

LADF

LOS ANGELES DEVELOPMENT FUND

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

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

April 21, 2017

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

APRIL 21, 2017

Tab Table of Contents

- 1** Board Meeting Agenda
- 2** Materials regarding Discussion Item A:
 - LADF Pipeline Report
- 3** Materials regarding Discussion Item B:
 - BOARD MEMO regarding Loan to Thai Town Marketplace Project
- 4** Materials regarding Action Item B:
 - DRAFT of Purchase Order with Josephine Diaz (*accounting consultant*)

Tab 1

A G E N D A

**SPECIAL 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 1070
200 N. SPRING STREET, LOS ANGELES, CA
Friday, April 21, 2017 | 11:00am – 12:00pm**

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Rushmore Cervantes	
	Roll Call	Rushmore Cervantes	
1	Discussion Items	Sandra Rahimi	
	a. LADF Pipeline Update		Tab 2
	b. LADF Leverage Loans		Tab 3
	c. 2017 NMTC Application		
2	Action Items	Sandra Rahimi	
	a. Request for Authorization of LADF staff to engage Novogradac, to act as a reader of LADF's 2017 NMTC Application. Maximum estimated contract cost is \$15,000.		
	b. Request for Authorization of the LADF President, or designee, to enter into a purchase order contract with Josie Diaz to provide accounting services for a 12-month period beginning on July 1, 2017 and ending on June 30, 2018.		Tab 4
	c. Request for Authorization of LADF President to (1) setup an online banking account with Wells Fargo Bank for the LADF and LADF Management, Inc. bank accounts and (2) setup view-only online accounts for LADF staff to be able to view bank statements online.		
	Request for Future Agenda Items	Rushmore Cervantes	
	• Request for Approval of \$10 Million Sub-Allocation of New Markets Tax Credits for the Anita May Rosenstein Campus Project		
	Next Meeting Date and Time of Governing Board	Rushmore Cervantes	
	• Thursday, May 11, 2017		
	Public Comment	Rushmore Cervantes	
	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

LADF

LOS ANGELES DEVELOPMENT FUND

PIPELINE PROFILES

LADF Board Meeting
April 21, 2017

LA FOOTBALL CLUB



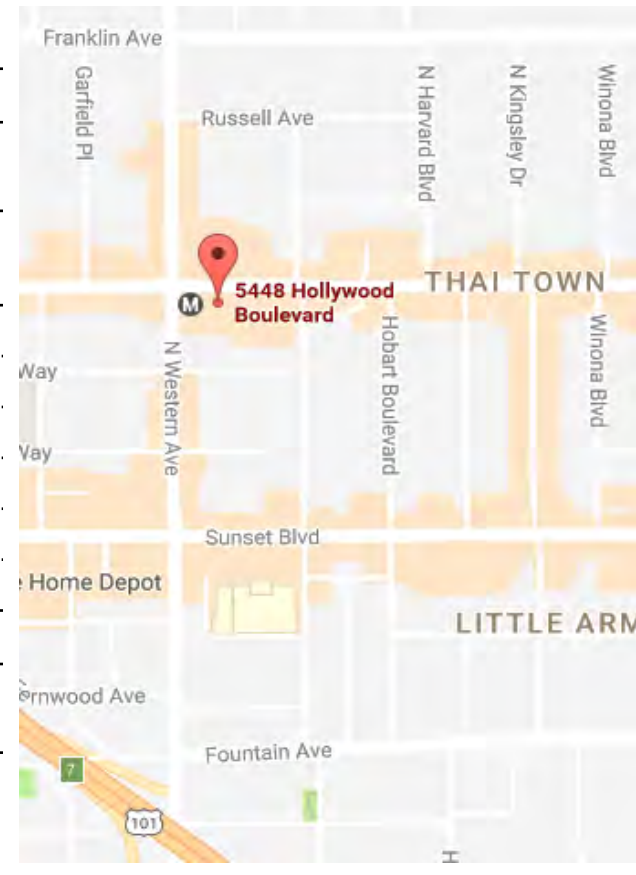
Developer:	Los Angeles Football Club												
Project Type:	Retail / Restaurant / Events Center, New Construction												
Description:	Construction of 70,000 SF of facilities, comprised of 20,000 SF of conference space, 5,000 SF sports-themed retail and a 30,000 SF food hall. Also proposed is public open spaces and community gathering spaces. The NMTC funding would finance the 30,000 SF food hall, which consists of 7 food stalls on the first floor and a large restaurant on the second floor. The site is located adjacent to the new stadium on the 15-acre site of the Los Angeles Memorial Sports Arena in Exposition Park next to the Los Angeles Memorial Coliseum in South L.A.												
Location:	3939 S. Figueroa Street, Los Angeles, CA 90037 (CD 9 - Price)												
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> ➤ 42.5% Poverty Rate (<i>greater than 30%</i>) ➤ 37.0% of Metro/State Median Income (<i>less than 60%</i>) ➤ 2.8x National Avg. Unemployment (<i>greater than 1.5x</i>) 												
Estimated TDC:	\$ 56,000,000 (<i>full build out</i>) \$ 34,000,000 (<i>food hall only</i>)												
Estimated NMTC Allocation:	Total QEI: \$ 20,000,000 LADF QEI: \$ 10,000,000												
Potential Sources of Funds:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Sponsor Equity:</td> <td style="width: 30%;">\$ 49,214,000 (<i>full build</i>)</td> <td rowspan="2" style="width: 20%; text-align: center; vertical-align: middle;">Lev. Loan Eligible</td> </tr> <tr> <td></td> <td>\$ 27,214,000 (<i>food hall</i>)</td> </tr> <tr> <td colspan="3">-----</td> </tr> <tr> <td>NMTC Equity (\$0.87 / NMTC):</td> <td>\$ 6,786,000</td> <td></td> </tr> </table>		Sponsor Equity:	\$ 49,214,000 (<i>full build</i>)	Lev. Loan Eligible		\$ 27,214,000 (<i>food hall</i>)	-----			NMTC Equity (\$0.87 / NMTC):	\$ 6,786,000	
Sponsor Equity:	\$ 49,214,000 (<i>full build</i>)	Lev. Loan Eligible											
	\$ 27,214,000 (<i>food hall</i>)												

