congress has only appropriated funds for one year. Technically the program has expired and has not been extended. That's happened many times. The New Markets Tax Credit program usually gets included in any of the tax extender bills, and extension of the program is delayed by the debates surrounding tax reform. Nobody really expects tax extenders or reform being addressed until the fall. But the CDFI fund is still waiting hopefully.
- **Jan Perry:** But in the meantime, this project – you said they would lose the property if they don't close?
- **Sandra Rahimi:** Well we have allocation for that project; the delay I was discussing is for new allocation. We have \$10 million left from our last award, and that's the money we're using for this project. If for whatever reason it doesn't happen and this project falls through, then we have \$10 million left to put into a new different project.
- **Jan Perry:** And if it fell through, the risk would be on their side?
- **Sandra Rahimi:** Right. We've given them more than sufficient time, and the delays are not from us at all. We've actually been pushing them quite hard to close.
- **Jan Perry:** And what's been their response?
- **Sandra Rahimi:** Well, again, the developer understands and the developer is doing all they can. It's the leverage lender that is causing the delays. The leverage lender has pretty much said that they will close on their own time.
- **Jan Perry:** Would a letter from us be of any assistance?
- **Sandra Rahimi:** No, not with this particular leverage lender.
- **Jan Perry:** Who is it?
- **Sandra Rahimi:** It's Capital Impact. And they've had change in personnel since closing began, and that's kind of got us stuck in some mud. But I think they got the message today. I don't think they want to be the cause of the sponsor losing the property. So I think it will close soon.
- **Rushmore Cervantes:** Because if it doesn't close, that's damaging to our application.
- **Karen Kalfayan:** It may have already been damaged.
- **Sandra Rahimi:** Yes, I don't think it could do more than it already has.
- **Jan Perry:** But why wouldn't they feel a sense of urgency on this? It's just sort of a strange attitude for a lender, unless they have somebody waiting in the wings.
- **Sandra Rahimi:** I don't know. It's a puzzle to many of us on the call. It's just this one individual; that's his attitude.
- **Jan Perry:** New person?
- **Sandra Rahimi:** he's new to this deal, he's not new to the institution. And the deal does have some risks associated with the cashflow that he has to get comfortable with.
- **Jan Perry:** Okay. So then it has to close by what day?
- **Sandra Rahimi:** March 14th.
- **Jan Perry:** So around about March 5th, you may have a sense of whether they're going to make their closing date or not?
- **Sandra Rahimi:** Yes. Probably. Like I said right now, everybody's doing everything to close. The main outstanding issue now is the leverage lender's cost review. So it seems reasonable that they should be able to get everything done in time to close. So at this point, if I had to bet, I would say 95-98 percent chance it's going to close by March 14th, unless it's some unforeseen thing happens. I don't think it will not close, but I just wanted to make the board aware that there is that possibility.
- **Jan Perry:** Okay. Is there some way you can give us an indication?
- **Sandra Rahimi:** I would send out an email as soon as I sensed that it wasn't going to close.
- **Jan Perry:** Okay.
- **Sandra Rahimi:** So first I want to review the status of some of the other deals that we have had in our pipeline, and then I want to go through a few deals that are new to LADF, although not necessarily new to the city. First is WattStar. The CRA has gone through their procedure to give WattStar an extension so Barbara does not risk losing the land in the near future. But she continues to have trouble finding support for her leverage loan.
- **Jan Perry:** What is her extension; to what date?
- **Sandra Rahimi:** I don't remember the exact date, but sometime in September 2015. And then Lanzit has the HUD 108 money that is sufficient to build the one building. They pulled their permits and expect to begin construction in two or three weeks on that one building with the hope that once activity is on the site, they'll have a better chance at leasing that building, which was understood to be the holdup for using the HUD 108 money to leverage into the New Markets Tax Credit structure. So they're expecting that by the fall of this year, they'll be in a position to close a New Markets Tax Credit transaction. The program allows for a 24-month window. So even if we didn't close until

September or October or even December, it would be as if we had been funding it with New Markets Tax Credits from the beginning from a financial standpoint on the project. There won't be any negative effects on the project.

- **Jan Perry:** And Lanzit, that was one they were building in three different phases, right?
- **Sandra Rahimi:** Right. The plan is to construct three buildings in Watts on nine acres that's been vacant for 40-something years. Another project that has been in our pipeline is West Angeles Plaza. That is new construction. They chose to do the construction without New Markets Tax Credits, but they have mezzanine debt, as well as a straight construction loan that they need to refinance. And, again, they would be taking advantage of this 24-month window, because the New Markets Tax Credit program doesn't allow for just a straight refinance, but it does allow for this moving window when you have had new construction. The challenge there is that they originally had a lease with Fresh & Easy. And then with Fresh & Easy's bankruptcy, that lease was nullified. They tried to reach out to the fund that bought Fresh & Easy, but they weren't having much success, so they've began talks with the 99 Cent Store. But in San Diego Rush and I met with a gentleman who's working with Fresh & Easy to try and rehab some of their stores in Los Angeles and possibly expand the franchise. I've discussed the West Angeles project with them and they're familiar with it. We're going to be having a conference call, so hopefully we'll be able to get Fresh & Easy back into the project because it'll be easier to finance with NMTC than a 99 Cent Store.
- **Jan Perry:** Actually I worked on the Fresh & Easy over on Central and Adams for years, and I had been told that they weren't vacating all sites. How is it that the company is withdrawing, but these particular stores remain operating? Are they independently owned and operated?
- **Sandra Rahimi:** No. Fresh & Easy, the company, was bought by a hedge fund. West Angeles was new construction and they had just entered into preleasing. The store wasn't opened yet and there wasn't actually an operation there, so the hedge fund was able just to not assume that lease. So it wasn't that they closed the store, they just didn't assume the lease and open the store because construction wasn't complete at the time of the bankruptcy. And now construction is complete and they're trying to get Fresh & Easy, the new owner, to renew their interest in the site for opening a new Fresh & Easy location.
- **Jan Perry:** I would like to participate in the call with Fresh & Easy.
- **Sandra Rahimi:** Okay. And then another project that is heating up is Jordan Downs, the commercial portion of it. I had preliminary conversations last year when I was getting information for the application. But they've reached out to me recently. We're trying to schedule a time to talk about potential allocation for that project. And they've also been in contact with Genesis, who's our partner in another project, about providing allocation, so that one could be moving forward. And the final project is the Gay and Lesbian Center which is building new headquarters. The project will include transitional housing. And there's some low-income housing associated with the project and they will apply for LIHTC, but we would be financing the commercial portion. They have space potentially for a grocery store and they're talking to Whole Foods. Chris and I are actually going out to visit their existing site and the new site tomorrow.
- **Jan Perry:** Where is the new site located?
- **Sandra Rahimi:** They're in Hollywood. Given where they are in the process, it's probably a next-year deal. But, again it takes time for these projects to get ready for New Markets Tax Credits and usually the sooner they start thinking of New Markets Tax Credits and structuring the project for that kind of financing, if that's the way they're going to go, the better. So a lot of times, we begin talking to potential projects a year or two lead before they're ready to actually go. That is pretty much the update of the pipeline that we have right now. Any other questions?
- **Rushmore Cervantes:** Okay. Thank you, Sandy. Let's go on to the next item. We've got four action items before us. If you'd just take them one at a time. Go with 5.1, please.

## 5. ACTION ITEMS

### 1. ACTION ITEM 1 – AUTHORIZE THE PRESIDENT OF LADF AND LADF MANAGEMENT, INC. TO EXECUTE DOCUMENTS RELATED TO THE MODIFICATIONS IN THE BOBRICK NEW MARKETS TAX CREDITS (“NMTC”) TRANSACTION

- **Chris Chorebanian:** There are some modifications to the Bobrick transaction which we closed in December of 2012. They're related to unforeseen delays, specifically regarding height variance and moving power lines. These result in an extension of the construction timeline by 6 months from 18 months at 24 months. And for the New Markets Tax Credits world this could cause an issue, because attorneys have been comfortable in the nonqualified financial property test considering non-construction QLIC dollar as reasonable working capital during an 18 month construction, and they issue their opinions at closing based on that assumption. So changing from 18 months to 24 months raises issues with the nonqualified financial property test. So the attorneys have reviewed all the changes and the delays and everything, and they've decided that 24 months is a reasonable timeline for this project, and they're going to be issuing an updated opinion that the borrower is QALICB and the loans are still QLICs, so they'll still qualify under new markets regulation. The other change is that Bobrick has increased the budget by about \$5.2 million mostly related to changes in the design for the office space. Bobrick the developer will be covering this increase in budget.
- **Rushmore Cervantes:** How are they covering that \$5.2 million?
- **Chris Chorebanian:** A lot of it is equity, but I think they said that some of it would be covered by a corporate line of credit they have with Wells Fargo. And they will be funding that deficiency at closing of the amendment to the documents. So right now the increase in budget is \$5.2 million; and when we submitted the memo, Wells Fargo only

knew of about \$3.6 million outside the budget that Bobrick had expended to date. But yesterday or the day before, the representative at Wells Fargo called me and said Bobrick submitted invoices as evidence of another million dollars expended. So right now, the unfunded deficiency is only \$600,000.00 and that's what's going to be required to be reserved up front with the amendment so that that money gets expended before our loan funds get expended. Also they have a website where they show images of the construction progress. The walls are up, so it's making good progress. So we feel that that curtails a lot of risk involved with the delay.

