LADF

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.

September 12, 2019

MEETING *of the*

GOVERNING BOARD OF DIRECTORS *and* ADVISORY BOARD OF DIRECTORS *of*

THE LOS ANGELES DEVELOPMENT FUND *and* LADF MANAGEMENT, INC.

SEPTEMBER 12, 2019

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LADF
LOS ANGELES DEVELOPMENT FUND

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 1050
200 N. SPRING STREET, LOS ANGELES, CA
Thursday, Sept 12, 2019 | 2:30pm – 4:00pm

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Rushmore Cervantes	
	Roll Call	Sandra Rahimi	
1	**Discussion Items**	Sandra Rahimi	
	a. Pipeline Update		Tab 2
	b. 2019 Application for Additional NMTC Allocation		
2	**Action Items**	Sandra Rahimi	
	a. Request for Authorization for LADF President, or his delegate, to execute documents to effectuate a $15 Million Sub-Allocation of New Markets Tax Credits for the **Vallarta Van Nuys Project** from the 2017 allocation.		Tab 3
	b. Request for Authorization for LADF President, or his delegate, to execute documents to effectuate an additional $3 Million Sub-Allocation of New Markets Tax Credits for the **Heart of Los Angeles Project** from the 2018 allocation.		Tab 4
	c. Authorization to Apply to the CDFI Fund for up to $80 million in allocation in the CY 2019 Round New Markets Tax Credit Application		
	d. Request for Authorization to extend Purchase Order contract with Christopher Chorebanian for Asset Management and Compliance Services through September 30, 2020 on as-needed basis		
	e. Request for Authorization to extend Purchase Order contract with Josephine Diaz for Accounting Services through September 30, 2020 on as-needed basis		
	f. Request for Authorization of LADF staff to engage Novogradac to assist with drafting LADF's 2019 NMTC Application. Maximum estimated contract cost is $30,000.		
3	**Closed Session Items**	Rushmore Cervantes	
	a. LADF Staff Compensation		
	Request for Future Agenda Items	Rushmore Cervantes	
	Next Meeting Date and Time of Governing Board	Rushmore Cervantes	
	• Thursday, Oct 10, 2019, 2:30pm – 4:00pm		
	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) 808-8959.

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

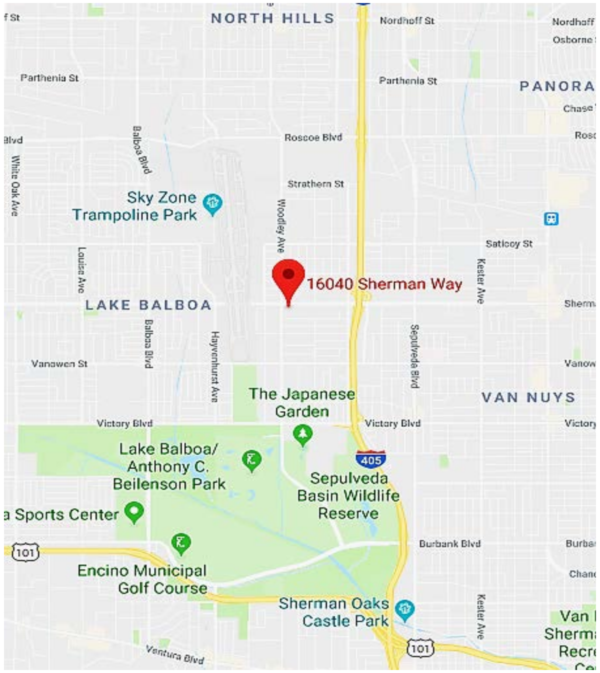
LOS ANGELES DEVELOPMENT FUND

PIPELINE PROFILES

LADF Board Meeting
September 12, 2019

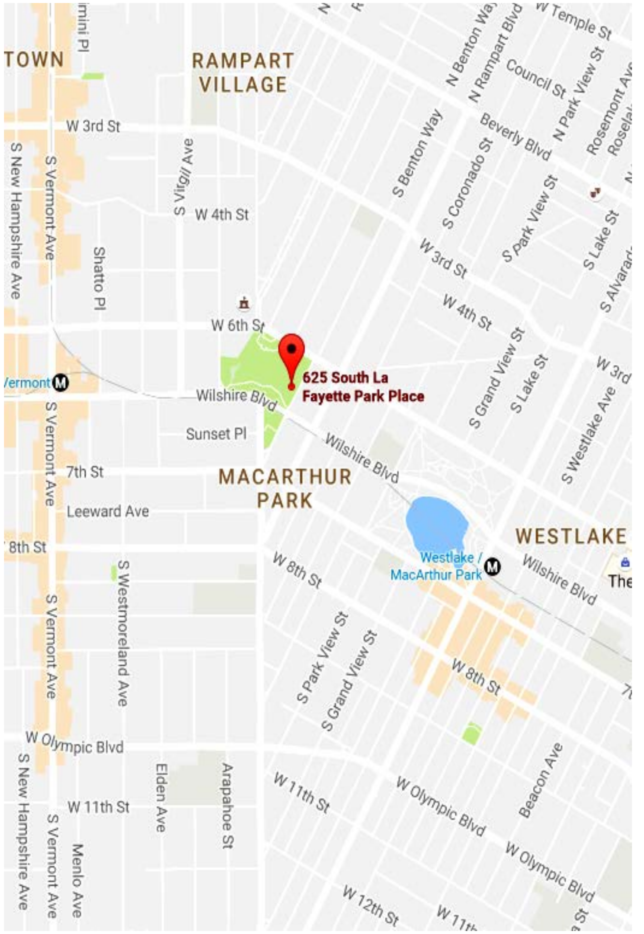
VALLARTA VAN NUYS SUPERMARKET

Developer:	Vallarta Supermarket
Project Type:	Full-Service Grocery Store, Substantial Rehab
Description:	Project includes the substantial rehab of a vacant **41,000 SF** Toys R Us property to create a full service, minority-owned grocery store in a USDA designated food desert. On average, 42% of products sold by Vallarta Supermarkets qualify as fresh/healthy options. Vallarta estimates that 80% of the 235 permanent FTEs (182 full time & 68 part time @ 27 hours/week) will be filled by bilingual low-income residents of the surrounding community. NMTC will compensate for the high cost of land purchase and the rising Los Angeles minimum wage and allow Vallarta to maintain grocery prices low and affordable to the surrounding low-income community.
Location:	16040 Sherman Way, Van Nuys, CA 91406 (**CD 6**)
Census Tract Eligibility (2015-16):	➢ **<u>30.2%</u>** Poverty Rate (*greater than 20% and 30%*) ➢ **<u>44.7%</u>** of Metro/State Median Income (*less than 80% and 60%*) ➢ **USDA-Designated Food Desert**
Estimated TDC & NMTC Allocation:	Budget: $ 33,800,000 — Total QEI: $ 15,000,000 LADF QEI: $ 15,000,000
Potential Sources of Funds:	Bank of the West Loan: $ 13,800,000 — **Non-NMTC Source** Sponsor Equity: $ 5,000,000 — **Non-NMTC Source**; $ 10,100,000 — **Lev. Loan Eligible** NMTC Equity ($0.82 / NMTC): $ 4,900,000 — ***Net NMTC Equity***
Projected Closing:	October 2019
Current Status:	➢ Finalizing investor and partner CDEs.
Community Benefits/Impact:	➢ Job Creation: **235** Permanent – **30** Construction ➢ Full service grocery in a **USDA Food Desert** ➢ Minority-owned QALICB