NMTC Equity (\$0.87 / NMTC):	\$ 6,786,000												
Projected Closing:	TBD												
Current Status:	<ul style="list-style-type: none"> ➤ Sponsor controls site via 97-year lease with USC ➤ All entitlements obtained, demolition has commenced 												
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Job Creation: 100 Permanent – 17 Construction (<i>food hall only</i>) ➤ 51% of Hiring reserved for Local / Low-Income Persons ➤ 50% of jobs to offer LA City living wage ➤ 1 of 7 stalls to be used as restaurant incubator space 												



THAI TOWN MARKETPLACE

Developer:	Thai Community Development Center		
Project Type:	Food & Retail Community Market, Rehabilitation		
Description:	<p>Tenant improvement build-out for 4,500 SF interior & 2,700 SF exterior retail space for a new innovative community market. Project will incubate 18 food and retail small business vendors. The small businesses will receive entrepreneurship training through the API Small Business Program and ongoing technical assistance & shared office equipment. Sponsor will educate vendors on accepting WIC, food stamps, and other benefit programs. Project aims to create the first "Health and Wealth Zone" that links health outcomes with economic outcomes by helping low-income residents start their first business, creating jobs, and teaching financial & health literacy.</p>		
Location:	5448 Hollywood Blvd., Los Angeles, CA 90027 (CD 13 - O'Farrell)		
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> ➤ 41.5% of Metro/State Median Income (<i>less than 60%</i>) ➤ Located in a Federal Promise Zone 		
Estimated TDC/ NMTC Allocation:	\$ 4,700,000 (<i>approximate</i>)	Total QEI:	\$ 3,980,000
		LADF QEI:	\$ 3,980,000
Potential Sources of Funds:	Sponsor - <i>fundraising, cash</i>	\$ 861,000	Lev. Loan Eligible
	City: CDBG:	\$ 890,000	Lev. Loan Eligible
	City: CD13 Excess Bond Funds:	\$ 764,000	Lev. Loan Eligible
	City: AB 1290 Funds:	\$ 436,000	Lev. Loan Eligible
	<i>Proposed LADF Bridge Loan:</i>	\$ 368,000	Lev. Loan Eligible
	NMTC Equity (\$0.89 / NMTC):	\$ 1,381,000	
Projected Closing:	June 2017		
Current Status:	<ul style="list-style-type: none"> ➤ Sponsor controls site through a lease executed in July 2016 ➤ Entitlements completed, construction is 30% complete 		
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Job Creation: 40 Permanent – 20 Construction ➤ Promote entrepreneurship & job opportunities for minorities, as well as ex-offenders and chronically underemployed individuals. 		