- **Jan Perry:** You mean in a sense that they're proceeding?
- **Chris Chorebanian:** Yes. They're moving along and they're going to catch up. We believe the 24-month timeline is a very reasonable timeline at this point. They moved the completion date from June 2014 to the end of the year now, December 2014. And just given the pace they're going at now, we feel that that's reasonable. They've overcome a lot of the main hurdles that you come across in the early stages of construction.
- **Jan Perry:** So one of these was a height variance?
- **Chris Chorebanian:** Yes. The developer and one of their engineers looked at it and they both didn't think they would need a height variance. And then when the city looked at it, it was a mistake in understanding.
- **Sandra Rahimi:** I think they thought they could have something partially kind of subterranean but they couldn't, and they had to build everything on grade, so that made their building like a foot too tall. It was something really minor, but it took a while for them to get the approval for that.
- **Chris Chorebanian:** It had been reviewed by Wells, by the GC, by everybody, and nobody saw that that was going to be a problem.
- **Jan Perry:** It's an expensive height variance.
- **Chris Chorebanian:** Yes. And it took a lot of time to get that.
- **Sandra Rahimi:** And as Chris mentioned, in this industry, reasonable expectation based on legal opinions is how we operate. So that's why that is important that the attorneys will issue new legal opinions. It will keep us from having a recapture event and it being a default under our allocation agreement.
- **Karen Kalfayan:** And the legal opinion is from our attorneys.
- **Sandra Rahimi:** Well it's actually from their attorney. But our attorney reviews it and says, "Yes, this covers you."
- **Chris Chorebanian:** They haven't executed the opinion yet.
- **Rushmore Cervantes:** They haven't issued their written opinion yet. So is there a sense of urgency to get this done? Why are we doing this before we have the written opinion?
- **Sandra Rahimi:** We have a draft of the opinion; we have drafts of everything. They're waiting for us, because they don't issue the opinion until the documents are executed.
- **Jan Perry:** This is a request for authorization to execute the document?
- **Chris Chorebanian:** Right.
- **Jan Perry:** So does that execute the document – the legal opinion leads to the modification documents?
- **Sandra Rahimi:** No. For example, our board could want a change, for example you could say that \$5 million is not enough and you want to see an extra \$3 million or something. Then the documents, and the legal opinion, would have to be revised. So they can't finalize their legal opinion until they know that none of the parties have comments or are going to make any changes to the documents. Once we sign the documents or agree to the documents, then they will finalize their legal opinion. But our documents won't be effective until we have a legal opinion. The attorneys hold the documents in trust.
- **Karen Kalfayan:** Sequencing. And so it's not exactly a 1-2-3 kind of thing.
- **Sandra Rahimi:** Yes. So the documents are held in trusts. Our documents are signed and held in trusts until we get the executed legal opinion.
- **Karen Kalfayan:** And if we don't get the legal opinion, does that make our documents invalid.
- **Sandra Rahimi:** Then they're not released, so they're not official.
- **Chris Chorebanian:** And another reason why they've been not finalizing the documents is because that deficiency deposited has been a moving target, because they're spending money on a daily basis. So before they finalize it, they want a final date that we're going to close, and then they'll have a final number on what the reserve is going to be.
- **Rushmore Cervantes:** Any other questions on 5.1?
- **Jan Perry:** No, that's fine.
  
- Moved by Director Perry. Seconded by Director Kalfayan.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

## 2. ACTION ITEM 2 – REQUEST FOR APPROVAL OF SANDRA RAHIMI AND CHRIS CHOREBANIAN TO REPRESENT LADF AT COHNREZNICK'S NMTC CONFERENCE IN MIAMI ON APRIL 29 & 30, 2014

- **Sandra Rahimi:** The next item is for Chris and I to represent LADF at the next conference in Miami. Again, the Miami Conference and the Washington DC Conference are situated around the general time that the awards will be

announced. If we get an award, the projects in our pipeline will not necessarily be ready to go in that window from July, when you have access to your award, to September or October, when the CDFI Fund is going to be judging how much of your award you dispersed. So it's important to have projects that are ready to go within that window. These conferences are an opportunity to identify additional projects that can be ready to close in that window and also to find partner CDEs to provide additional allocation to projects that need more than LADF can provide.

- **Jan Perry:** the distinction between the Miami Conference and the DC Conference agenda-wise?
- **Sandra Rahimi:** They pretty much cover the same topics. It's really more of a timing issue. For example, the DC conference will have an update on whatever's going on in Congress as far as appropriation for the second round. There's also a push right now to try and get the bill made permanent within the tax reform, so they will give updates on those kinds of things. In Miami, people will probably start tentatively agreeing on projects. And then probably by DC, we will have the awards, and we will know who has the awards. So in DC people will be solidifying groups of CDEs for projects and closing target dates. So the two conferences kind of wrap around when the awards are expected.
- **Jan Perry:** So let me just ask you at the DC conference, for example, since that would be maybe the end of the road in terms of determination, do you just go and network in meetings, or do you have your own one-on-one meetings, or is this just announced in a public setting and then you're there to –
- **Sandra Rahimi:** No. Typically before we go to these, we set up a lot of meetings with consultants, other CDEs, investors and developers to try and identify projects. Because you need a leverage lender to close and most of the projects require more than one CDE, so there are a lot of moving parts and a lot of people involved, and a lot of the people are national. So these conferences are opportunities for everybody to sit down face-to-face and say, "I like this project. Do you like this project? Do you want to close on the same timeline?" It's kind of like speed dating. It's like, "I like you, I like your pricing, I like working with you. You say you're going to try and close by this date. I want to close by that date, and I believe that you're going to try and achieve that date. Let's go on this project." So there are a lot of meetings that happen like that.

[Voted on concurrently with Action Item 3.3]

3. **ACTION ITEM 3 – REQUEST FOR APPROVAL OF SANDRA RAHIMI TO REPRESENT LADF AT NOVOGRADAC'S NMTC CONFERENCE IN WASHINGTON, D.C. ON JUNE 12 & 13, 2014**

- **Rushmore Cervantes:** I was going to say that I can attest to Sandy's description because I joined Chris and Sandy at the Novogradac San Diego Conference, and it's a meeting place within a conference. There's the conference that takes place, but there's a lot of transactions taking place, a lot of projects that are shopped around. CDEs as well as banks are aligning their projects and dollars behind project in advance, knowing what areas they need to concentrate on in getting a project in the queue. So when they go to these conferences, it's not necessarily about the conference. There's some meaningful information provided in the conference sessions, but it's more about making the contacts.
- **Sandra Rahimi:** For example, in the first half of the first morning of the conference, there is always a report about what's going on in Congress, and then they have investors talking about trends they see in the industry, because the investors deal nationally with all the different projects. So they talk about what they see going on nationally in the industry and their pricing and what project types they're looking for and those kinds of things. So I always make sure to go to those two. But the rest of the time, a lot of the conference is spent in meetings one-on-one with people or, like I said in pairs with CDEs and a developer that wants to use the two CDEs, or an investor and a CDE and those kinds of meetings.
- **Karen Kalfayan:** This is for projects that we already have in the pipeline. What are we doing about increasing the number of projects in the pipeline?
- **Sandra Rahimi:** We are starting to get a lot of word of mouth referrals. As the CDE for the City, a lot of consultants and project sponsors contact us when they have a project in Los Angeles.
- **Karen Kalfayan:** So that that could generate new pipeline projects.
- **Sandra Rahimi:** Right.
- **Rushmore Cervantes:** As an example, while I was at the conference in San Diego, we met with a number of banks. We had a very good conversation with Wells Fargo, which has a national CDE. And wearing a City of LA hat, I expressed a strong interest in how we could get more of their investment dollars in the City of LA. So they're going to be coming to Los Angeles and meeting with representatives of LADF, trying to find ways that we can get more of their resources here locally. So that's another way to align it. It's not just finding the projects, but it's also getting the attention of other CDEs that have tax credit.
- **Jan Perry:** I wanted to talk at some point about increasing our marketing – maybe an interesting presentation with some examples through social media, and then see if we can target developmental organizations and lending institutions because I'm getting approached a lot about projects. And actually I had another one today which I'm going to send up to you. But I think we could really bump it up more and get more in-bound activity.
- **Karen Kalfayan:** That's actually a really good idea. I'm doing something similar when the city goes and makes its pitch to bond agencies, for example. You could do something similar to build up the program.
- **Rushmore Cervantes:** Right, exactly.
- **Sandra Rahimi:** On a smaller scale, I try and do that too. I was asked if we would be willing to attend meetings to show the city support of a particular project in Los Angeles even if we don't get additional allocation. I outlined some of the community benefits I would want to see on the project before we could support it. But I mean that's another role

that I play at some of these conferences - even if we don't have allocation, I say that this is a great project, the city wants it, especially if the city has HUD 108 money and/or CDBG money in it or something.

- **Rushmore Cervantes:** But there are other CDEs, national ones, that we can encourage to bring allocation to the City of LA .
  - **Sandra Rahimi:** Yes. I work especially hard on the national ones, because local CDEs like Genesis and Clearinghouse are very familiar with our projects. But, for example, La Kretz. The fact that LADF was involved in that brought three national CDEs that don't necessarily know anything about Los Angeles. But if the city is supporting it, then that implies the community supports it, so the nationals recognize that this must be a good project.
  - **Jan Perry:** Well I'd like to talk about that maybe in the next meeting and try to develop a concept, even if it's something like "Meet LADF" – just do a series of things on our website. You can do it on yours; I can do it on mine; and see if that starts to stimulate some in-bound conversation. And then we could work towards building capacity for outreach.
  - **Sandra Rahimi:** Well LADF does have a website that shows our projects and organization, etc., but it's not linked to active City websites.
  - **Jan Perry:** Yeah. Well we're about to put up a new one. And I also want to use Facebook and things like that because I really believe in social media.
  - **Rushmore Cervantes:** Social media.
  - **Rushmore Cervantes:** It should be linking to several of the city websites.
  - **Jan Perry:** Yeah, yeah.
  - **Karen Kalfayan:** But it should be updating the LADF website as well.
  - **Sandra Rahimi:** Well the LADF website is kept up-to-date, but it doesn't link to anything, because I don't know who manages the city websites.
  - **Jan Perry:** No, we'll get with Matt. But I want to make it interesting so it talks, really speaks to people who are out there kind of circling around looking for opportunities in which to invest. There are a couple of universes we could target just to start to see what we get back. Like the EB-5 world, for example.
  - **Rushmore Cervantes:** So any further discussion on the two conferences?
  - **Jan Perry:** No.
  - **Rushmore Cervantes:** No, okay. So Action items 5.2, 5.3 – can I get a motion for both of them?
- Moved by Director Kalfayan. Seconded by Director Perry.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

4. **ACTION ITEM 4 – AUTHORIZE LADF STAFF TO CO-HOST A ROUNDTABLE EVENT WITH CHASE BANK AND CDE PARTNERS AT AN APPORTIONED COST OF UP TO \$500**

- **Sandra Rahimi:** So, again, along the lines of trying to generate more pipeline as well as more knowledge of New Markets Tax Credits within Los Angeles development community, in general, Chase and several CDEs and LADF would like to partner on a round-table. The estimated cost for the entire thing is about \$1,000.00. And, again, that depends on whether we have to rent someplace or if we can use Chase's available place. Or there may be someplace the city has that's available.
- **Jan Perry:** How many people are you hosting or would attend?
- **Sandra Rahimi:** Well the space Chase has available only holds 24 people. There are several CDEs inviting people so I'm not sure how many attendees there will be.
- **Rushmore Cervantes:** Why don't we talk about who we're trying to target, because I think this is going to be important for the board to discuss and then we can provide input as to who we think maybe should be invited to go.
- **Sandra Rahimi:** Okay. The idea is to present New Markets Tax Credits, and then for each of the CDEs to talk about the kind of projects that they like to finance, or what they're looking for, or what services they offer. So from LADF's point of view, I was thinking of inviting the council staff and then any developers that the council staff is aware of that have commercial projects that would be interested or fit into NMTC parameters. Also extend invitations to staff of HCID and EWDD and ask them to contact developers they know.
- **Jan Perry:** Do you have a lock on sponsorship for the refreshments yet from Chase?
- **Sandra Rahimi:** That's the \$500.00 we may be asked to contribute to.
- **Jan Perry:** The \$500.00 is our part – up to \$500.00
- **Sandra Rahimi:** Is our part, yeah. So they're estimating \$1,000.00 being divided between the four of us – the two other CDEs, LADF. So I'm estimating probably \$250.00, but I'm saying up to \$500.00, because these are all estimates, and I don't want to have to come back and say instead of \$250.00, it's \$300.00 or whatever.
- **Jan Perry:** So you want to cap it at \$500.00?
- **Sandra Rahimi:** Right.
- **Jan Perry:** We have a very large conference event room. I don't know what you guys have up on the ninth floor.