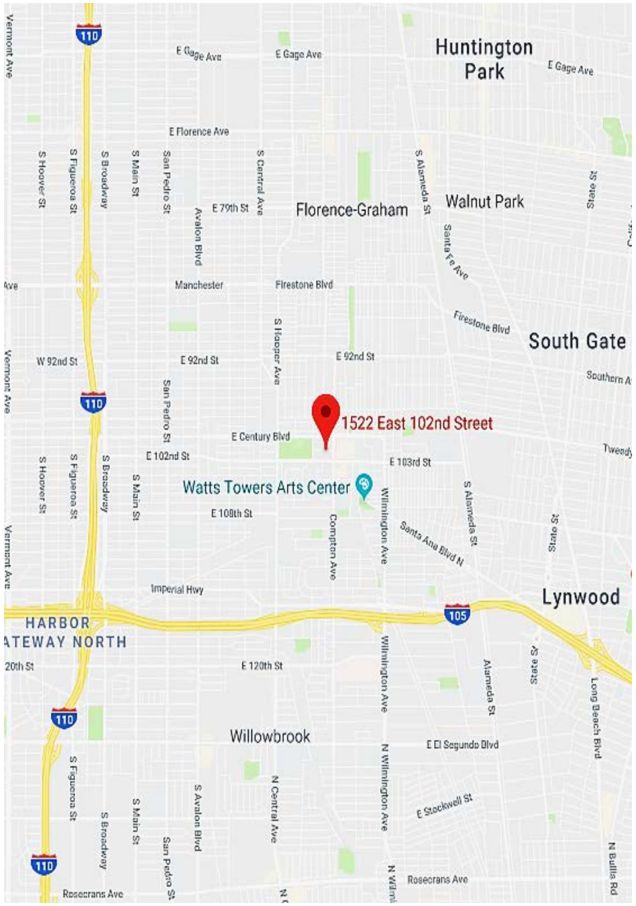
HEART OF LOS ANGELES

Developer:	Heart of Los Angeles (HOLA)
Project Type:	Community Facility, New Construction
Description:	Project is a 25,000 SF arts, enrichment and recreation center, located in a City park, that will be used by HOLA for its academic, arts, music, and community engagement programs. NMTCs will also be used to provide working capital to HOLA for its operations. Heart of Los Angeles (HoLA) provides underserved youth with free, programs in academics, arts and athletics within a nurturing environment, empowering them to develop their potential, pursue their education and strengthen their communities. Of all the youth HoLA provides services to 97% live in poverty. HOLA has helped 95% of these youth finish high school and enter college.
Location:	625 S. Lafayette Park Place, Los Angeles, CA 90057 (**CD 10**)
Census Tract Eligibility (2015-16):	➢ **56.6%** of Metro/State Median Income (*less than 80% and 60%*) ➢ Located in a ***State Enterprise Zone*** and ***Federal Promise Zone***
Estimated TDC & NMTC Allocation:	Budget: $ 18,480,000 LADF 2nd QEI: $ 3,000,000 (2019) Total 1st QEI: $ 14,550,000 LADF 1st QEI: $ 2,750,000 (2017)
Potential Sources of Funds:	1st QEI Sources: $ 15,120,000 Sponsor Cap. Campaign: $ 2,410,000 **Lev. Loan Eligible** NMTC Equity ($0.81 / NMTC): $ 950,000
Projected Closing:	November 2019
Current Status:	➢ 1st QEI closed on September 14, 2017 ➢ Project has experienced unexpected delays and cost overruns ➢ Construction Completion is now expected in December 2019
Community Benefits/Impact:	➢ Job Creation: **10** Permanent – **100** Construction ➢ Increase Sponsor's capacity from serving 500 students per day and 2,300 persons per year to **800 students per day** and **4,000 persons per year**



CHILDREN'S INSTITUTE (*WATTS CAMPUS*)

Developer:	Children's Institute, Inc. (CII)
Project Type:	Community Facility, New Construction and Substantial Rehab
Description:	Construction of a new **20,000 SF** state-of-the-art community facility in Watts for the Children's Institute, providing holistic, integrated services for at-risk children, youth and families. CII's new facility will serve approximately 2,000 low-income individuals annually, with programs focused on mental health, early care and education, youth development, and family support services. The project also includes renovation of two existing buildings on the property, providing **6,000 SF** of CII and community meeting space, and **14,000 SF** of leasable space for nonprofits and community-serving businesses. A portion of the space will be leased to a tenant that provides affordable, fresh, healthy foods.
Location:	1522 East 102nd St., Los Angeles, CA 90002 (**CD 15**)
Census Tract Eligibility (2015-16):	➢ **37.3%** Poverty Rate (*greater than 20% and 30%*) ➢ **47.9%** of Metro/State Median Income (*less than 80% and 60%*)
Estimated TDC & NMTC Allocation:	Budget: $ 24,000,000 — Total QEI: $ 24,000,000 LADF QEI: $ 11,000,000
Potential Sources of Funds:	Capital Campaign, inc. City Prop. K Grant, Sponsor cash-on-hand: $ 16,500,000 — **Lev. Loan Eligible** NMTC Equity ($0.80/NMTC): $ 7,500,000
Projected Closing:	December 2019
Current Status:	➢ CII Board has retained Frank Gehry as pro-bono design architect ➢ Capital campaign is in process – $11mm committed ➢ Genesis LA committed $13MM in allocation
Community Benefits/Impact:	➢ Job Creation: ***TBD*** Permanent – ***TBD*** Construction ➢ Project will serve **2,000** low-income individuals per year ➢ Provide space for community meetings and nonprofit tenants ➢ Provide affordable, fresh, health foods in a **USDA Food Desert** ➢ Sponsor's track record shows that 90% of the 24,000 individuals it serves annually would qualify as Low-Income



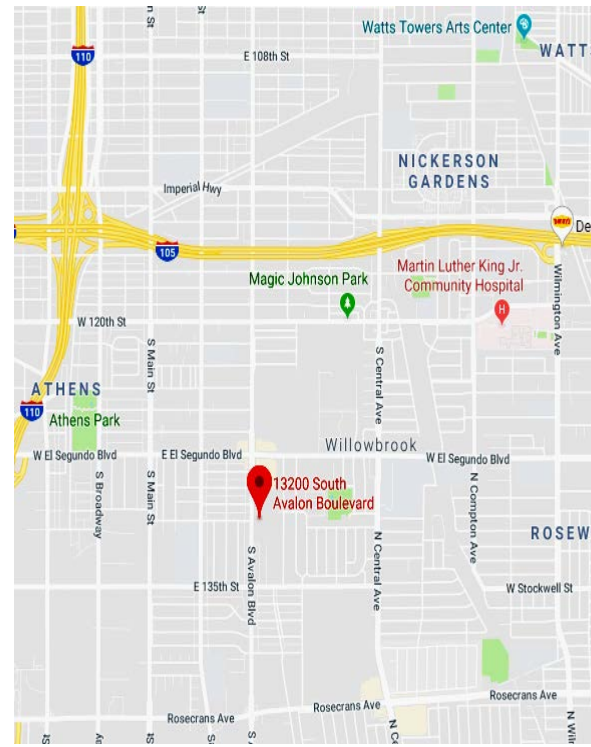
DEBBIE ALLEN DANCE ACADEMY

Developer:	Debbie Allen Dance Academy ("DADA")
Project Type:	Community Facility, Substantial Rehab
Description:	Project includes the rehabilitation of a **24,000 SF** facility for DADA's dance instruction and programming. DADA is a non-profit organization that offers a comprehensive dance curriculum to students ages four and up. DADA has an enrollment of 800+ children annually and serves 15,000+ community members annually through its community outreach programs. The project will allow DADA to relocate from its existing 8,000 SF facility to this 24,000 SF facility, allowing it to have more studios and accommodate twice the number of students. The project also highlights a **200 seat performance center** which will reduce costs from rehearsal and performance space rentals. The project will also accommodate an enhanced production studio that will house additional classes and an internship program for the following: lighting design, music composition, sound design, tech theater, hair and make-up design, ariel dance, play and screenwriting, and academic tutoring.
Location:	2221-2231 W. Washington Blvd, Los Angeles, CA 90018 (**CD 10**)
Census Tract Eligibility (2015-16):	➢ **<u>34.3%</u>** Poverty Rate (*greater than 20% and 30%*) ➢ **<u>46.8%</u>** of Metro/State Median Income (*less than 80% and 60%*)
Estimated TDC & NMTC Allocation:	Budget: $ 18,100,000 — Total QEI: $ 16,000,000 LADF QEI: $ 11,000,000
Potential Sources of Funds:	Capital Campaign: $ 10,800,000 — **Lev. Loan Eligible** NMTC Equity ($0.83 / NMTC): $ 5,200,000
Projected Closing:	December 2019
Current Status:	➢ Sponsor was gifted the site ➢ Entitlements are ongoing, RTI permits expected Q4 2019 ➢ Closing on $5mm of $16mm NMTC allocation in June 2019
Community Benefits/Impact:	➢ Job Creation: **35** Permanent – **75** Constr. (***70%*** *local* / ***20%*** *MWBE*) ➢ Increase enrollment capacity from 800 to **1,600 students annually** – *80% minority and 75% low-income persons* ➢ Sponsor is a **minority women-owned business**