Tab 3

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, Secretary
DATE: April 18, 2017
SUBJECT: Proposed Loan to Thai Community Development Center for Thai Town Marketplace

BACKGROUND AND SUMMARY

The Thai Town Marketplace (“**TTMP**”, or “**Project**”) project is an innovative transit-oriented public market and social enterprise project of the Thai Community Development Center (“**Sponsor**”), a 501(c)(3) non-profit organization that for over 20 years has focused on improving the East Hollywood community. TTMP is a highly-regarded community-based economic development strategy for the East Hollywood area strongly supported by community groups, foundations and public agencies. This model for community economic development is a bottom-up approach to provide jobs to disadvantaged populations, create low-barrier entrepreneurship opportunities, improve access to healthy produced foods, improve the neighborhood, and generate economic activity. It is a shovel-ready project that is already 30% constructed, despite a financing gap, and 83% pre-leased to eligible startup businesses that have completed the training program.

The Project is being built in two phases. The first phase consists of the interior build-out of the marketplace, and the second phase is the exterior build-out of the plaza space including retail kiosks. For Phase I, the Project has a financing gap of \$318,000, with a total budget of \$3.3 million. Given the smaller transaction size, and to maximize the net subsidy from a NMTC transaction, LADF is considering tax credit investment for Phase I and II combined. The budget for Phase I and II combined is estimated at \$4.7 million (*including NMTC fees and closing costs*). This would yield approximately a \$4.0 million NMTC allocation (*based on costs that may be leveraged in a NMTC structure*). In this scenario, even after the NMTC subsidy, the project funding gap to build out both phases is \$115,000.

To meet this gap, LADF staff is proposing that LADF make a Leverage Loan to the Sponsor in the amount of \$370,000. This Leverage Loan would accomplish two things: (1) fill the \$115,000 gap at the project-level by increasing the Qualified Equity Investment at the upper tier and thus providing additional net NMTC subsidy to meet the gap, and (2) capitalize the NMTC structure with the exact amount needed to pay LADF’s upfront fees and fund a reserve (*pledged to LADF*) to cover LADF’s ongoing asset management fees and expense reimbursements for the seven-year NMTC Compliance Period. The breakout of the \$370,000 amount is as follows:

- \$80,000 – LADF Placement Fee (*paid to LADF at closing*)
- \$210,000 – LADF Asset Management Fees @ 0.75% per year for 7 years (*placed in LADF reserve*)
- \$80,000 – LADF Expense Reimbursements @ \$10,000 per year for 8 years (*placed in LADF reserve*)

FINANCIAL STRUCTURE AND RISK

The proposed LADF Leverage Loan will be structured with the following loan terms:

<i>Loan Amount:</i>	\$370,000
<i>Interest Rate:</i>	1.0% (<i>monthly compounding</i>)
<i>Loan Term:</i>	7.5 Years
<i>Amortization / Payment Terms:</i>	Interest-Only During Construction, 8-Year Amortization Thereafter
<i>Cash Sweep:</i>	Additional payment of 50% of all excess cash flow (<i>after debt service</i>) to be applied towards unpaid principal balance
<i>Debt Service Coverage Ratio:</i>	1.10x DSCR must be maintained (<i>upon stabilization</i>)

The following table represents the most recent operational projections (*dated Feb. 2, 2017*), including projections for the pay down of LADF's Leverage Loan:

Financial Projections¹	Closing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
A. Operational NOI / Cash Flow Available for Debt Service	-	<i>Constr. Period</i>	100,746	105,863	55,728	55,576	55,407	55,219	55,011
B. LADF Loan Payment – PRINCIPAL	-	-	(44,493)	(45,108)	(45,843)	(46,403)	(46,905)	(47,411)	(23,897)
C. LADF Loan Payment – INTEREST	-	(3,700)	(3,617)	(3,001)	(2,267)	(1,707)	(1,205)	(699)	(158)
Cash Flow After Debt Service	-	-	52,636	57,753	7,618	7,466	7,297	7,109	30,956
D. 50% Excess Cash Sweep	-	-	(28,870)	(31,429)	(6,361)	(6,285)	(6,201)	(3,999)	-
Total LADF Loan Payment (B+C+D)	-	(3,700)	(74,428)	(76,986)	(51,919)	(51,843)	(51,758)	(51,664)	(24,055)
LADF LOAN BALANCE	370,000	370,000	299,189	225,204	175,552	125,416	74,863	23,897	0