- **Rushmore Cervantes:** It's fairly small. I was suggesting either the fourth floor conference room. The other alternative I was thinking of, depending on how many people – it's not too large – is the Bradley Tower Room. That would be a nice showcase for the city as well.
- **Jan Perry:** Yeah.
- **Rushmore Cervantes:** So I'm comfortable with contributing as long as we have a cap on it.
- **Jan Perry:** What time of day would you do it? Would you do it after 5:00; because that makes the parking situation easier.
- **Sandra Rahimi:** They were thinking of late morning, like 10:00, 10:00-11:00.
- **Jan Perry:** So if you do it over here, then you need to be careful what day you choose.
- **Rushmore Cervantes:** It would have to be a Monday or a Thursday.
- **Jan Perry:** Yes.
- **Sandra Rahimi:** Monday or a Thursday?
- **Jan Perry:** Yeah, because if you choose a council day then you create chaos with the parking. The parking situation over at 1200 West 7th is better because there is a parking structure on the back of the building, and we have a very large event space. It's not beautiful, but it's big.
- **Sandra Rahimi:** Yes, and also there's street parking around the Garland Building.
- **Rushmore Cervantes:** So I suggest that after this meeting Sandy and Chris go up and take a look at that space as well, if we can get that free of charge too. But I think that as far as providing names, our department can certainly provide that. Jan, you could probably provide your list of developers; and I think it's worthwhile entertaining that.
- **Jan Perry:** Yes.
- **Sandra Rahimi:** As a side note, such roundtables also help with our application because there is a section in the application that asks what you do as far as community outreach to expand knowledge and opportunities to take advantage of the program. And this is one opportunity to educate a large group of people so that they understand the program and its availability.
- **Jan Perry:** When would we like to do this?
- **Sandra Rahimi:** They want to do it the week of March 10th.
- **Jan Perry:** That doesn't leave much time.
- **Sandra Rahimi:** No, it doesn't. We'll see. Originally it started with just having something in Chase's offices which holds 24 people. And I think that could happen in a month's time. Now it's getting larger; I don't know.
- **Rushmore Cervantes:** Let me ask you this. The other three CDEs, I mean obviously we know what we'd like to see, where we would like the investment dollars to go. What about these other three CDEs? Where are they geographically located or where are they supposed to concentrate their resources?
- **Sandra Rahimi:** Well one is Genesis, which is also LA County, and the other is California Statewide. It's an association of cities in California, and LA City is actually one of the members, and so they're participating. And then LIIF.
- **Rushmore Cervantes:** But they'll be coming to LA with the thought that they want to help educate the local development communities for potential investment in the city of LA.
- **Sandra Rahimi:** Right, yes. The intent is to build a pipeline within the city.
- **Rushmore Cervantes:** Okay, just wanted to make sure we're clear on that.
- **Sandra Rahimi:** Yes.
- **Jan Perry:** All right. We'll take a look at the fourth floor too. Okay?
- **Sandra Rahimi:** Okay.
- **Jan Perry:** So who's going to plan the Chase event? Are they handling the logistics?
- **Sandra Rahimi:** Chase is spearheading everything.
- **Jan Perry:** Okay.
- **Rushmore Cervantes:** I'll attend the March Chase event.
- **Jan Perry:** And as soon as they finish their flier or their announcement or whatever, then get it to us so that we can start pushing it out there.
- **Sandra Rahimi:** Okay. We do have a request for public comment on this item.
- **Rushmore Cervantes:** Certainly. Good afternoon.
- *Public Comment:* Ms. Joyce Dillard
  - **Joyce Dillard:** Hello. I was recently at an event at the Federal Reserve Bank locally and it was to attract developers and investors around the LA River and things like that, and what I see kind of was a great presentation by LA Economic Development Corporation on how bad the job situation is. And I think when you're talking New Markets Tax Credit, you have to talk about jobs and have some kind of analysis and some presentation of really how bad it is here. And it was quite obvious that we're in trouble for quite a long time with his presentation. And as these people look to develop in these areas, you have to be realistic about an infrastructure. Enterprise Community Partners was there, so was Genesis. Enterprise was kind of sold on the idea you can infiltrate areas. Well you can't where there's methane, which is downtown, and a lot of things like

that. So a lot of infrastructure gets discussed for areas where they want to invest in businesses. So I think there needs to be a more well-rounded picture of what gets presented in this opportunity, because I don't see this opportunity being fully used like it should be. And we're the second largest city in the country and we should really see some progress towards jobs, especially in these low-income areas. And as you know Rushmore, Enterprise is part of the consolidated plan review; but there's a disconnect going on. What happens maybe in the Valley because of their geology and their soils is different than what's here. And also with the Hollywood plan now being changed, I think it's really a chance to look at infrastructure in a realistic way, because that didn't go through as you know. The courts are just about ready to put an injunction on that. I was a little worried the way Genesis' presentation is because they gave me a nice picture. The guy happened to be my neighbor at one time where they invested. But, again, it's not a realistic picture of what it's going to be for the future. And I think the CDEs are missing out on what it looks like now and what it could look like; and I think you need that contrast really to make something like this work more effectively. Thank you.

- **Rushmore Cervantes:** Thank you, Ms. Dillard. Okay, with that, no other comments on Item 5.4?
- **Sandra Rahimi:** No.
- **Rushmore Cervantes:** And I think that Ms. Dillard's comments are appropriate in that we need to work with Chase and to present at least some snapshot of what's going on currently in the city relative to the economy and the jobs market and the dire need for investment to kind of set the framework for the need for that type of investment. So I'm not certain that's Chase duty or if you'd like collectively HCID and EWDD to contribute to some sort of presentation. We could certainly do that. So if you would, Sandy, communicate our desire to have that as an introduction, or at least have that somewhere at the beginning of a presentation that we would be very happy to help contribute to some sort of presentation just to kind of set the framework for why they're there and looking for their investment.
- **Jan Perry:** We do it all the time, so it does set the stage for opportunity with the need for housing, the leveraging and transportation dollars, the job readiness part. So it could be more interesting.
- **Rushmore Cervantes:** Okay. Any more questions? Can I get a motion to approve with a \$500 cap?
- Moved by Director Perry. Seconded by Director Kalfayan.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

## 6. REQUEST FOR FUTURE AGENDA ITEMS

- **Jan Perry:** I would like to discuss development of an outreach model for events for public education and business development.
- **Rushmore Cervantes:** Rather than just one event, how about a strategy –come up with various long-term strategies
- **Jan Perry:** And it doesn't have to be actual events. We can do a lot online having conversation and putting information out in blocks.
- **Sandra Rahimi:** I do think though you have to have both, because I think there are a lot of developers who aren't connected to the social media.
- **Jan Perry:** Oh, no, I agree. I just think they could build capacity and you're going to reach people who are eager and are wondering. For example, we're working on a document to put all of our finance tools in one place so that it is much more digestible, you know, almost like a menu. It just builds some more momentum that way.
- **Rushmore Cervantes:** I think it's a great suggestion. So Karen, do you have anything else?
- **Karen Kalfayan:** No.

## 7. NEXT MEETING DATE AND TIME

- To Be Determined

## 8. PUBLIC COMMENT

- **Rushmore Cervantes:** Do we have any public comment cards?
- **Sandra Rahimi:** No, no more.
- **Rushmore Cervantes:** No, okay. Seeing none, do I have a motion to adjourn?

## 9. ADJOURNMENT

- Meeting was adjourned at **3:52 pm**.

these projects but try and continue to encourage folks who want to refer projects to still refer them so you have that information and have a sense of what's going on.

- **Director Montes:** But also it confirms our need to have our elected officials, both local and national, push to secure additional allocations. So if we have the pipeline and the need here then it obviously helps us.
- **Director Perry:** As an example, with LA Prep Kitchen and the grand opening we need to get the word out.
- **Sandra Rahimi:** Yes. And to be honest, that's also something that our boards can help us with. For example, Chris and I met with the LA River Revitalization Corporation to explain LADF and New Markets Tax Credits to them, to explain our role and to offer help on some of their projects that might eventually be ready to go. A lot of those sites along the river are in qualifying census tracts. So if there are any other groups like that, that you all think it would be useful to meet with and introduce NMTCs please let Chris and I know. As you know, LADF did participate in a roundtable where we presented the program, so we might want to think about additional outreach to build our pipeline. It's a little awkward now because we don't have allocation, but we might want to start thinking about having one next year, maybe right before the awards are announced, to kind of prep people.
- **Director Perry:** Well, maybe we are the matchmakers. Maybe we invite some CDEs from other places. I'm thinking aloud, but you know, maybe we invite a Genesis and a couple of other CDEs that have allocation, maybe we invite them to the table and then we invite folks who would potentially have a project and that way we kind of serve as the leaders and the matchmakers on this.
- **Sandra Rahimi:** I agree. I have shared several of the projects in this pipeline with Enterprise, California Statewide and Opportunity Fund which are three CDEs that have allocation.
- **Chris Chorebanian:** Yeah, Sandy and I have sat down to discuss some of the projects to share with others because it's not just about LADF; it's about the region and to secure the resources for the area.
- **Director Perry:** So hosting an event wouldn't be so awkward. We could potentially go ahead and do that. Again, because we have a cap on how much we're able to do even with allocation, so we have to partner with somebody else anyway to close on our pipeline.
- **Sandra Rahimi:** Yes, I mean even if we had gotten allocation, it's unlikely that we could have done every project in our pipeline ourselves anyway.
- **Director Perry:** You don't necessarily have to wait to host an event. Again, I would say I'd offer a staff person and two contractors if you want to sit down and develop a strategy for putting this out into the various universes that we touch, such as potential EB5 investors, the state IBank people, the nonprofit affordable housing community, just the general development community that is always interested in leveraging their funds. We could do that now because an event takes a lot of planning; it also takes money for sponsorship. My staff could start it out for you and then put it out under your name.
- **Tunua Thrash:** Yes, I don't think we should wait either. I think it's okay to proceed now.
- **Sandra Rahimi:** Okay. Maybe after the application, though.
- **Female3:** When is the application?
- **Sandra Rahimi:** Well Bob Ibanez of the CDFI Fund said that he expected the application to be issued the end of July and then due the end of September. So eight weeks to work on the application, which is how they do it typically.
- **Sandra Rahimi:** So unless there are other general questions, I'd like to start discussion about the pipeline. USC, University Village, is one of the projects in our pipeline. They've begun demolition. They have committed to requirements for job creation and hiring through the Work Source Center. This is a project that I have spoken about with some CDEs because the CDEs all felt that USC didn't need money. I explained how any nonprofit or any group that has services, any money they don't have to put into real estate helps open up funds for services or doing more. And so there are actually a couple of CDEs that are now interested in the project. So it may or may not be there in the future.
- **Director Montes:** For the record, I have to recuse myself on any USC deals presented to LADF.
- **Sandra Rahimi:** Well, we're not voting on any investment at this time.
- **Director Montes:** No, but in the future.
- **Sandra Rahimi:** Okay. It is the development of a neighborhood retail center with a grocery store. The services are not just for the students; they're for the community as well, and it's a highly underserved community. The center will be paired with some new housing. Although the housing is for students, it will help the community because a lot of the affordable housing in the area is taken up by USC students. And so by moving the students out of that housing it opens up some of the affordable housing for community members. As you know, we don't have any allocation to invest in this project but there's an interested NMTC investor and there are some CDEs that are interested in putting allocation in this project. Any comments or questions?
- **Sandra Rahimi:** The next project is Legacy LA. Legacy LA is a nonprofit that provides programs for at-risk youth in a facility that's very old and that they have it under a shared use agreement with Recs and Parks. The building is a former armory so the idea would be to rehab this building to make it a little friendlier for the youth that use the services. Also, the basement area is not being utilized for anything and the rehab would put that space to use for programs. So this investment would give the sponsor more space, a more appealing and better adapted area for their programs, and demonstrate interest in this community. Again, there are a couple of other CDEs that are interested in providing allocation. There is also an NMTC investor interested. Right now the sponsor is working to get the shared use agreement with Rec and Parks converted to a lease because some of the terms in the shared use agreement make it difficult for a NMTC investor to get comfortable with investing in the project. They are also finalizing their plans. So it's expected this project would be ready to go at the end of this year, assuming they find allocation.