ANGELES HOUSE

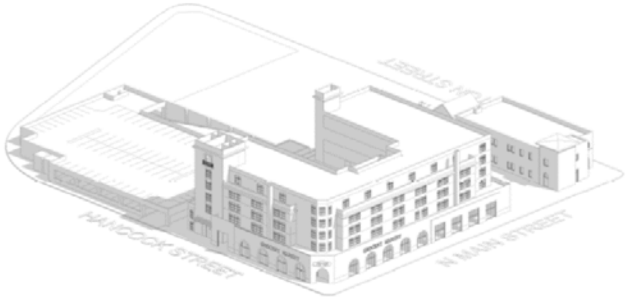
UNION RESCUE MISSION
The Way Home

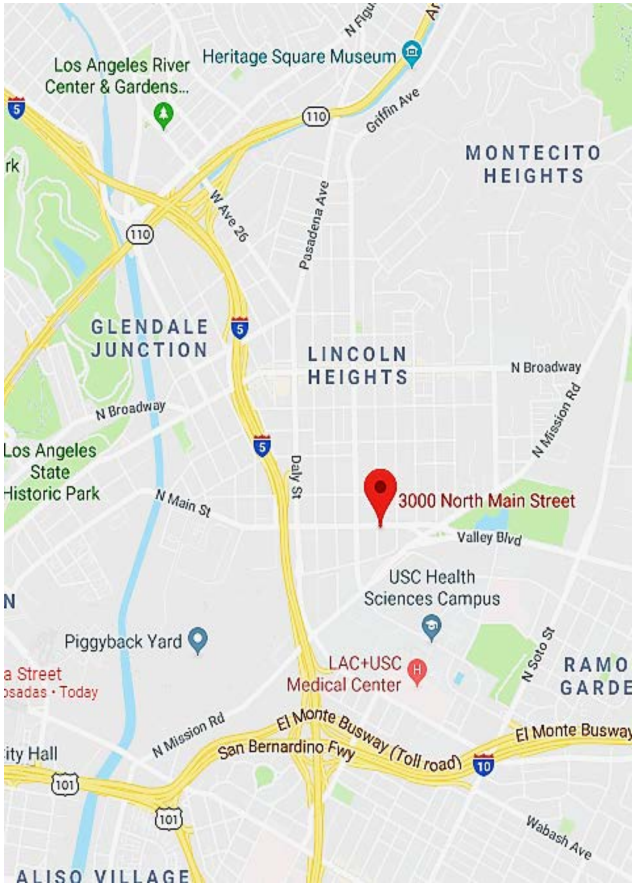
Developer:	Union Rescue Mission
Project Type:	Transitional Housing and Services Facility, New Construction
Description:	Project includes the new construction of a **75,000 SF** transitional housing facility, which will charge no rent to its residents and provide social services to homeless families in Los Angeles. The facility will provide **86 new private housing units** with capacity for **370 family members**, and each unit will contain an individual bedroom and bathroom. The facility is also designed and will be constructed to achieve LEED Silver certification or equivalent.
Location:	13200 Avalon Blvd., Los Angeles, CA 90061 (***LA County unincorp.***)
Census Tract Eligibility (2015-16):	➢ **76.5%** of Metro/State Median Income (*less than 80%*) ➢ **Severely Distressed** guidelines met due to a major disaster declaration and medical services in a medically underserved area
Estimated TDC & NMTC Allocation:	Budget: $32,600,000 Total QEI: $ 25,000,000 LADF QEI: $ 10,000,000
Potential Sources of Funds:	Capital Campaign: $ 24,600,000 **Lev. Loan Eligible** NMTC Equity ($0.82 / NMTC): $ 8,000,000 ***Net NMTC Equity***
Projected Closing:	December 2019
Current Status:	➢ Sponsor acquired site in March 2018 ➢ Design and permitting is complete ➢ Construction start expected in December 2019 ➢ Genesis LA has committed to the project
Community Benefits/Impact:	➢ Job Creation: **33** Permanent – **TBD** Construction ➢ Project expected to place 50 families per year into permanent housing and 30 to 40 adults into employment ➢ Up to 60 children under age 5 provided with **daycare** ➢ **1,000 dental procedures**, and **2,000 mental health exams** per year ➢ 40 to 60 families provided with **legal assistance** per year ➢ **1,000 meals served per day** in congregate dining area ➢ Residents to receive **case management and education classes**



THE BRINE PROJECT

Developer:	Decro Corporation
Project Type:	Mixed-Use, Primarily New Construction
Description:	Construction of a new mixed-use project on the site of a former pickle factory in the Lincoln Heights neighborhood of Los Angeles. The project will include the following uses: (1) **30,000 SF** grocery store & community retail, providing increased access to fresh, healthy foods in a **USDA-Designated Food Desert**; (2) **11,000 SF** health clinic operated by Violence Intervention Program (VIP), a nonprofit organization founded in 1984 to provide comprehensive medical, forensic, mental health, advocacy and supportive services to victims of child abuse, neglect, sexual assault, domestic violence and elder abuse; and (3) **3,300 SF** pediatric mental health clinic, also operated by VIP, to provide quality therapy services for children who are victims of abuse, many of whom are from the foster care system. Additionally, project adds 97 affordable housing units *(NOT financed by NMTCs)*, of which 49 will be permanent supportive housing units for seniors and transitional-aged youth
Location:	3000 N. Main Street, Los Angeles, CA 90031 (**CD 15**)
Census Tract Eligibility (2015-16):	➢ <u>**36.6%**</u> Poverty Rate (*greater than 20% and 30%*) ➢ <u>**42.4%**</u> of Metro/State Median Income (*less than 80% and 60%*)
Estimated TDC & NMTC Allocation:	Budget: $ 27,800,000 Total QEI: $ 27,800,000 LADF QEI: $ 10,000,000
Potential Sources of Funds:	CDFI Loan: $ 11,500,000 **Lev. Loan Eligible** Sponsor Equity: $ 1,000,000 **Lev. Loan Eligible** Cap. Campaign/Equity Partner: $ 8,400,000 **Lev. Loan Eligible** Net NMTC Equity (*after cost*): $ 6,900,000
Projected Closing:	October 2020
Current Status:	➢ Design development is ongoing ➢ Sponsor working to secure LIHTC funding for supportive housing units
Community Benefits/Impact:	➢ Job Creation: **55** Permanent – **50** Construction ➢ Grocery store in a **USDA-designated Food Desert** ➢ Health center in a **Medically Underserved Area**



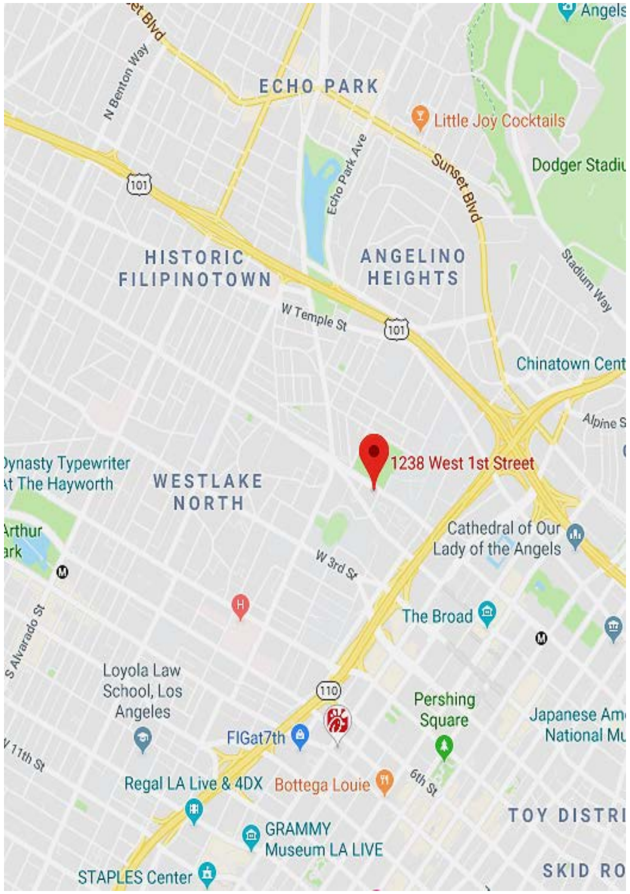


HIGH TECH LOS ANGELES MIDDLE SCHOOL

Developer:	Pacific Charter School Development
Project Type:	Charter School, New Construction
Description:	Project is a **27,500 SF** charter school facility in the Van Nuys neighborhood of Los Angeles. Project will be built on an existing YMCA-owned parcel and be located adjacent to the Mid-Valley YMCA. This charter school will add 450 seats for 6th, 7th, and 8th grade students. Project will also renovate and upgrade an existing on-site parking lot. In the 2016-17 school year, 93.6% of High Tech LA's students qualified for the free or subsidized lunch program.
Location:	6862 Van Nuys Blvd., Van Nuys, CA 91405 (**CD 6**)
Census Tract Eligibility (2015-16):	➢ **<u>27.8%</u>** Poverty Rate (*greater than 20%*) ➢ **<u>52.1%</u>** of Metro/State Median Income (*less than 80% and 60%*) ➢ **<u>1.54x</u>** National Avg. Unemployment (*greater than 1.5x*)
Estimated TDC/ NMTC Allocation:	TDC: $ 17,000,000 — Total QEI: $ 16,000,000; LADF QEI: $ 10,000,000
Potential Sources of Funds:	Leverage Loan (LISC): $ 5,850,000 — **Lev. Loan Eligible** Grant (GPSN): $ 1,500,000 — **Lev. Loan Eligible** NMTC Equity ($0.85 / NMTC): $ 3,650,000
Projected Closing:	TBD
Current Status:	➢ Sponsor is in final negotiations for a ground lease with YMCA ➢ Sponsor identifying source loan for $4MM to capitalize lease
Community Benefits/Impact:	➢ Serve 450 6th through 8th grade students ➢ Sustainability: LEED Gold certification anticipated