The financial risk with the proposed LADF Leverage Loan is measured by assessing the pro forma operational statement of the Project (*see table above*). As shown, the projected debt service coverage ratio will meet the 1.10x ratio requirement for the loan for the duration of the seven-year loan term.

Additionally, the risk assessment also takes into consideration the fees that will be collected by LADF, either paid upfront to or reserved and pledged to LADF at closing. Since the LADF loan does not exceed the amount of fees and expense reimbursements that LADF is guaranteed as part of the proposed NMTC transaction, LADF would not be at risk of losing money in the transaction (*unless there is an NMTC Recapture Event, and LADF was unable to reinvest its NMTC allocation into another project within 9 months*). In assessing the downside scenarios for making this loan, the worst case would be that the Sponsor defaults on 100% of the repayment of the loan. Even in this worst case scenario, LADF would be guaranteed to receive the proceeds held in the LADF fee and expense reserve, which (*in addition to the upfront fees collected by LADF*) equal the total LADF loan amount. Thus, for the entire transaction as a whole (*including the LADF loan and LADF allocation placement*), LADF would incur a net loss of at most \$80,000 (*since the \$80,000 reserve for expense reimbursements would be used towards actual expenses paid by LADF*) and staff time spent to manage the asset. Below is a breakdown of this downside scenario.

	LADF Cash Outflows	LADF Cash Inflows
<u>LADF Loan Items</u>		
- Loan Funding	(\$370,000)	-
<u>LADF NMTC Allocation Placement</u>		
- Upfront Fees	-	\$80,000
- Asset Mgmt Fees (<i>reserved</i>)	-	\$210,000
- Reimbursable Expense (<i>reserved</i>)	(\$80,000)	\$80,000
TOTAL CASH FLOWS	(\$450,000)	\$370,000
LADF IMPACT – Downside Scenario	(\$80,000)	

¹ The operational projections for the budget include two operational grants committed to the Project for the first two years of operations in the amounts of \$100,000 for Year 1 and \$75,000 for Year 2. This is the reason for the additional Project cash flow after debt service in the first two years. The operational projections for all years after completion also assume a 5% vacancy rate on the 12 interior food stalls and 25% vacancy rate on the 6 exterior retail kiosks.

RATIONALE

As a nonprofit and municipally-controlled Community Development Entity, LADF's fee structure is lower than average to ensure the greatest benefit is obtained by the projects it finances with NMTCs and the low-income communities they serve. Early in its history, LADF did not anticipate making excess profits to be able to engage in other financing activities (*other than NMTCs*) to help support projects in low-income communities. However, since 2011, LADF has been awarded \$100 million in NMTC allocation and has accumulated a significant unrestricted cash balance (*\$1.2 million as of the beginning of 2017, and anticipated to be \$2.1 million by the end of 2017*).

In LADF's NMTC allocation applications, we have consistently stated that to the extent that we have any surplus profits we will use them to finance other NMTC-like activities. This may include (1) supporting small business development efforts in the City's low-income communities by making loans and/or grants to capitalize emerging small businesses and (2) providing pre-development loans to projects and/or leverage loans for NMTC qualifying projects in LADF's service area that are unable to secure other traditional sources of financing. Such activities are viewed favorably by the CDFI Fund for their innovative uses of NMTC-derived assets.

The LADF loan to the TTMP project would help LADF meet this commitment of using its surplus to further support NMTC-like activities.

ATTACHMENTS

None.