- **Director Cervantes:** Sandy, just out of curiosity, the projects that we identify, how significant would it be to actually be able to demonstrate other activity, other investments in the area? So in other words, our investment isn't necessarily the first dollar into an area that we're trying to revitalize and where we are trying to create jobs, but perhaps this is towards the end and this is leveraging other resources or it's in the midst of a revitalization area where the city is providing financing for several projects.
- **Sandra Rahimi:** Well, several of the consultants have commented on the fact that the CDFI Fund is becoming more concerned about the catalytic effects of NMTC investments on the whole neighborhood. So much like what we were saying about the bigger picture of what's going on at USC, that would be an important part of the story that we would want to tell in our application about how our investments are going to change the dynamics of an entire neighborhood. The Fund is especially interested if the NMTC investment can help attract additional private investment. They would like it if we could say, for example, that because we financed some facility, for example USC, some other big developer decided to put another shopping center in nearby or something like that.
- **Director Thrash:** I started thinking about it in maps, and I started saying, oh wow, if I could better understand what was happening kind of on the ground in this neighborhood, I know that there are things going on but even if we had a map that showed me, okay, this affordable housing is coming in and this new retailer has come in, that way I could understand our potential and actual impacts.
- **Director Cervantes:** We do that now in our department; we map all the investments in the area, and that is eventually what I'd like to get to. I'd like the City, or in this case LADF to determine where to invest rather than just responding to the deals brought to as determined by developers. I'd like us to target areas and get developers to invest in areas because that's where we want this activity to be because we are already investing other resources into that community. So that our investments are really catalytic and being leveraged with all these other resources that we already know about that are coming down the line, and this really is imperative.
- **Director Thrash:** That'd be a great way to reposition our story.
- **Sandra Rahimi:** Well, that's part of the services that the consultant offers - to help survey the area around the projects we've closed to get a larger picture of what's going on and also survey to see what is going on around the projects in our pipeline.
- **Director Perry:** Right. And we can help because we are doing an analysis of areas in the City, utilizing a variety of tools, to identify resources as well as what the investments are in the area. So we could work with that consultant to help.
- **Sandra Rahimi:** The next project I'd like to discuss is the Legal Aid Foundation. They are currently fundraising; they're actually having a lot of success. I think they have raised about 75 percent of the money that they are looking for. Again, this is a project that several CDEs are interested in but nobody's committed to the project. The project is still going through plan check. Chris and I are actually meeting with them next week to kind of help them draft a story to help attract allocation. They offer legal service to highly underserved communities. A lot of the projects in our pipeline are about community services. I mean there is an element of job creation, but the focus is more on the community services that can be provided by the tenant than necessarily on the number of jobs the tenant will create. The USC deal will create a lot of jobs but it also offers amenities missing in that community. So we're trying to craft a pipeline that offers a little bit of both, but it very often is these community facilities that don't have alternatives that turn to New Markets Tax Credits. You know, they've maximized what they can get by fundraising or grants and those kinds of things and this is really their last chance for getting the money they need to go forward with their programs. Any questions about Legal Aid?
- **Director Montes:** Yes. You know on these projects when you have the current status down here as "in conceptual design", do you know if there are any entitlement issues? Because some of that can also hinder our scheduling. So that's why I was wondering about entitlements. And how important is it that these projects are pretty much ready to go before they go into our pipeline?
- **Sandra Rahimi:** Well, that's one of the challenges for these projects as well. Most of them are not going to be considered ready to go by the New Markets Tax Credit Industry until late in this year, which is late in the cycle. Typically when you close a NMTC deal ideally you want it to be able to pull permits within a month from closing. At minimum the project needs to be able to pull permits within three months of closing, which usually means it's been through at least the first round of plan check and they have already signed up their GC and, you know, everything is pretty firm and ready to go on the construction side. On this particular project, we're meeting with them next week so I'm not sure exactly where they are in terms of plans. I know Legacy LA is still drafting plans, so they haven't begun plan check. Two years ago there was \$10 billion in allocation from previous years still available when they announced the awards; this year there was \$1 billion in allocation available when they announced the awards, which means in the past two years, \$9 billion in allocation has been closed which means there's a real scarcity of allocation available for projects and people that have allocation are being very thoughtful about how they use it especially because CDEs that got awards this round didn't get very big allocations. So CDEs are strategizing about how much to deploy when they don't know when the application is coming out or the threshold deadline will be. They also have to think about which projects will tell the best story for the application. Right now, with all the changes in the awards procedures it is hard to understand what story you should be telling in the upcoming application to win an award. So as far as I know, no CDE with an award has committed their allocation to any new project yet. The CDEs that have allocation are being courted by numerous projects. Every one of the projects in our pipeline said that they met with Genesis last week or will be meeting with them next week and, you know, Genesis only has \$20 million. So to your question about the timing, in a normal cycle it would have been hard for projects to get CDEs to consider them, because normally CDEs would have wanted to close as soon as they got their award. CDEs wouldn't have wanted to look at deals that aren't going to be ready to close till the end of this year, but since the new application is not out yet and CDEs aren't

committing, I don't know how much of a detriment such delays are to these projects in this particular round. Any other questions?

- **Sandra Rahimi:** The next project is West Angeles Plaza, which is a referral from Director Thrash. Chris and I have met with the sponsor and explained New Market Tax Credits and what they need to do in order to move forward with NMTC financing. I believe they are working on the sources and uses. The project has some challenges in that it involves a look back rather than a new construction, so they need to craft their story and especially the but-for very thoughtfully. And again, allocation is scarce and the project also needs a leverage loan. So there are several challenges that they're facing.
- **Director Thrash:** The group has confirmed with Mr. Eugene Cowan that we can use the 24-month look back so that has moved forward and the group is now looking for a leverage lender, but we are ready to close as soon as we find one.
- **Sandra Rahimi:** Eugene is a NMTC attorney.
- **Director Cervantes:** So this is a West Angeles deal and a CIM deal? Mr. Ressler is involved?
- **Director Thrash:** Yes. But Shaul is closer to it than Mr. Ressler.
- **Director Cervantes:** Okay.
- **Sandra Rahimi:** And if they can get the leverage loan the project should be attractive to CDEs because of the healthy food initiative and they do have a health center.
- **Director Thrash:** A Health center and financial services with the bank.
- **Sandra Rahimi:** The next project is Mercado La Paloma. This is the rehab of an existing facility. On the ground floor they have an incubator for restaurants, basically, and a few of those restaurants have graduated to having their own freestanding restaurant elsewhere. Upstairs, they offer space to several nonprofits through Esperanza. Since they own the building, they would be leveraging their assets. So the leverage loan is not an issue but they are just now working on getting their permits. They're in plan check and they're looking for allocation. And again, because of the healthy food element, they probably won't have trouble finding an investor to buy the tax credits. It's going to be getting the allocation that may be a challenge in today's market for them but the project has several aspects that can be appealing. They offer community facilities upstairs with community services while on the ground floor they offer healthy foods for the community as well as job creation with the incubator element. We've closed two incubator deals already so we could highlight incubator projects as one of our like niches in the application.
- **Director Thrash:** Do they plan to add any technology into the site?
- **Sandra Rahimi:** Do you mean like Wi-Fi?
- **Director Thrash:** I see that there is an emphasis on the environmental impacts but I don't know if there is any other technology – yeah, Wi-Fi but just overall trying to help modernize the businesses that are there.
- **Sandra Rahimi:** Well, they're definitely trying to modernize the building but I'm not sure about technology.
- **Director Thrash:** Let's put that on their mind, maybe they'll think about how to enhance the IT infrastructure of the building too.
- **Sandra Rahimi:** Okay.
- **Director Cervantes:** Just a quick question for you. So this is basically a rehab and the space is going to be utilized for its current purpose, correct?
- **Sandra Rahimi:** Yes.
- **Director Cervantes:** So what kind of bang for the buck do we get with financing that versus something where we're funding, for example, a new adaptive reuse of a facility?
- **Sandra Rahimi:** Well, they're going to be improving the use, bringing the restaurant spaces up to code as well as improving the efficiency and appeal of the nonprofit space upstairs so that it doesn't look as run down. And they currently have a community space that is not usable because it doesn't have air conditioning.
- **Director Perry:** This was an adaptive reuse project because it was a Carol Little clothing manufacturer company and so it was adapted into this use. I believe the CRA helped them install an HVAC system, so would you check on that, because I know that we got money for them to have the doors open and close so they could have a sealed environment so that it would be efficient. It's an older building. The upstairs, you know, the floors are buckling a bit and I'm sure they'd love to put technology in there if somebody gave them the money. I'm sure they'd love it. The restaurants have a very heavy tourist trade, particularly during the day and on the weekends. They have a few gift counters, but they have lots and lots of people coming in there from tour groups, from SC, and they're making I think a decent cash flow out of the parking lot. They get billboard revenue off of the wall that faces into the parking lot.
- **Director Cervantes:** It would just be nice to see an enhancement or an expansion of what they're already doing.
- **Director Perry:** I agree. Nancy Ibrahim is very receptive but their footprint is fully built out.
- **Director Espinosa:** For the record I sit on the board of Esperanza Community Housing. And I'd like to give a little bit of context. The Mercado has been around for over ten years and as Director Perry mentioned, the story here is that this site was a vacant garment factory and Esperanza wanted the space to help local entrepreneurs build their businesses. But the main catalyst for this conversation, at least internally, is that the place is busting at the seams a little bit because it's so popular, but we think it could be even better. It's really crowded at lunch but not so much at dinner or in the morning time. This is an opportunity to enhance its ability to be a center for the community. It's also really one of the only spaces in that area that has this sort of specific mission and niche. And then it's also next to USC, which allows it to leverage what's happening at USC. And then there are the discussion of the first protected bike lane on Figueroa, which we hope would connect to Mercado La Paloma. So at least those are the conversations

around the rehab. The whole tech thing is something that I've definitely pushed, as far making this a space for students and others to come in, even professionals that need a place to come in and set up, you know, for at least short term.