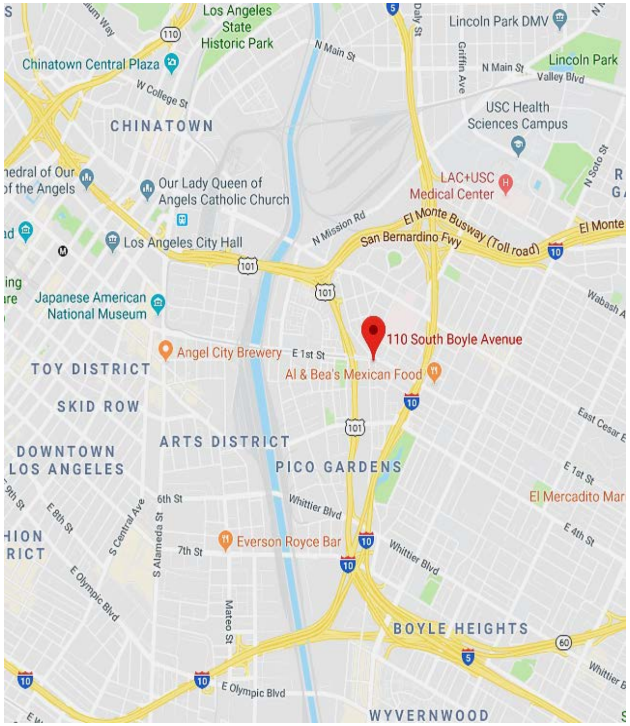
SHAKESPEARE CENTER OF LOS ANGELES

Developer:	The Shakespeare Center of Los Angeles, Inc.
Project Type:	Live Theater/Arts Facility, Substantial Rehabilitation
Description:	Project is a **22,000 SF** arts facility in the Westlake neighborhood of Los Angeles to support the world-class inspired productions of Shakespeare plays. The project will create a dedicated space for the sponsor's workforce development programming available to impoverished teens, young adults, and veterans enrolled in vocational rehabilitation programs. After the expansion of the facility, they will be able to have a 400-seat theater and run eight productions per week, which will bring an addition of 48,000 tickets annually with an average ticket price of $60.
Location:	1238 W 1st Street, Los Angeles, CA 90026 (**CD 1**)
Census Tract Eligibility (2015-16):	➢ <u>**33.2%**</u> Poverty Rate (*greater than 20% and 30%*) ➢ <u>**47.8%**</u> of Metro/State Median Income (*less than 80% and 60%*)
Estimated TDC/ NMTC Allocation:	TDC: $ 13,600,000 Total QEI: $ 12,000,000 LADF QEI: $ 12,000,000
Potential Sources of Funds:	Capital Campaign (Secured): $ 3,000,000 **Lev. Loan Eligible** Capital Campaign (Targeted): $ 7,300,000 **Lev. Loan Eligible** NMTC Equity ($0.85 / NMTC): $ 3,300,000
Projected Closing:	December 2019
Current Status:	➢ Permits expected in late 2019 ➢ Construction commencement expected in January 2020
Community Benefits/Impact:	➢ Hire 65 to 78 youth and 30 to 40 veterans per year ➢ Provide equally accessible cultural enrichment to students enrolled in the three Title One high schools near the facility ➢ Provide work-readiness training to the students



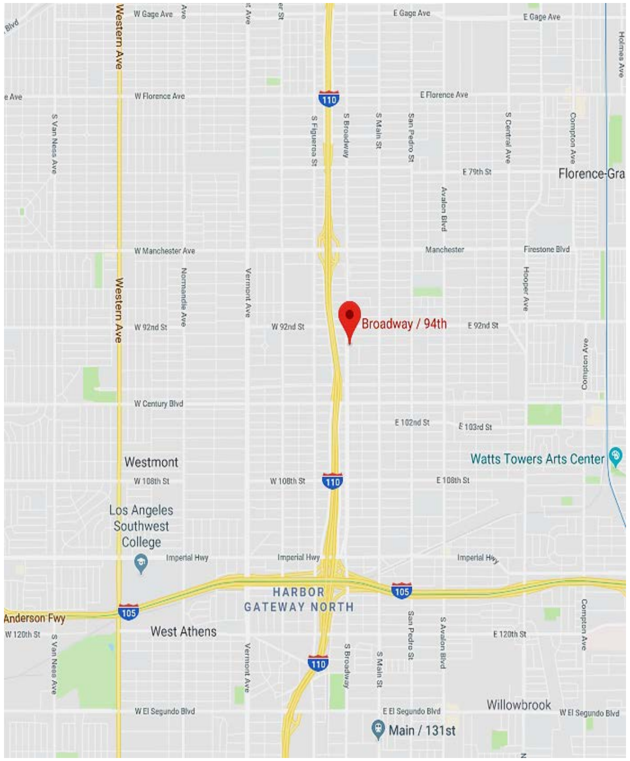
LA GUADALUPE

Developer:	The Shakespeare Center of Los Angeles, Inc.
Project Type:	Mixed Use, New Construction
Description:	Project is a **60,000 SF** mixed use facility in the Boyle Heights neighborhood of Los Angeles. The project will construct a five-story building comprised of 44 permanent supportive affordable units, 7,500 square feet of ground floor retail, 83 subterranean parking stalls, and 5,700 square feet of communal space. The NMTCs will finance only the retail space. The housing component will offer studios, 1, and 2-bedroom units to families earning between 30% and 50% AMI. The housing component is specifically available to individuals and families currently homeless or previously homeless. The 5,700 square feet of dedicated communal space includes a 1,136 SF community room, private rooms for the two (2) on-site Case Managers, a sky deck for resident use, and a courtyard comprised of tables, benches, BBQ pits, and other amenities.
Location:	110 South Boyle Avenue, Los Angeles, CA 90033 (**CD 14**)
Census Tract Eligibility (2015-16):	➢ **35.8%** Poverty Rate (*greater than 20% and 30%*) ➢ **37.8%** of Metro/State Median Income (*less than 80% and 60%*)
Estimated TDC / NMTC Allocation:	TDC: $ 6,500,000 — Total QEI: $ 6,500,000 LADF QEI: $ 6,500,000
Potential Sources of Funds:	Section 108 Loan: $ 500,000 — **Lev. Loan Eligible** Construction Loan: $ 3,900,000 — **Lev. Loan Eligible** NMTC Equity ($0.85 / NMTC): $ 2,100,000
Projected Closing:	May 2020
Current Status:	➢ Permits expected in May 2020 ➢ Construction commencement expected in June 2020
Community Benefits/Impact:	➢ Job Creation: **12** Permanent – **50** Construction ➢ Project is subject to local hiring requirements ➢ Sponsor will offer construction apprenticeship to local residents ➢ Social services, childcare, and job training provided to 75 homeless residents