Tab 4



LOS ANGELES DEVELOPMENT FUND

PURCHASE ORDER

Purchase Order No.:	LADF 17-0002		
Date of Issue:	April 18, 2017		
Start Date:	July 1, 2017		
Completion Date:	June 30, 2018		
Vendor Name:	Josephine Diaz	Bill To:	
Vendor Address:	748 Groveton Avenue San Dimas, CA 91773	Accounts Payable Los Angeles Development Fund 1200 W. 7 th Street, 8 th Floor Los Angeles, CA 90017	
Vendor Contact:	Josephine Diaz		
Vendor Phone:	(909) 973-5673	Contract No.:	N/A
Vendor Email:	jdiazwrks4u@msn.com	Project/RFP No.:	N/A
Vendor No.:	LADF-18	Purchase Order Total:	\$50,000.00
Fiscal Year(s):	2017-18		
Payment Terms:	NET 30 after receipt of invoice		
For questions about this Purchase Order please contact:	Sandra Rahimi (213) 808-8959 sandra.rahimi@lacity.org		
Scope/Description of Services:			
<p>As directed by Rushmore Cervantes, LADF President or his designee, Josephine Diaz shall: Provide Accounting / Bookkeeping Services to LADF for an amount not to exceed <u>\$50,000.00</u>, which includes, but is not limited to:</p> <ul style="list-style-type: none"> • Develop and monitor LADF's operating budget • Manage LADF's bookkeeping (track cash inflows and outflows) • Report regularly on LADF's and subsidiary CDEs' financial position (quarterly/semiannually) • Assist in preparing and/or contracting for audited financial statements (must be submitted to CDFI Fund no later than 180 days after end of fiscal year) • Process biweekly payroll for LADF employees • Provide any other tax and accounting services as requested by LADF • Maintain LADF's insurance policies, including Directors & Officers Liability, Workers' Compensation and other policies as requested by LADF 			
Time of Performance			
<p>Josephine Diaz (Consultant) shall provide services to LADF, as requested, starting July 1, 2017 through June 30, 2018, unless otherwise provided by written Purchase Order change hereto.</p> <p>Consultant shall provide services at least one business day (eight hours) per week, unless otherwise mutually agreed upon.</p>			



LOS ANGELES DEVELOPMENT FUND

PURCHASE ORDER

Compensation:

Maximum compensation for satisfactory services performed, including allowable reimbursable expenses, shall not exceed \$50,000.00 in the 12-month period.

Method of Payment:

Consultant shall be compensated in accordance with the following schedule:

Hourly Rate: Josephine Diaz (Consultant) shall be compensated at the rate of \$80.00 per hour.

Mileage: Not applicable

Other Expenses: Expenses not specifically set forth herein which are incurred by the Consultant may be reimbursed provided that such expense(s) are documented and approved by the LADF Representative as being necessary, reasonable, and in proper conduct of LADF business.

Receipts: Receipts are required for all expenses.

Maximum Compensation payable to Consultant for satisfactory completion of the professional services set forth herein and reimbursement of out-of-pocket expenses shall not exceed the amount shown in the Purchase Order total section above.

Terms/Conditions:

Consultant shall comply with the Terms and Conditions attached hereto as Exhibit "A" and by this reference incorporated herein except that Article 3, Insurance, in the attached Terms and Conditions are not applicable and are hereby replaced with the following:

3. Hold Harmless Provision

It is understood and agreed that the Consultant is not an employee of the Housing and Community Investment Department of the City of Los Angeles (HCID) or LADF and is solely responsible for the payment of self-employment taxes such as (by way of example only) Federal and State Income Taxes, Social Security contributions (FICA), unemployment and disability insurance charges and any similar costs based on earnings. The Consultant shall indemnify HCID and LADF against such costs including any interest or penalties imposed for non-payment or non-timely payment by the Consultant.

The Consultant agrees to assume the risks of injury or illness which may be associated with the Consultant's activities under this Contract and waives any claim to worker's compensation, employer's liability, or other employee benefits from the HCID or LADF. The Consultant further agrees to waive all rights of recovery and to release and forever discharge the HCID, LADF, and the City of Los Angeles from liability for any bodily injury, illness or disease which may be incurred by the Consultant in the performance of this Contract, except as may arise from the gross negligence or willful misconduct of HCID or LADF.



LOS ANGELES DEVELOPMENT FUND

PURCHASE ORDER

LADF President

Authorized Vendor Representative

This order, including the terms and conditions contains the complete agreement between LADF and Vendor for the goods and/or services specified by this order. This Order may be accepted only upon the terms and conditions specified on the attached exhibit unless otherwise stated on this order.

DRAFT