- **Director Cervantes:** For the record, you sit on their board?
- **Director Espinosa:** Yes, sir.
- **Director Cervantes:** Okay.
- **Sandra Rahimi:** So they are reconfiguring and making the restaurant space more efficient, and there is a part that was set up or could be set up for kind of a mini LA Prep kind of a space for people to come in and prepare foods to sell elsewhere. So I mean there is some improvement in creating better facilities for the small businesses that operate there. Also, I think the reconfiguration will allow them to have more food spaces.
- **Director Thrash:** And I think to your point earlier, Director Cervantes, this project speaks to leveraging what we're doing in a particular area. We just talked about a potential USC investment earlier.
- **Director Cervantes:** Well, in that context it does make sense. I just want to make sure we're just not just putting money into projects just so they can give the improvements a facelift when we're not generating new jobs. I mean it certainly sounded like that at one point, but certainly the leveraging piece makes a big difference.
- **Sandra Rahimi:** So the next project is Lanzit Center. They are working on getting a tenant. They have closed the HUD 108. They had their groundbreaking but I believe they are still finalizing their permits so they're not actually beginning construction but it should be soon.
- **Director Thrash:** Is there a tenant?
- **Sandra Rahimi:** No, there's no tenant. So that's one of the challenges that they've had; they've been working on the site so long that it's hard to get a tenant to commit to more than just saying that they like the space. And especially because they're going for smaller tenants who tend to want a space they can move into soon unlike big tenants who can plan a move two years into the future. So the idea is that once they actually start moving dirt and have some walls going up, then they will attract tenants.
- **Director Thrash:** So there isn't hard debt here?
- **Sandra Rahimi:** There is just the HUD 108 money.
- **Director Thrash:** Okay.
- **Sandra Rahimi:** And so again it would be similar to West Angeles in that there would be a look back, 'cause the HUD 108 money is just sufficient to build just one 45,000 square foot building and leveraging that money with new market tax credit would pay for construction of a second building; they could build the other 35,000 square foot building and get more tenants and more income in there to service both the 108 and the NMTC. Potentially then they could get a tenant so they could build out the final third building. If they get a tenant for the first building, they would probably be ready to close on NMTCs in the spring.
- **Director Thrash:** Since they are not preleased we can't really put stipulations on the tenants like requiring workforce or training or opportunities like that.
- **Sandra Rahimi:** Well, actually because of the HUD 108 money, this project already has requirements that 51 percent of the jobs go to low-income people. And I believe they have an agreement with nearby the Maxine Walters Center, an employment center, to help with compliance. Any questions?
- **Sandra Rahimi:** So the other projects here, the Jordan Downs Retail Center and LA Gay and Lesbian Center are further out projects. These are groups that we have been having conversations with. , Jordan Downs is obviously job creation and retail for that community, including grocery. When that project is ready to go it will probably get a lot of positive attention in the new market tax credit world because it fulfills a lot of desirable categories. And then the Gay and Lesbian Center is also a little bit further out. They're just now issuing an RFP to get their architects. This project would increase their services, which includes a FQHC with AIDs testing and consolidating their services on the ground floor with LIHTC financed housing above.
- **Director Thrash:** So these are retail or community serving facilities.
- **Sandra Rahimi:** Right, on the ground floor with affordable senior housing above, this would be financed outside of the new market tax credit structure.
- **Director Thrash:** Oh, okay.
- **Sandra Rahimi:** The Campus at LA Family Housing also has a LIHTC element on the site. Because LIHTC has a fixed schedule, the housing element tends to be the leading force on the timing of the entire project. So the Campus at LA Family Housing works with homeless individuals and offers transitional housing. They also have a FQHC but the way their current facility is set up, the services are pretty much limited to the people who are residents in the transitional housing. And so the idea of this financing would be to open it up and to make it more welcoming so that their services can be available to the larger community. They will also create more of a division between the transitional housing and the service facilities so that outsiders will feel better going there, rather than feel like they are imposing on somebody's housing, somebody's private space. So again, LA Family Housing is a longer-term project because they have another site and they're moving the transitional housing to that site so that they can redevelop the transitional housing on this site, and so then they can demolish and rebuild the service portion. Also, they must work with the LIHTC cycle. So it's a project that is further out there. They will also be offering federally qualified health center because this is a medically underserved community so that should make the project popular in the new markets tax credit industry. Healthy foods, especially in a food desert, and federally qualified health centers are the two categories that are getting a lot of attention in general.
- **Director Thrash:** Does this mean that the \$20 million covers the cost of 26,000 square foot facility?

- **Sandra Rahimi:** Yes. I mean the reason it's this way is because they would have to be leveraging the entire site, which would include the site of the housing. So the LIHTC developer would be ground leasing that portion of the site from the QALICB and cash flow from the ground lease would be part of our repayment.
- **Director Thrash:** And this would be a project where I don't know much about the story around there. I know it's in North Hollywood, and it may be near some other things that have been done, but that would be a good story to tell.
- **Director Cervantes:** Any other questions on the pipeline? Seeing none, thank you for that presentation. So next we have the review of the LADF final audit, please.

➤ **DISCUSSION ITEM 2 – REVIEW OF LADF FINAL AUDIT**

- **Sandra Rahimi:** Included in the package is LADF's audited financial statement for last year. Just the highlight is we have about \$1.2 million in the bank. It is mostly in a noninterest bearing account. I'm not sure if the board wants to think about whether or not they want to tie up the money in an income generating facility because to get any kind of significant income from a million dollars, you would have to tie it up for a significant length of time and I'm not sure if that's what we want to do.
- **Director Montes:** But it's in a CD?
- **Sandra Rahimi:** No, it's just sitting in the bank account.
- **Director Montes:** Noninterest bearing.
- **Sandra Rahimi:** Yes.
- **Director Montes:** Which institution?
- **Sandra Rahimi:** Our accounts are with Wells Fargo.
- **Director Montes:** Wells Fargo.
- **Sandra Rahimi:** Interest on a CD would be 1 or 2 percent at most; 1 or 2 percent on a million dollars versus any penalties for breaking it if we needed to use that money for something.
- **Director Montes:** Well, can we project how much we're going need over the next year and put the rest aside into an interest bearing account?
- **Director Perry:** Into a 90-day CD or 60 –.
- **Sandra Rahimi:** We can put it into a short-term CD.
- **Director Cervantes:** Or at least put a short-term six months, but I mean can we project out over a year period how much we're going need of that million dollars?
- **Sandra Rahimi:** Yes. We get about \$450,000.00 a year in cash flow from annual fees and that pretty much covers our operating expenses.
- **Director Montes:** So we could tie up at least half a million.
- **Director Cervantes:** So why don't we look into what at the very least six month CDs are – some sort of investment or perhaps for a year.
- **Sandra Rahimi:** Okay. Are there any questions about the financial statement?
- **Director Cervantes:** No, okay, thank you. Next item, please, the review of the conference in Washington, DC.

➤ **DISCUSSION ITEM 3 – REVIEW OF NMTC CONFERENCE ATTENDED IN WASHINGTON DC – JUNE 11-13, 2014**

- **Sandra Rahimi:** I had some success getting CDEs interested in our projects but again, nobody's committed to any of them. In addition to speaking with consultants, I spoke to several of the CDEs that were successful. Those conversations prompted the recommended choice for the consultant to help with our application. It seemed that successful CDEs were probably really good at telling a nice story. Every year the CDFI Fund hires a new set of readers for the application. A lot of the feedback that we got is that because the CDFI fund has gotten more and more concerned about conflicts of interest, they're choosing as readers people that don't know anything about the new market tax credit program because if you know anything about the new market tax credit program that disqualifies you. So people have suggested that it becomes even more important to tell a nice simple story. As Director Perry was saying, tell the human interest stories rather than tell what you really changed or how you impacted the neighborhood. So you know, that's one of the changes that would be in the application. Because in the past we were kind of outlining the statistics, like we created a thousand jobs. That's nice for people that are in economic development or maybe understand the program, but for somebody who isn't in those categories, they just want a human interest story. One consultant told me that he actually hires a journalist to read it at the end to see if they get what's good about his projects, what's good about his pipeline, even though someone doesn't know anything about this program, are they moved to give you allocation. Because that apparently is who is reading the applications now.
- **Director Cervantes:** All right, anything else on the conference?
- **Sandra Rahimi:** No, I think that was pretty much it.
- **Director Cervantes:** All right, thank you.

**4. ACTION ITEMS**

1. **ACTION ITEM 1 – APPROVAL OF A 5.5% COST OF LIVING WAGE INCREASE FOR SANDRA RAHIMI AND CHRIS CHOREBANIAN, EFFECTIVE AS OF PAY PERIOD BEGINNING ON FEBRUARY 23, 2014**

- **Director Cervantes:** Item number 4.1 in your packet is the approval of a 5.5 percent cost of living increase for Sandy and Chris, which would be effective as of the pay period beginning on February 23, 2014. Looking at the compensation for both Chris and Sandy, and the period in which they last received a raise, it seems appropriate that they should receive a cost of living increase consistent with what city employees have received. Especially since with the transition from CRA to LADF, their benefits aren't what they used to be and as such, it would be nice to be able to compensate them consistently with what city employees have been getting, at least on the pay raise level. And there are sufficient funds to cover those costs. So with that, I open it up for a discussion or questions of any kind.
- **Director Perry:** I just want to say to both of you that you both do a very good job with very minimal resources and I appreciate it very much. This is the first time that I voted on a wage increase for these individuals, and so I just wanted to know, does the process trail non-represented employees and is that why it's come up now?
- **Director Cervantes:** Yes, it is actually consistent with what the non-rep employees received and it's been some time since they did receive a raise so it seemed appropriate.
- **Director Perry:** And then just for the record, the last time they received a raise was?
- **Sandra Rahimi:** We haven't had one. We just got engaged by LADF in February of last year.
- **Director Perry:** Okay, so you have not had a raise at all, okay. And then again, just for the record, the source of funds for the raise will come from which account?
- **Sandra Rahimi:** We have recurring cash flow from asset management fees.
- **Director Perry:** Okay, okay. That's the \$415,000.00 plus the \$36,000.00?
- **Sandra Rahimi:** Right.
- **Director Cervantes:** Yes.
- **Director Perry:** Okay. And this is 5.5 percent, which translates into – second page, got it, okay, okay. All right.
- **Director Cervantes:** Does anyone have additional questions?
- **Director Montes:** No union? No, I appreciate all the hard work you guys do. You definitely fight way above your weight class with just two people. I'm very impressed with the deal flow, and I remember even in a really bad economy, you guys were still swinging and knocking people down, so keep up the good work, and I move for approval of their 5 percent.
- Moved by Director Montes. Seconded by Director Perry.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