SOUTH LA HUB

Developer:	Community Health Councils
Project Type:	Live Theater/Arts Facility, Substantial Rehabilitation
Description:	Project is a **50,000 SF** healthy foods facility in the Southeast LA neighborhood of Los Angeles. The project engages the neighborhood with an open, light-filled design defined by street-level retail and a hydroponic bar. The project addresses food access, quality, and equity through a multi-modal approach, based on: 1) 10,000 SF of growing and cultivating fresh produce on site through urban and hydroponic farming techniques; 2) 22,000 SF of equity-focused food vendors; 3) 5,000 SF neighborhood grocery store; and 4) 13,000 SF office space for organizations committed to nurturing community health and growth, through healthy eating and cooking classes, an incubator kitchen for growing local businesses, professional training, and screening services
Location:	94th St./S. Broadway, Los Angeles, CA 90006 (**CD 8**)
Census Tract Eligibility (2015-16):	➢ **35.6%** Poverty Rate (*greater than 20% and 30%*) ➢ **43.5%** of Metro/State Median Income (*less than 80% and 60%*) ➢ **1.72x** National Avg. Unemployment (*greater than 1.5x*) ➢ **USDA-Designated Food Desert**
Estimated TDC/ NMTC Allocation:	TDC: $ 15,000,000 — Total QEI: $ 15,000,000 LADF QEI: $ 10,000,000
Potential Sources of Funds:	Construction Loan & Grants: $ 10,000,000 **Lev. Loan Eligible** NMTC Equity ($0.85 / NMTC): $ 5,000,000
Projected Closing:	Q1 2020
Current Status:	➢ Development Disposition Agreement with City of LA expected to be finalized and executed in Q3 2019 ➢ Construction commencement expected in Q1 2020
Community Benefits/Impact:	➢ Job Creation: **TBD** Permanent – **TBD** Construction ➢ Multi-modal food hub that improves grocery and healthy food options in the neighborhood



GOODWILL OF SOUTHERN CA. OFFICE

Developer:	Goodwill of Southern California ("GSC")
Project Type:	Office / Mixed-Use, New Construction
Description:	Project includes the new construction & rehabilitation of a total **55,000 SF** facility with 3 principal elements: • 25,000 SF of e-commerce space for GSC, which will expand e-commerce sales and jobs by 3x, assist in LA Rise program employment, and create a 2MW solar installation • Creation of new 10,000 SF Goodwill Café with training kitchen • Creation of a new 20,000 SF Goodwill retail store
Location:	342 N San Fernando Rd, Los Angeles, CA 90031 (**CD 1**)
Census Tract Eligibility (2015-16):	➢ **<u>32.5%</u>** Poverty Rate (*greater than 20% and 30%*) ➢ **<u>49.2%</u>** of Metro/State Median Income (*less than 80% and 60%*)
Estimated TDC & NMTC Allocation:	Budget: $ 36,000,000 Total QEI: $ 36,000,000 LADF QEI: $ 9,250,000
Potential Sources of Funds:	Term Loan to Sponsor: $ 24,400,000 **Lev. Loan Eligible** NMTC Equity ($0.83 / NMTC): $ 11,600,000
Projected Closing:	May 2020
Current Status:	➢ Sponsor controls the site ➢ Entitlements are ongoing, expected Fall 2019 ➢ Construction expected to commence in Q1 2020
Community Benefits/Impact:	➢ Job Creation: **200** Permanent – **TBD** Construction ➢ E-commerce expansion with create 150 new jobs for reentry, veteran and special needs populations ➢ Café will train **300 people per annum** and prepare them for careers in food service. Café will make food services available to the local community for the first time. ➢ Goodwill retail store will employ individuals with special needs

Tab 3

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	September 12, 2019
SUBJECT:	Request to Approve a **$10,000,000** New Markets Tax Credits Allocation to a Portion of the Business of 13820 Foothill, LLC ("**QALICB**") for the Vallarta Van Nuys Supermarket

SUMMARY

Project Name:	Vallarta Van Nuys Supermarket ("**Project**")
Location:	Van Nuys – North Sherman Oaks Community Plan Area (*CD 6 – Nury Martinez*)
Project Description:	41,000 SF / Substantial Rehabilitation / Grocery Store
Sponsor / Developer:	Gonzalez Food Enterprises, Inc. ("**Sponsor**", or "**GFE**")
Ownership:	• QALICB will be a Portion of the Business of 13820 Foothill, LLC ("**QALICB Parent**") • QALICB Parent currently owns property (*acquired on 04/30/18*)
NMTC Investor:	Chase Community Equity ("**Investor**")
Total Project Cost:	$ 33,784,500
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 15,000,000 $ 15,000,000 (*2017 Allocation*) • LADF XIX, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	• Creating **235** Permanent Jobs • Creating **30** Construction Jobs
Site Eligibility Criteria:	2011-2015 ACS Census Tract No. 06037127604 • NMTC Eligible and Targeted Distressed Community (*per Allocation Agreements*)**:** • **30.2%** Poverty Rate (*greater than 20%/30%*) – Section 3.2(h)(i) • **44.7%** AMI Households (*less than 80%/60%*) – Section 3.2(h)(ii) • Located in a **USDA-Designated Food Desert**
Community Benefits:	• Project will add a **full-service grocery store** in a Food Desert • Sponsor targets **80%** of permanent jobs filled by *Low-Income Persons* that are residents of the surrounding *Low-Income Community* • QALICB is a **Minority Business Enterprise**

Key Compliance Criteria under the 2015-2016 Allocation Agreement and 2017 Allocation Agreement:

☒ Sect. 3.2(a): Investments in, or loans to, QALICBs	☒ Sect. 3.2(b): Located within Service Area
☒ Sect. 3.2(c): Approved/Certified Sub-Allocatees	☒ Sect. 3.2(d): QLICI Made to Unrelated Entity
☒ Sect. 3.2(f): Flexible Product	☒ Sect. 3.2(h): Targeted Distressed Community
☒ Sect. 3.2(j): 100% QEI Investment Usage	☒ Sect. 3.3(j): Monetize Only Eligible Existing Assets

Projected Residual Value of LADF QLICI that may be obtained by the QALICB: $ 4,855,500

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PROJECT DESCRIPTION

Gonzalez Food Enterprises, Inc. ("**Sponsor**", or "**GFE**") will use the NMTC financing to substantially rehabilitate an existing 41,000 SF building for use as a new Vallarta Van Nuys Supermarket (or "**Project**"). Construction of the 41,000 SF grocery store is expected to begin in November 2019 and complete in November 2020.

The Project will be operated by GFE, a subsidiary of Vallarta Supermarkets Group (or "**Vallarta**") which is an owner and operator of 32 supermarkets throughout Southern and Central California that employs an estimated 8,000 team members.

By increasing access to nutritious and culturally appropriate foods for residents, the Project will be addressing the incidence and prevalence of diet related disease. Specifically, this Vallarta grocery store will have the following departments and selections:

- Fresh Produce
- Full and Self Service Meat (Carniceria) - Wide variety of beef, pork and chicken
- Seafood
- Grocery
- Mexican Kitchen (Taqueria) - Hot Foods & Salad Bar with in-store dining area
- Cremeria - salsas, yogurts, Latin style cheeses, store prepared "chorizo", sliced
- deli meats
- Deli
- Specialty foods from Mexico, Central & South America
- Health & Beauty Care and General Merchandise
- La Isla (The Island) - Aguas Frescas/Drinks, Ice Cream. Juice Bar/Jugos
- Frescos/Atoles y Champurrados
- Freshly made Tortillas (Tortilleria)
- Bakery (Panaderia)

SITE ANALYSIS

The project will be built in the Van Nuys – North Sherman Oaks community plan area. The site is located at the following addresses:

- 16040 Sherman Way, Van Nuys, CA 91406
- 7106 Woodley Avenue, Van Nuys, CA 91406

The site is 2.85 acres and under the jurisdiction of Council District 6 of the City of Los Angeles, represented by Councilmember Nury Martinez. Additionally, the site lies within the following designated economic development areas:

- Los Angeles State Enterprise Zone
- USDA-Designated Food Desert

The site is not considered a transit-oriented development but is adjacent to public bus transportation stations located at the intersection of Sherman Way and Woodley Avenue.

Site Control

The site was acquired by 13820 Foothill, LLC ("**QALICB Parent**") on April 30, 2018. A Portion of the Business ("**POB**") with separate books and record keeping will be established under the QALICB Parent, and will serve as the Qualified Active Low-Income Community Business ("**QALICB**") for purposes of the NMTC transaction. Establishing the POB under this entity to serve as the QALICB will separate the Project from the entity's other business (*i.e. the ownership of the real estate of one other Vallarta supermarket location*) and ensure the transaction's compliance with NMTC regulation. The QALICB will lease the premises to GFE for purposes of operating the grocery store in exchange for lease payments.