2. **ACTION ITEM 2 – AUTHORIZATION OF LADF STAFF TO ENGAGE SZ CONSULTING TO ASSIST IN THE WRITING OF THE APPLICATION FOR THE NEXT ROUND OF NMTC ALLOCATION AWARDS AND NOVogradac FOR FINAL REVIEW. MAXIMUM ESTIMATED UPFRONT COST IS \$46,000 WITH A \$10,000 SUCCESS FEE DUE IF LADF IS AWARDED AN NMTC ALLOCATION IN THE NEXT ROUND.**

- **Sandra Rahimi:** So the next item is the authorization of LADF staff to engage SZ Consulting to assist in the writing of the application for the next round of the New Markets Tax Credit awards and to engage Novogradac for final review. The estimated upfront cost would be \$46,000.00 with a \$10,000.00 success fee if LADF is awarded an allocation in the next round. As background I want to remind the board that LADF received an award three applications ago with just Chris and me writing it and Novogradac reviewing it and giving us comments. We used the same strategy for the following two years and we did not get an award in either of those years, which may or may not be related to the application because the first year subsequent year in which we did not get an award we still had \$40 million left of previous allocation and few CDEs that already had allocation remaining got additional allocation that year. Then this past year again we didn't get any allocation. There were a number of CDEs that have been very successful in the past that also did not get allocation this round. LADF only does real estate QLICs and 75 percent of the allocation this round went to CDEs who do business QLICs. These factor into our results. Also The CDFI Fund hired a new consulting firm to do the first review of the applications for the CDFI fund, so all this could be contributing. However, the feeling is that it would be beneficial to have a new approach to the application instead of continuing with staff and the same reader. You know, it's hard to change your way of looking at the application, so it would be hard for me to totally rewrite the application in a new way, to address the concerns of this new group that's doing the review for the CDFI fund, this new consulting group. The same for the person at Novogradac that we've been working with; after working together on the application for three years straight, it's probably going to sound pretty much the same. The idea is to bring in somebody new, with fresh eyes to look at the application. I would continue to work with SZ Consulting and then the person at Novogradac would still do a final review and give comments to make sure of consistency because she understands LADF, but the idea would be to bring in somebody new to help do a major rewrite of the application with a focus on the two parts that are being given increased priority. There's five parts to the application. In the past, four parts were reviewed by an outside consultant for the CDFI fund and each part was graded separately by the outside consultant. Then a CDE has to have a minimum score in each of those parts before it

goes to the second round. In the second round, the CDFI Fund would read the two parts, business strategy and community impacts, and part five, which was the CDEs history. That's how they did it in the past. Now they're going to have the outside consultants read just business strategy and community impacts and grade those. CDEs will be ranked on those two scores and you will either make the threshold or not for the next step. Then the CDFI fund will read the entire application of those CDEs who made it to the second stage. So the CDFI Fund is changing its process a little. In the years when we didn't get allocation, we always got a passing score on the parts that won't be scored this year, which are management capacity and capitalization strategy. So there will be even more focus on the two parts where we have been scoring lower. In DC I talked to various consultants about just helping us with those two parts, the business strategy and the community impacts portion of the application. Because of the timing, there really wasn't time to come to the Board with approval to issue a written RFP, and LADF's policies don't necessarily require it to be a written RFP. Our policy just requires a defined scope of work, which is obviously defined as the application, and I did define with the consultants when I spoke to them. Our policy also requires that we contact a minimum of three firms. I spoke with eight or nine firms. Several of them were already booked; they have been booked since March, and so they didn't have capacity to take on another client. Two of them were large firms that have a large staff but they also had quite high fees; they charge an upfront fee from \$20,000.00 to \$40,000.00 plus a 1 percent success fee, which meant whatever allocation we get we would pay them 1 percent of our allocation. And then they also had requirements that you engage them to help you deploy and engage them for additional services that you would also pay for. And a lot of that's coming from the fact that allocation has become extremely scarce and so they want to share in the scarce resource if they helped you win it. So, you know, they would help direct it, projects that they had maybe other interests in or that they were working for.

- **Director Montes:** Just a standard commission fee, plus success fee.
- **Sandra Rahimi:** Yes, but then also they also wanted to share in the deployment of it. So it wasn't just that you had to pay them but you also had to give up partial control over your allocation. So that's one of the reasons I chose this individual. His success fee is \$10,000.00, and you know, it's just a flat fee.
- **Director Perry:** No strings attached.
- **Sandra Rahimi:** Right, no strings attached. He just helps with the application. He worked for the CDFI Fund in setting up the program. He's been successful with several other large CDEs, both here in Southern California and nationwide. He does have a relatively large upfront fee because that is his only fee. He would read our old application and then would let us know like how much rewriting he felt it needed and then that would determine whether it's \$30,000.00 or \$40,000.00.
- **Director Perry:** Does he do the revisions?
- **Sandra Rahimi:** Yes, he will do the writing and he also helps gather information. He has surveys that he has created and he adjusts them for your projects. That way you get the information and the detail he needs to craft a story. Because the business strategy and the community impacts together are kind of the story of your CDE, what you've done, what you want to do, and so it requires a lot of information and a cohesive approach to those two parts. So that's why it makes sense to engage him to help rewrite those parts.
- **Director Perry:** Did SZ Consulting do Genesis' application?
- **Sandra Rahimi:** I can't remember who Genesis used. I know he did a successful application for Enterprise.
- **Director Perry:** Okay.
- **Sandra Rahimi:** I think Genesis writes their own application and then Novogradac and their attorney review it. I think Nixon Peabody reviewed their application for them. However this was the first round in several years in which Genesis was awarded.
- **Director Perry:** Okay. Do we get to read theirs?
- **Sandra Rahimi:** No, people don't share their application.
- **Director Perry:** It's not public information?
- **Sandra Rahimi:** No. I have asked people that I knew well and they all said no.
- **Director Perry:** But I just thought it was public information.
- **Sandra Rahimi:** No. It's funny because we have to partner with these CDEs in the projects; it's often very difficult to get them to share pipeline projects let alone their application. I mean Director Cervantes and I had this conversation. When people have reached out to he and I both asking for our pipeline projects, this is kind of a tricky period because people are also doing their applications. So you have to see if they really want to do the projects with the allocation they have or do they just want to have some projects to put in their application that sound good. You wouldn't want to include projects in your application that too many other people are using because then it looks like you can't really find your own unique pipeline. Also if they read the same projects in multiple applications they get burned out and the projects don't sound so special. So you don't want to have your deals in every pipeline but at the same time, you can't expect them to just be in one CDE because that will be too hard on the project if that CDE doesn't get allocation.
- **Director Montes:** So our silence is our competitive advantage.
- **Sandra Rahimi:** That's how most of CDEs approach it. I've tried to walk a fine line because again, we don't want to penalize these projects because we didn't get allocation, and part of ours is to draw as much of this subsidy to LA as we can. I mean even when we invest in projects we usually partner up rather than provide all of the allocation, because our allocation helps attract national allocation because they feel more comfortable when the local CDE supports a project.
- **Director Montes:** Sandy, with the last round of awards, it seems as though the approach was different than it has been in prior years, so the types of projects or CDEs that received allocation was different than what won in the past.

So aside from identifying a different writer, is there a need to potentially change our approach to submitting our application?

- **Sandra Rahimi:** Well, initially before I went to the conference in Washington, DC, I thought because 75 percent of the awards were made to people doing business QLICs that maybe we should change our focus away from real estate. But at the DC conference, Bob Ibanez said that in this next round CDEs will not have to identify whether they're going to do business or real estate QLICs with the funds, which is a total change in how the CDFI fund has been judging in the past.
- **Director Montes:** So why did they change so dramatically this last round then?
- **Sandra Rahimi:** Maybe because it was their last chance to make sure that there was money specifically dedicated to businesses, because from now on they won't be able to guide money toward CDEs based on whether they do business or real estate QLICs; it'll just be up to the CDE to decide which kind to do.
- **Director Montes:** There was no way of knowing that before we submitted our application?
- **Sandra Rahimi:** No.
- **Director Montes:** Okay.
- **Sandra Rahimi:** That's how it is every year. The CDFI Fund has its own agendas that they don't share with anybody, and then they use that to decide awards. For example, I'm sure there is some reason why California got so little this round; I'm not sure what the reason is, maybe political. Maybe the senators or the representatives from California aren't on the right committees or, you know, they didn't say the right thing to the Fund.
- **Director Montes:** Well, you and Chris go to these conferences all the time what would you recommend as an approach to strengthen this region's muscle in order to secure additional allocation? What would that look like?
- **Sandra Rahimi:** Well, I've gone to the coalition meeting. I've gone to the Hill and spoken to representatives and senators, their staff members, but there are multiple groups of CDEs that go to them, and I don't know how important or how effective that is. I mean I would say the biggest thing that the coalition, who is the lobbyist group for the program, keeps saying make sure that representatives and senators know about projects in their areas, invite them to grand openings, you know, get the projects in front of them so that they know what the program is doing for their area. That's what you can do to help get the program extended and made permanent. As far as getting additional dollars for LA or for California, I could only imagine that maybe if the governor or the mayor went and talked to them, somebody, you know, higher up went and talked to people and lobbied perhaps. I mean I was surprised in San Diego, when I spoke to Bob Ibanez and I explained to him that community development had been dissolved in California, he was not aware of that. I mean it's those kinds of things that don't help California and Los Angeles' cause. The people in Washington don't know that we don't have any other source to fund economic development.
- **Director Montes:** Well, it would seem that while we have a contractor preparing our application, we've got to come up with a lobbying/legislative strategy to be able to push the agenda for the region.
- **Director Perry:** I have a procedural question. As you know, the charter was changed and the mayor's office is the only office designated to lobby on behalf of the city. But LADF is a nonprofit and a self-contained independent entity, so I don't know how you cross that bridge and particularly when you're working with an established organization that's already lobbying on behalf of the industry, but perhaps the Board ought to write to the Office of the Mayor and ask them to add LADF and its upcoming legislative needs to their lobbying agenda for this fiscal year and for the year thereafter and have them incorporate that.
- **Director Montes:** Right, I would agree with that.
- **Sandra Rahimi:** That could help.
- **Director Cervantes:** I know we talked several months ago about marketing LADF and I think we were talking about it in the context of developing our pipeline, and right now it seems like our pipeline is really healthy and you get it through your own relationships and word of mouth. But it seems to me that if we did develop a marketing strategy, if that was possible, it would also serve this purpose. I'm hearing from communities in south LA and on the east side and the northeast San Fernando Valley that a lot of people have been impacted by the dissolution of the CRA and they're trying to find out how they can sort of have a voice, and this is the same thing. I think that people would be upset to hear that not only is the CRA gone but even our local CDE didn't even get any tax credits to support our projects. And it could be done with stories and social media that doesn't even really cost that much.
- **Sandra Rahimi:** Yes.
- **Director Perry:** Let me make a comment on that. On the LA Prep Kitchen, I think you're probably aware that EWDD has Angela, our PIO, public information officer, plus two people on contract who do social media, and we did try to interface with them to help them on their media outreach because we felt that it was such a significant project that people really needed to know. And I've got to say, honestly, they were very resistant to our help. Maybe you remember the email chains, they were just massive, and it was quite difficult to penetrate. I actually said to Angela at one point, we should just do separate media apart from them and then put it out, and you know, obviously put it out under your name, because I don't care about having people think that we did it or not because that's not important. The important thing is that it's an important story to tell. I'm telling you this because we actually do have people who can help and they're already on staff, and you know, we don't have to pay any extra money for that. They'll just do it if I ask them to do it. We've got Instagram, Twitter accounts, Facebook pages. We can do links, blasts, anything that you need. But I think you have to carry back a message to all of those people in that alternative universe who made this process so utterly cumbersome that I don't think we got much of anything out. And what they put out was not very digestible for laypeople. It was like a wonk news advisory but it's not something that regular people would read and get or understand, and that's unfortunate. I mean we have another chance and that's the grand opening. And we can talk