COMMUNITY AND ECONOMIC BENEFITS

The primary community benefits created by the NMTC transaction are the following:

Job Creation/Retention:	• Creating: **235** Permanent FTEs (*182 FT, 68 PT @ 27 hours/week*) and **30** Construction Jobs
Quality Jobs:	• **100%** of all permanent jobs will exceed livable wages based on MIT's Living Wage for L.A. County[1] at $13.96 ($29,037 annually) • **100%** of the permanent full-time jobs will receive benefits including employment benefits including healthcare, dental, vision insurance and other benefits such as retirement plans and sick time off • Sponsor has budgeted **$200,000** to be used for new employee training at this new store
Accessible Jobs:	• Sponsor estimates that **80%** of the permanent jobs will be filled by bilingual *Low Income Community Residents* • Sponsor expects to achieve **30%** MBE/WBE for construction and third party vendor contracts
Healthy Food Financing:	• On average, **42%** of products sold by Vallarta Supermarkets qualify as fresh/healthy options, such as perishable items including a selection of organics and non-GMO
Financing Minority Businesses	• The Sponsor and QALICB are minority-owned entities

The community benefits discussed in this section will be required of the QALICB and Sponsor by way of a Community Benefits Agreement ("**CBA**"). The CBA will require the QALICB to use commercially reasonable efforts to achieve the impacts. The CBA will include an annual reporting requirement for tracking the quantifiable community impacts. As of the time of this report, the CBA is still under negotiation. If there are any material or significant changes to the CBA, as presented in this memo, during the course of the negotiation, LADF staff will inform the LADF Governing Board of such changes and seek reaffirmation of approval.

[1] With Minimum Wage exceeding the MIT Living Wage in 2019, the Project will have to comply with Minimum Wage requirements by laws, and thus will meet this community benefit by default. However, if the MIT Living Wage exceeds Minimum Wage at some point during the seven-year NMTC compliance period, the Sponsor has expressed that it will make best efforts to keep wages above the MIT Living Wage mark, and not just above Minimum Wage.

LOS ANGELES DEVELOPMENT FUND

DEVELOPMENT TEAM

Real Estate QALICB: Portion of the Business of 13820 Foothill, LLC ("**QALICB**")

13820 Foothill, LLC is a California for-profit limited liability company formed on April 20, 2005, which will establish a Portion of the Business to serve as the QALICB for the NMTC transaction purposes. The QALICB was established to control and manage the real estate interests in the Project. The QALICB will receive lease payments from GFE, which is a subsidiary of Vallarta and will operate the grocery store at the Project site.

The POB will be considered a "real estate" QALICB for NMTC purposes. It will have no employees and maintain at least 85% of its tangible property within the low-income community where the project is located during the seven-year NMTC compliance period.

An Agreed-Upon Procedures report[1] will be required for the QALICB to ensure its compliance with NMTC regulation. Since this is a newly-designated POB, there are no financial statements to review. The company will be the beneficiary of the NMTC and direct project financing, which the Sponsor originally solicited.

Sponsor: Gonzalez Food Enterprises ("**Sponsor**", or "**GFE**")

Gonzalez Food Enterprises was incorporated in 1996 in California as for-profit corporation and is a subsidiary of Vallarta. The purpose of the organization is to operate Vallarta supermarkets located in California. GFE is one of five corporations that combined make up the Vallarta Supermarkets Group, which operates a total of 32 supermarkets in Southern and Central California.

With regards to this NMTC transaction, GFE will be providing certain guaranties and indemnities. The assets of the company will be available to support any guaranties or indemnities. For further discussion see the section entitled "COLLATERAL AND GUARANTEES".

FINANCIAL STATEMENT ANALYSIS

LADF has reviewed the relevant financial figures for GFE for the fiscal years ending December 25, 2016, December 31, 2017, and December 30, 2018. The company had a total of $2.7 million, $5.0 million, and $2.9 million in cash as of December 25, 2016, December 31, 2017, and December 30, 2018 (*respectively*). The company had a total of $11.4 million, $8.1 million, and $5.6 million in total assets as of December 25, 2016, December 31, 2017, and December 30, 2018 (*respectively*). The company had a total of $5.2 million, $4.5 million, and $1.2 million in net assets (*or equity*) as of December 25, 2016, December 31, 2017, and December 30, 2018 (*respectively*). Additionally, the company had a total of $2.6 million, $3.0 million, and $2.1 million in net income for the fiscal years ending December 25, 2016, December 31, 2017, and December 30, 2018 (*respectively*). These amounts support the strength of the Sponsor's balance sheet to be able to provide the guaranties and indemnities for the NMTC transaction.

General Contractor: A.J. Padelford & Son, Inc.

The GC selected for the Vallarta project is A.J. Padelford & Son, Inc. ("**AJP**"). Since 1934, AJP has built a reputation for quality, on-time work over 85 years in Southern California. In the 1950s and 1960s, AJP shifted its focus to commercial real estate construction. During the 1980s, AJP built for major corporations,

[1] Agreed-Upon Procedures engagements are carried out by auditors to report factual findings, which in an NMTC transaction relates to the nature of the business of the QALICB and its compliance with NMTC regulation. Compliance is determined for the QALICB as of the closing date, and expectations for compliance during the seven-year NMTC compliance period.

such as Vons, Ralphs and The Home Depot. As Southern California thrived, AJP built luxury shopping centers in neighborhoods such as Manhattan Beach, Dana Point and Laguna Hills.

AJP and the Sponsor will enter into a GC contract prior to NMTC Closing. The Sponsor has used this GC for the construction of five of its prior grocery stores.

Architect: RMCA Architecture Design Planning, Inc.

RMCA Architecture Design Planning, Inc. ("**RMCA**") is the architect of record for the Vallarta project. RMCA is a full-service architecture, design and planning firm located in Los Angeles with a wide range of retail, commercial and public sector projects. The firm is a member of the American Institute of Architects and in addition to California, is licensed and active in 9 western states. They have worked on ground up construction, renovation/expansion, space planning, tenant improvements, and site/master planning. Their principals have over 30 years of experience in commercial and public works architecture and have successfully completed hundreds of projects that have received both local and national recognition.

PROJECT FEASIBILITY

Property Valuation

An appraised valuation as of December 29, 2017 has been provided by Frazier Capital Valuation to determine the as-built market value of the QALICB's fee interest in the property after project completion. The appraisal indicates a valuation of the as-built project of $21,330,000.

The Sponsor has already closed on a first trust deed loan from Bank of the West with a loan amount of $13,760,000. The QLICI loan in this transaction in the amount of $15 million will be the second trust deed loan on the property. The combined loan amounts of $28,760,000 represent a Loan-to-Value ratio of 134.8%.

It is common for NMTC projects, located in Low-Income Communities, to have a significant shortfall between project cost and project valuation. This is typical in NMTC transactions because NMTCs are invested in low-income communities, which suffer from lack of capital investment arising from valuations too low to justify the construction costs. NMTCs and other public financing programs were established to address this gap and help projects in low-income communities obtain the financing they need.

Environmental Inspections

A Phase I environmental report of the subject property was produced for the prior owner by Alpha Environmental dated January 6, 2015. The Phase I revealed no evidence of recognized environmental conditions (*RECs*) in connection with the subject property, except for former gasoline service station immediately adjacent to the west of the site from at least 1954 to 1976, related to potential unauthorized releases of petroleum hydrocarbons. The environmental engineer's recommendation was that a limited Phase II investigation is warranted to verify subsurface soil conditions at the site.

Subsequently, a Phase II limited site assessment of the subject property was produced for the prior owner (*also by Alpha Environmental*) dated May 3, 2016. The report concluded that a subterranean garage would serve as an engineering control associated with the potential vapor intrusion from VOCs and that no further investigation is warranted.

The Sponsor is in the process if developing a plan to address the environmental matters as part of the construction scope. The Sponsor has engaged an environmental engineer and environmental counsel to produce the plan, and has agreed to follow their recommendation.

An update to the Phase I report (*which will include Phase II matters*) is in the process of being produced and a reliance letter for the report will be provided naming LADF XIX, LLC (*LADF's Sub-CDE*) as a party that may rely on the report.

Construction Feasibility

The QALICB will be responsible for completing the development of the project. A GC contract is not yet executed with the GC, but will be in place prior to the NMTC Closing.

A costing analysis of the project will be required based on final plans and specifications prior to closing by a third-party construction inspection firm (*Chase Bank, NMTC Investor, is currently receiving bids from firms, including LADF's preferred vendor PACS*). Chase Bank will engage the selected vendor to inspect progress and work done during the construction period, and the firm will provide monthly reports to-be-relied upon by Chase Bank and LADF.

Chase Bank will serve as the disbursing agent and as such will coordinate construction draws. Chase Bank's role as disbursing agent will include obtaining a full draw package from the QALICB, inspection report from the construction inspector, and subsequent approval from LADF as CDE lender and Chase Bank as NMTC Investor. LADF will have full approval rights over each draw.

Probable Maximum Loss Report

A Probable Maximum Loss (*PML*) study will not be required. By meeting the City of LA's Department of Building and Safety's building code, the design will reflect the most current seismic design standards which would result in a PML of 20% or less.

Financial Feasibility

SOURCES		USES	
Investment Fund Level (NMTC)		**Construction Uses**	
Sponsor Equity (*cash-on-hand*):	10,144,500	*Acquisition (inc. closing costs)*	
Leverage Loan Sources	$10,144,500	- Non-Reimbursed Portion:	13,760,000
		- NMTC Reimbursement[1]:	3,538,000
NMTC Equity (*LADF CDE*):	4,855,500	*Improvement Costs*	
NMTC Investor Equity	$4,855,500	- Construction Hard Costs:	6,803,000
		- Construction Soft Costs:	300,000
Project Level (Direct Sources)		- Furniture, Fixtures and Equipment:	3,800,000
Bank of the West 1st TD Loan:	13,760,000	- Owner Contingency:	370,000
Sponsor Equity (*cash-on-hand*):	4,912,500	***Sub-Total***	$28,571,000
Sponsor Equity (*rent payments*):	112,000		
Direct Sources	$18,784,500	**Financing-Related Uses**	
		Bank of the West – P&I Payments:	3,328,000
		NMTC Closing Costs	
		- QLICI Interest Exp. (*net of reserves*):	108,000
		- Legal/Accounting/Consulting Fees:	610,000
		- **LADF** CDE Placement Fee:	300,000
		NMTC Reserves	
		- **LADF** Asset Mgmt. Fee Reserve:	787,500
		- **LADF** Expense Reserve:	80,000
		Sub-Total	$5,213,500
Total Project Sources	**$ 33,784,500**	**Total Project Uses**	**$ 33,784,500**

DEVELOPMENT PRO FORMA

The total project cost is estimated to be $33.8 million, $15.0 million of which will be leveraged through the NMTC structure to make $15.0 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the project. The QLICI funds will be disbursed as follows at closing:

- $3.5 million – Reimburse pre-closing acquisition costs incurred within the last 24 months
- $1.0 million – Pay NMTC and Other Closing Costs
- $0.9 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts
- $9.6 million – Fund the CDE-Controlled Construction Disbursement Account

NMTC-related reserves held by the QALICB will total $867,500 and be held for the payments of asset management fees and expense reimbursements to the Sub-CDEs. The LADF Sub-CDE will require that all of its asset management fees and expense reimbursements for the seven-year NMTC Compliance Period will be placed into reserve and held in a separate bank account pledged to LADF.

OPERATING PRO FORMA

The project's operating revenues will consist of lease payments paid to the QALICB by the Sponsor, which will operate the Vallarta supermarket. The lease payments to be paid by the Sponsor are projected at $1.4

[1] Reimbursement is limited to costs incurred 24 months prior to closing of the NMTC transaction, per NMTC guidance. The NMTC reimbursements in this transaction are solely related to the acquisition costs, which were incurred in April 2018.

million annually, starting in 2020 after construction completion. After accounting for operating expenses, the QALICB's debt service coverage for the Project is estimated at 1.01x and grow to 1.13x by 2026, or the end of the seven-year NMTC Compliance Period (*per the current financial projections dated August 20, 2019*). Since the project will be 100% Sponsor-operated and the NMTC transaction is not funded with a third-party leverage loan, there is minimal risk of the QALICB not making its QLICI debt service payments.

Project Timeline

The following list represents the milestone items and the project's completion and expected completion dates (*as of September 6, 2019*):

- October 25, 2019: GC Contract execution
- October 29, 2019: Ready-To-Issue Permits (*prior to NMTC closing*)
- October 30, 2019: **NMTC Transaction Close**
- November 2019: Construction Commencement
- November 2020: Construction Completion (*approx. 12-month construction schedule*)

FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans and the Sponsor direct contributions. The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as one (1) NMTC allocatee, or Community Development Entity ("**CDE**"), making the QLICI loans to the project through its Subsidiary CDE ("**Sub-CDE**") at the lower tier. Additionally, the leverage loan at the upper tier will be sourced from the Sponsor's equity, or cash on hand.

NMTC Investor

Chase Community Equity ("Investor"), a subsidiary of Chase Bank, is the NMTC Investor that will provide the equity contribution to the Investment Fund. Chase Bank provided $2.6 billion to low- and moderate-income communities through community development lending and equity investments. Chase Bank offers leverage loans and tax credit equity investments for eligible projects, with a focus on small business, not-for-profit and for-profit real estate projects, community development financial institutions, NMTC loan funds, and more.

LADF has closed seven previous transactions with Chase as Investor. The transactions were for the YWCA Urban Campus Development, Food4Less, Anderson Munger YMCA, Dream Center, Orthopaedic Institute for Children, Thai Town Marketplace, and Jordan Downs Retail Center projects, which closed in December 2009, December 2010, August 2012, August 2012, April 2017, January 2018, and June 2018 respectively.

CDE Lender(s)

The Vallarta Transaction will include one CDE allocatee providing NMTC allocation and making QLICI loans to the project through its Sub-CDE special purpose entity. The following table lists the CDE allocatee, along with its Sub-CDE, and the Qualified Equity Investment ("**QEI**") associated with its NMTC allocation:

CDE Allocatee	Sub-CDE	Sub-Allocation Amount
Los Angeles Development Fund	*LADF XIX, LLC*	$15,000,000
	Total NMTC Allocation	$15,000,000

Leverage Lenders

The NMTC Transaction will leverage funds provided by the Sponsor using the following source funding:

- $10.1 million from Sponsor equity (*cash-on-hand*), of which $3.5 million is related to pre-incurred Project costs related to acquisition (*spent within the last 24 months*) and is repaid to the Sponsor on the day of the NMTC Closing

For discussion about the Sponsor, refer to the section entitled “DEVELOPMENT TEAM”.

FINANCING STRUCTURE

The project’s total development cost will be funded by:
(1) $15.0 million QEI generated (*passed down to the Project as a Junior Loan*);
(2) $13.8 million Bank of the West Senior Loan (*closed in April 2018 at acquisition*); and
(3) $5.0 million Sponsor equity contribution to the QALICB outside the NMTC structure. For a full diagram showing the flow of funds at closing, please refer to Exhibit A.

NMTC Financing

There will be one investment fund established for the NMTC transaction. Chase Bank will be the NMTC Investor Member and own 100% of the investment fund. The equity contribution at the upper tier by Chase Bank will total $4.9 million. In exchange, Chase Bank will receive $5.9 million in tax credits that will be generated through the Fund (*39% of the total $15.0 million QEI*). This exchange of equity for tax credits reflects a pricing of $0.83 per tax credit dollar for the QEI associated with LADF CDE’s allocation.

The $10.1 million leverage loan provided to the investment fund by the Sponsor as the Leverage Lender will be interest-only for seven years during the NMTC compliance period and bear an interest rate of 1.0%, which is estimated to be 85% less than market interest rates for similar loans. After the end of the interest-only period, the self-leverage loan will amortize over the following 20 years.

Chase Bank’s tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $15.0 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $15.0 million QEI to the LADF Sub-CDE.

In exchange for its contributions, the investment fund will receive a 99.99% membership share in the LADF Sub-CDE. The LADF Sub-CDE will use the contributed capital to make QLICIs to the QALICB in the same amount, $15.0 million.

With regards to LADF’s Sub-CDE, LADF Management, Inc. (*LADF’s subsidiary entity*) will contribute $1,500 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $112,500 (*0.75% of $15.0 million QEI*) in annual income related to management services it provides on behalf of the Sub-CDE.

The LADF Sub-CDE will provide two QLICI notes – matching one with its share of the leverage loan (“**A note**”) and the other with the NMTC equity component (“**B note**”). The A note and B note will each have interest rates of 1.442% and 33-year terms with interest-only payments for the first seven years during NMTC compliance period. LADF will not require repayment of its B-note or an exit-fee.

Since LADF is the only CDE in this transaction, any return of capital during the seven-year NMTC compliance period will go to the LADF Sub-CDE.

Upon a return of capital during the seven-year NMTC compliance period, a CDE has 12-months to redeploy the capital in a qualifying NMTC project or it becomes a "Recapture Event" and triggers a loss of the tax credits as well as penalties for the Investor. As in its other NMTC investments, LADF will have nine months to work with Chase Bank to identify a project for reinvestment within the City of Los Angeles that is acceptable to both entities; thereafter Chase Bank can remove LADF Management, Inc. as managing member of LADF XIX, LLC and choose an investment without LADF's input. However, it must still be within Los Angeles County per LADF's 2017 Allocation Agreement. With Chase Bank's strong presence in the City of Los Angeles, and LADF's close relations with City partners, it is expected that nine months should be sufficient time to identify an alternative investment acceptable to both.