about pipeline projects now but we lost that opportunity to show people. I can have Jenny talk with you more about it, but we could help and it won't cost you any money.

- **Sandra Rahimi:** That's good to know. Also, just, you know, talking about things like this. The Discovery Science Center, which is a project that we funded, it's scheduled to have its grand opening on November 13th, and possibly the governor is going to be there. So you know, I mean that's another opportunity to make a new event.
- **Director Perry:** Well, maybe what I'll do is I'll have Angela call you and we can get a list of what you think is coming so we can map it out and be strategic. Because I know there are only two of you, and like I said, I've got Angela plus two people on contract. So, we could help you pump it out and make it much more interesting.
- **Sandra Rahimi:** Well, and the one thing too that I've been trying to. I've been sending notices and things to the various representatives and senators of the area too, inviting them to the grand opening so that they see that it's important to get people advocating for Los Angeles. And like I was saying, when Hurricane Sandy happened, it was in all the news, everybody knew it, and last year there were a bunch of new CDEs in New England that suddenly got good sized allocations. But, you know, the CDFI fund didn't even know that community redevelopment had been dissolved in California.
- **Director Perry:** Well, let us help you because this is what we actually do very well, and we're running on all levels, multimedia and social media. All we wanted to do is take your information and convert it into something that is readable with renderings and pictures and things like that, because it just makes it easier for people to understand and you get better recognition and you know, you build capacity not only through a website. People start following you and tracking you on Twitter because they're interested and excited about it. We can link it into our work source centers, because those projects will create great jobs for vets and people who were formerly homeless.
- **Director Cervantes:** So going back to the contract, Sandy, again, what we have before us is the authority to execute the contract, and you've indicated that based on your discussions and what you've gleaned from the most recent visits at some of these conferences that there is not necessarily a need to change our focus, it's just to get a consultant to focus on areas that we have been deficient or weak in the past submissions?
- **Sandra Rahimi:** Right. The idea is to hopefully tell our story better. I mean what I heard at the conference was our results were about 50 percent on the two parts; 50 percent meant we were like right in the middle of the pack, 50 percent of the people were worse than us, 50 percent were better than us. There were some established CDEs that have always gotten allocation and they were in the bottom 10 percent. So that implies that there's obviously been a change with this new consultant working for the CDFI Fund. And with this round, the same new consulting firm will be the first round of reviewers. Given the scores this round obviously those people have different agendas or objectives than the previous readers. So the idea is to engage somebody to help tell our story in a more compelling manner. Not necessarily change what our story is but just tell it in a way that maybe gets it across better to those that are reading and scoring it.
- Moved by Director Perry. Seconded by Director Montes.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

## 5. REQUEST FOR FUTURE AGENDA ITEMS

- **Director Perry:** I think the item we started talking about as far as potentially restricting funds in some CD or some other account that's a little higher interest bearing.
- **Director Cervantes:** Yes, a report back on that would be helpful. Also, at some point as the contractor is preparing the application, I'd like to be able to have him come down and talk about what their methodology is and see if there's any way we could provide any input or thoughts.
- **Director Perry:** I agree.
- **Sandra Rahimi:** Okay.
- **Director Montes:** We are paying, so I'd like to at least get to know them.
- **Sandra Rahimi:** Okay. The biggest challenge, obviously, is getting everybody's schedule coordinated.
- **Director Cervantes:** Well, we can work that out, but I think it's important for us at some point to talk to them.
- **Director Perry:** Where is this person?
- **Sandra Rahimi:** He is actually located in Washington, DC. So we would have to pay for him to fly out here.
- **Director Perry:** Well, maybe we can do Skype, that's cheap.
- **Sandra Rahimi:** Okay. I will try to arrange for that.

## 6. NEXT MEETING DATE AND TIME

- To Be Determined

## 7. PUBLIC COMMENT

- **Chairman Cervantes:** Okay, any public comments submitted today?
- **Sandra Rahimi:** No.
- **Chairman Cervantes:** All right.

## 8. ADJOURNMENT

- Moved by Director Perry. Seconded by Director Montes.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.
- Meeting was adjourned at 3:29 pm.

# **Tab 3**

# MEMORANDUM

TO: LADF Board of Directors  
FROM: Sandra Rahimi, LADF Secretary  
DATE: June 19, 2015  
SUBJECT: One Day Loans and Self-Leverage

## SUMMARY

In late April 2015 two articles were printed by the *Portland Press Herald* about reported abuse of the State of Maine's New Markets Tax Credit program by the Great Northern Paper Mill (see Attachments). The abuses outlined in the articles were attributed to the use of a "one-day loan" in the capital stack of this and other state NMTC projects.

Industry rumors claim that the delays in announcing the awards this year are attributable to the CDFI Fund's desire to prepare responses to potential criticism for giving federal awards to the three CDEs named in the article for abusing the misinformed state legislature.

The common practice of using one-day loans and self-leverage in the capital stack of federal NMTC transactions has recently come under closer scrutiny by the IRS, which has never provided guidance related to the practices. At the Coalition Conference a representative of Bank of America acknowledged that four NMTC transactions closed by their institution using one-day loans are currently being audited by the IRS. None of the other Investors openly stated whether or not they were being audited. LADF is not involved in the four Bank of America transactions.

This issue was the primary topic of discussion at the Washington, D.C. conferences of both the NMTC Coalition and Novogradac.

Based on comments provided by Ben Willis, Office of Tax Policy, IRS, at the Coalition conference it appears that the concerns of IRS, like those of the *Portland Press* articles, are based on a correct but incomplete understanding of the use of one-day loans. After the Coalition's conference, a group from the Coalition's Governing Board made a presentation to IRS officials regarding the uses of one-day loans and self-leverage in federal NMTC transactions. The Coalition and the NMTC Working Group are jointly drafting a letter to the IRS and the CDFI Fund to fully explain and justify the industry practice of using one-day loans and self-leverage.

## BACKGROUND – FEDERAL NMTC PROGRAM

### *One-Day Loans*

As the articles point out, the one-day loan is used by the industry to monetize accumulated capital (both appreciation and previous cash infusions) so this accumulated capital can be included in the project cost financed by NMTCs (i.e. QEI). Inclusion of such accumulated capital in project costs (often representing the borrower's sole equity contribution to the project) is common in standard real estate construction loans. Because the amount of the QEI determines the amount of tax credits generated by a transaction, the use of one-day loans in NMTC transactions maximizes the tax credit subsidy without in itself representing "new" capital invested.

Almost all NMTC transactions include the purchase of the site by the QALICB (an SPE formed by the sponsor to own and develop the subject site). Sometimes it is a purchase from a third party, but many

times it is the purchase of the site by the QALICB from an affiliate or parent company. One-day loans are used in conjunction with these purchases from an affiliate or parent.

The use of one-day loans is permissible under current federal regulations with the caveat that at minimum 25% of the QEI must go toward financing rehab of existing facilities or new construction. The program does allow a “floating window” of 24 months which means that if a borrower began to rehab their site even 18 months prior to closing the NMTC transaction those costs be counted as “new construction” toward the 25% required provided that the borrow will complete all work within 6 months of close of the NMTC transaction. An additional check on possible abuse of the floating-window is the requirement that the borrower must demonstrate that this new construction would not have commenced “but-for” the expectations of receiving NMTC financing or that the NMTC financing will allow the borrower to expand the scope of the rehab.

The use of one-day loans is especially prevalent when financing non-profits who may have owned their site for many years and who struggle to cobble together other sources (grants, capital campaigns, etc.) to fund the project.

*Self-Leverage*

Because one-day loans are a form of self-leverage, the issue with one-day loans has caused the IRS to analyze the use of self-leverage in general. Self-leverage describes a transaction in which an affiliate or parent of the QALICB (NMTC borrower) provides a portion of the capital necessary to fund the construction and this contribution is structured as debt, not equity. Like one-day loans, self-leverage is used to increase the QEI, and thus the tax credit subsidy generated by the project.

Because of the real estate downturn, from 2008 until 2012 it was very difficult for potential projects to find debt from traditional banks (Bank of America, Wells Fargo, Chase, US Bank) to use as leveraged debt to build the QEI in a NMTC transaction. This led to an industry-wide reliance on self-leverage.

When an NMTC subsidy is combined with self-leverage from a for-profit developer, it usually indicates that the returns on investment to the for-profit developer can only support a portion of the project cost. Thus the NMTC subsidy is used to fill the financing gap resulting from the portion of the capital investment the for-profit developer cannot economically justify. This often occurs on projects in low-income communities in which the cost of the improvements exceeds the appraised value of the completed project.

Self-leverage is most common with non-profits who have cobbled funds together from various sources as described above, but still have a financing gap. The non-profit developer then lends these funds to their QALICB affiliate through a NMTC structure to generate the NMTC subsidy required to fill that gap in the capital stack.

***Example sources and uses table for a rehab:***

|                               |               |                         |               |
|-------------------------------|---------------|-------------------------|---------------|
| million \$                    |               |                         |               |
| One-day loan                  | 5,900         | Site Acquisition        | 5,900         |
| Leverage loan (self-leverage) | 2,100         | Hard Costs              | 4,100         |
| NMTC equity (gap financing)   | 4,000         | Soft Costs              | 900           |
|                               |               | Financing/Closing costs | 1,100         |
|                               |               |                         |               |
| <b>TOTAL</b>                  | <b>12,000</b> | <b>TOTAL</b>            | <b>12,000</b> |

## Discussion of Example Table

The table above contemplates a non-profit financing “substantial rehab” (more than 25% of QEI) of their existing facilities. In this example, the existing facilities, on which there is no existing debt, are appraised at \$5.9 million. The sponsor intends to spend \$5 million in hard and soft costs for the rehab ( $\$5/\$12 = 42\%$  which is greater than 25%). They have raised \$2.1 million in new cash from a capital campaign, but they are still short \$2.9 million necessary to fund the rehab. This is the gap that will be filled by the NMTC subsidy. Although the NMTC will generate \$4 million in subsidy, \$1.1 million of that will be used to fund costs associated with utilizing NMTC financing.

This financing envisions a \$5.9 million one-day loan and \$2.1 million in additional self-leverage.

## ANALYSIS

The debate is based on whether or not one-day loans and self-leverage meet Congressional intentions when establishing and renewing the program.

According to the CDFI Fund website, the stated purpose for the NMTC program is as follows:

**The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs).**

In the example sources and uses table above, it appears that the stated purpose of the program is fulfilled in that \$5 million is invested in capital improvements to the non-profit's facilities located in a low-income community. In this case, the improved space will allow the non-profit to expand services offered to the local community. The \$4.69 million in tax credits (39% of \$12 million) generated \$4 million in cash from the Investor ( $\$4.69 \text{ million} \times \$0.85/\text{tax credit dollar}$ ), which was used by the CDE to provide the financing to the QALICB.

From the CDFI Fund's stated purpose, the “private investment” to be attracted by the subsidy is the Investor. Thus the use of one-day loans and self-leverage, by increasing the QEI and thereby the tax credits generated by a given project, increases the private investment attracted to that project. In the example above, without the ability to self-leverage the equity in the existing facility and the capital campaign funds, the non-profit could only leverage \$4 million in cost. This transaction would then only generate \$1.56 million in tax credits ( $\$4 \text{ million} \times 39\%$ ) or \$1.3 million in gross cash from the Investor ( $\$1.56 \text{ million} \times \$0.85/\text{tax credit dollar}$ ). Thus even with addition outside the NMTC capital stack of the \$2.1 million in funds raised by a capital campaign, the QALICB would not have sufficient capital to fund the \$5 million in rehab cost.

Furthermore, the \$2.1 million contributed by the sponsor, in the form of self-leverage, is also new investments attracted to the project because of the NMTC subsidy, thus fulfilling the CDFI Fund's stated goal. Without the extra funds from the NMTC Investor, the \$2.1 million from the sponsor was not sufficient to make the capital improvements the site required.

However, it appears from the *Portland Press* articles, and statements made by the IRS representative at the Coalition Conference, that some critics of the program believe that the intention of Congress was to attract increased private investment at the leveraged loan level, presumably by reducing risk as the NMTC equity subsidy reduces the effective loan-to-cost/ loan-to-value ratios of the leveraged loan. If this is Congress's intention, then obviously one-day loans and self-leverage do not fulfill this intention because they are not new investments from third-parties attracted by the subsidy.

It is expected that in the near future IRS will issue guidance to the industry regarding one-day loans and self-leverage. However, if the IRS does not issue official guidance, at minimum the IRS decisions on the Bank of America audits will guide future industry practices.

In the interim, it appears that most CDEs expect to continue moving forward with closing NMTC transactions with their new awards regardless of whether or not a given project involves one-day loans or self-leverage.

#### *Great Northern Paper Mill Case*

The Great Northern Paper Mill Case involved state tax credits in Maine, not federal tax credits. Although there have been several attempts to establish state tax credits in California, the legislation has not yet been successful.

The most noteworthy difference between the Maine NMTC program and the federal program is that Maine's program involved paying investors the dollar amount of tax credits if the investor does not pay state taxes in Maine. These cash payments from State General Revenue for seven years for a failed company are probably harder for tax payers to accept than if the credits just represented foregone state tax revenues.

Also, apparently in Maine's program there are no regulations requiring substantial rehab (at least 25% of the QEI generating tax credits must be used for construction hard or soft costs under federal regulations). Under the federal program, the only way such a transaction would be possible would be if all parties to the NMTC transaction felt comfortable with the "but-for" test (without NMTCs the "pre-closing" construction would not have happened) and all of the construction work had occurred no more than 24 months prior to close of the transaction.

#### **ATTACHMENTS**

"Payday at the Mill", April 19, 2015

"Shrewd financiers exploit unsophisticated Maine legislators on taxpayers' dime," April 26, 2015

# **Tab 4**

**The Los Angeles Development Fund  
and Subsidiary**

**Consolidated Financial Statements  
(With Supplementary Information) and  
Independent Auditor's Report**

**December 31, 2014 and 2013**

# The Los Angeles Development Fund and Subsidiary

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## Independent Auditor's Report

To the Board of Directors  
The Los Angeles Development Fund and Subsidiary

We have audited the accompanying consolidated financial statements of The Los Angeles Development Fund and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

## *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Development Fund and Subsidiary as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 29 through 32 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Los Angeles, California  
June 26, 2015

**The Los Angeles Development Fund and Subsidiary**

**Consolidated Statements of Financial Position  
December 31, 2014 and 2013**

| <u>Assets</u>                                   |              |              |
|---|--------------|--------------|
|   | 2014         | 2013         |
| Cash  | \$ 1,277,471 | \$ 1,183,364 |
| Fees receivable                                 | 35,654       | 48,154       |
| Accounts receivable                             | 38,646       | 47,431       |
| Investments in limited liability companies      | 14,152       | 13,151       |
| Prepaid expenses                                | 2,052        | 2,051        |
| Total assets                                    | \$ 1,367,975 | \$ 1,294,151 |
| <u>Liabilities and Net Assets</u>               |              |              |
| Liabilities                                     |              |              |
| Accounts payable and accrued expenses           | \$ 43,410    | \$ 45,747    |
| Deferred loan servicing and compliance fee, net | 128,022      | 192,308      |
| Refundable deposits                             | -            | 25,000       |
| Total liabilities                               | 171,432      | 263,055      |
| Net assets - unrestricted                       | 1,196,543    | 1,031,096    |
| Total liabilities and net assets                | \$ 1,367,975 | \$ 1,294,151 |

See Notes to Consolidated Financial Statements.

**The Los Angeles Development Fund and Subsidiary**

**Consolidated Statements of Activities  
Years Ended December 31, 2014 and 2013**

|   | <u>2014</u>                | <u>2013</u>                |
|---|----------------------------|----------------------------|
| Income  |                            |                            |
| Placement fee   | \$ 200,000                 | \$ 200,000                 |
| Loan servicing and compliance fee                         | 428,730                    | 354,563                    |
| Asset management fees                                     | 36,000                     | 36,000                     |
| Reimbursement income                                      | -                          | 977                        |
| Income from investments in limited liability<br>companies | 146                        | 105                        |
| Interest income - bank                                    | 240                        | 365                        |
|   | <u>665,116</u>             | <u>592,010</u>             |
| Expenses  |                            |                            |
| Consultant fees   | 52,000                     | 37,173                     |
| Salary expense  | 340,638                    | 289,475                    |
| Payroll expense   | 20,164                     | 18,268                     |
| Insurance expense   | 6,891                      | 8,192                      |
| Legal fees  | 2,739                      | 5,428                      |
| Management fees   | -                          | 63,329                     |
| Professional fees   | 47,455                     | 49,423                     |
| Miscellaneous administrative expense                      | 29,782                     | 20,051                     |
|   | <u>499,669</u>             | <u>491,339</u>             |
| Change in unrestricted net assets                         | 165,447                    | 100,671                    |
| Net assets - unrestricted, beginning of year              | <u>1,031,096</u>           | <u>930,425</u>             |
| Net assets - unrestricted, end of year                    | <u><u>\$ 1,196,543</u></u> | <u><u>\$ 1,031,096</u></u> |

See Notes to Consolidated Financial Statements.

**The Los Angeles Development Fund and Subsidiary**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2014 and 2013**

|   | <u>2014</u>         | <u>2013</u>         |
|---|---------------------|---------------------|
| Cash flows from operating activities  |                     |                     |
| Change in unrestricted net assets   | \$ 165,447          | \$ 100,671          |
| Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities |                     |                     |
| Amortization of deferred servicing and compliance fee   | (64,286)            | (64,286)            |
| Income from investments in limited liability companies  | (146)               | (105)               |
| Changes in operating assets and liabilities   |                     |                     |
| Prepaid expense   | (1)                 | 1                   |
| Fees receivable   | 12,500              | 9,258               |
| Accounts receivable   | 8,785               | (2,813)             |
| Accounts payable and accrued expenses   | (2,337)             | 33,270              |
| Refundable deposits   | (25,000)            | (25,000)            |
| Due to affiliate  | -                   | (60,465)            |
|   | <u>94,962</u>       | <u>(9,469)</u>      |
| Net cash provided by (used in) operating activities   |                     |                     |
| Cash flows from investing activities  |                     |                     |
| Investments in limited liability companies  | (1,001)             | (1,000)             |
| Distributions from investments in limited liability companies   | 146                 | 109                 |
|   | <u>(855)</u>        | <u>(891)</u>        |
| Net cash used in investing activities   |                     |                     |
| Net increase (decrease) in cash   | 94,107              | (10,360)            |
| Cash, beginning of year   | <u>1,183,364</u>    | <u>1,193,724</u>    |
| Cash, end of year   | <u>\$ 1,277,471</u> | <u>\$ 1,183,364</u> |
| Supplemental disclosure   |                     |                     |
| Cash paid for interest  | <u>\$ -</u>         | <u>\$ -</u>         |

See Notes to Consolidated Financial Statements.

# **Tab 5**

**CERTIFICATE OF AMENDMENT OF  
ARTICLES OF INCORPORATION**

The undersigned certify that:

1. They are the **President** and the **Secretary**, respectively, of The Los Angeles Development Fund, a California nonprofit public benefit corporation.
2. Article VI, Section 1 of the Articles of Incorporation of this corporation is amended to read as follows:

The management and direction of the business of the Corporation shall be vested in its Board of Directors (the "Board") which shall consist of the following five (5) persons or their designees: (i) the General Manager of the Economic and Workforce Development Department of the City of Los Angeles; (ii) the General Manager of the Housing and Community Investment Department of the City of Los Angeles; (iii) the Chairman of the Industrial Development Authority of the City of Los Angeles; (iv) the Chief Legislative Analyst of the City of Los Angeles; and (v) the City Administrative Officer of the City of Los Angeles.

3. The foregoing amendment of the Articles of Incorporation has been duly approved by the board of directors.
4. The corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: July \_\_, 2015

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Rushmore Cervantes, President

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Sandy Rahimi, Secretary