PROJECT READINESS

The project is expected to be ready for NMTC closing in October 2019. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site*: QALICB Parent acquired site in April 2018
- *Entitlement Process*: Proposed use is by-right
- *Design/Pre-Development*: Completed in August 2019
- *Working Drawings*: Expected completion on Oct. 1, 2019
- *Value Engineering*: Expected completion on Oct. 1, 2019
- *Permits*: Ready-to-Issue Permits expected at the end of Oct. 2019
- *Tenant Leases*: QALICB and Sponsor will execute at NMTC Closing
- *Construction Contract*: GC contract will be executed in late Oct. 2019
- *Financing Commitments*: LOI was issued by Chase Bank (*for NMTC equity*). The Sponsor has the equity for the Leverage Loan and direct project contributions.
- *Outstanding 3rd Party Issues*: None

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037127604. The population within the Census tract is 2,782 individuals per the 2010 Census. Based on the CDFI Fund's GeoCode Report for the site, LADF has determined that the site is located in a Qualified Census Tract based on the following qualifying measure:

- Poverty Rate of **30.2%** of the greater Metro area (*greater than 20%*)
- Median Family Income of **44.7%** of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2017 Allocation Agreement as a Targeted Distressed Community based on the following qualifying measure:

- Poverty Rate of **30.2%** of the greater Metro area (*greater than 30%*)
- Median Family Income of **44.7%** of the greater Metro area (*less than 60%*)

QALICB Analysis

The QALICB POB special purpose entity will satisfy the requirements for QALICBs and will be considered a business engaged in "Real Estate Activities", as defined by LADF's 2017 Allocation Agreement[1], because its

[1] "Real Estate Activities" is the development (including construction of new facilities or rehabilitation/enhancement of existing facilities), acquisition, management or leasing of real estate by a business.

sole business activities are the development of the project and leasing of the completed improvements to the Sponsor.

The QALICB POB will meet the Non-Qualified Financial Property ("**NQFP**") Test since 100% of the QLICI proceeds will be expended for development of the project within 18 months of closing. The NQFP test requires that less than 5% of the average of the annual aggregate unadjusted basis of the property held by the QALICB is attributable to NQFP which includes debt, stock, etc.

Since 100% of the tangible property of the QALICB POB will be within a qualifying Low-Income Community ("**LIC**") census tract, the Tangible Property, Services Performed, and Gross Income Tests are all satisfied. In addition, less than 50% of the QALICB POB will be controlled by any entity having an interest in any Sub-CDEs, so there is no Related Party entity issue.

LADF 2017 Allocation Agreement Compliance

This transaction will use $15 million in allocation from LADF's 2017 Allocation award from the CDFI Fund. With the closing of this transaction, the 2017 Allocation award will be 51.5% ($25.75 million of $50 million) invested.

The LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2017 Allocation Agreement, evident through the following characteristics of the transaction:

- §3.2(a) –LADF's allocation will be used to make a loan to a QALICB
- §3.2(b) – Project is located in the County of Los Angeles
- §3.2(c) – LADF XIX, LLC is a listed Subsidiary Allocatee in the 2017 Allocation Agreement
- §3.2(d) – QALICB is controlled 100% by persons unrelated to LADF
- §3.2(e) – With this QEI, LADF will be closer to meeting the 60% threshold prior to Dec. 31, 2020
- §3.2(f) – LADF's QLICI provides flexible terms (*discussed below*)
- §3.2(h) – The subject site is located in a Targeted Distressed Community (*discussed above*)
- §3.2(j) – 100% of QEI will be passed down as a QLICI

Section 3.2(g) (*Non-Metropolitan Counties*), 3.2(i) (*Loan Purchases Reinvestment*), Section 3.2(k) (*Affordable Housing*), and Section 3.2(l) (*Innovative Investments*) are marked "Not Applicable" in LADF's 2017 Allocation Agreement.

As the transaction relates to Section 3.2(f) (*Flexible Products*) of the 2017 Allocation Agreement, LADF must comply with the following:

All of the Allocatee's QLICIs must (a) be equity or equity-equivalent financing, (b) have interest rates that are 50 percent lower than either the prevailing market rates for the particular product or lower than the Allocatee's current offerings for the particular product, or (c) satisfy at least 5 of the indicia of flexible or non-traditional rates and terms, as listed in Section 3.2(f)[1]."

LADF's QLICI notes bear interest rates of 1.442% and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF references market rate lending terms provided by Chase Bank. The

[1] Flexible or non-traditional rates and terms listed in Section 3.2(f) include: (i) Below market interest rates (or rate of return in the case of equity investments); (ii) Lower than standard origination fees; (iii) A longer than standard period of interest only loan payments; (iv) Higher than standard loan to value ratio; (v) A longer than standard amortization period; (vi) More flexible borrower credit standards; (vii) Nontraditional forms of collateral; (viii) Lower than standard debt service coverage ratio; or (ix) Subordination.

market interest rate for the transaction is 2.0% over 30-day LIBOR. Using the 30-day LIBOR as of September 4, 2019 of 2.07%, the market lending rate would be 4.07%. The LADF QLICI notes are 64.6% below this assumed market rate.

Reimbursement of Costs

As part of guidance published by the CDFI Fund in December 2015 and applicable to LADF's award from the 2017 round – Section 3.3(j) is incorporated into all allocation agreements pertaining to monetizing existing assets in NMTC transactions. Section 3.3(j) reads as follows:

"The Allocatee shall not use the proceeds of a QEI to make a QLICI in a QALICB where such QLICI proceeds are used, in whole or in part, to repay or refinance a debt or equity provider whose capital was used to fund the QEI, or are used to repay or refinance any Affiliate of such a debt or equity provider, except where:

- (i) the QLICI proceeds are used to repay or refinance documented reasonable expenditures that are directly attributable to the qualified business of the QALICB, and such expenditures were incurred no more than **24 months** prior to the QLICI closing date; or
- (ii) no more than **5%** of the total QLICI proceeds from the QEI are used to repay or refinance documented reasonable expenditures that are directly attributable to the qualified business of the QALICB."

LADF's QLICI will comply with Section 3.3(j)(i) since none of the QLICI proceeds will be used to reimburse any costs incurred by the QALICB Parent, GFE, prior to the 24-month period ending on the NMTC closing. Additionally, the QALICB and GFE will execute a cost reimbursement certification agreement, for the benefit of the CDE lenders, certifying to that point.

Given that the cost reimbursement is only related to the acquisition of the property, LADF will not require an AUP report from CohnReznick to support the reimbursed amounts.

DEMONSTRATED NEED FOR NMTC FINANCING ("BUT FOR" TEST)

The equity generated through the NMTC structure will provide an estimated $2.9 million in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going CDE and Investment Fund expense reimbursements*) to the project, approximately 19.8% of the $15.0 million QEI in the transaction and 10.4% of the $28.6 million of total construction costs (*excluding financing costs*). Since the LADF Sub-CDE is the only Sub-CDE in the deal, all of the total net subsidy is attributed to its allocation.

Given the location of the proposed facility and the lack of private investment into the surrounding neighborhood, the project's operations could not support the needed equity and debt investment from traditional capital sources. The Sponsor already has committed a significant amount of equity (*approx. $15.2 million*) using its corporate cash on hand, and the Sponsor has secured as much senior debt as the project could attract (*approx. $13.8 million*). Its ability to invest an additional $2.9 million in equity would decrease the project returns below its threshold return requirements to justify the investment. Additionally, a commercial lender providing the required gap financing with a junior deed of trust as collateral would charge excessive interest and fees to justify making a loan without good security in the loan. This onerous cost to the project would also push the returns below the Sponsor's threshold requirements. Without the NMTC equity injection, the Project would need to be scaled back or could not move forward.

COLLATERAL AND GUARANTEES

The LADF's QLICI loan will be secured by the following security instruments:

- Second Deed of Trust on the QALICB's fee interest in the subject property;
- Security interest in the construction disbursement and reserve accounts (*totaling $14.1 million at NMTC Closing*); and
- Additional security for the QLICI loans will consist of guaranties from the Sponsor.

The Sponsor will provide an indemnity to LADF as the CDE lender, including LADF XIX, LLC (*LADF Sub-CDE*), for environmental losses. The Sponsor will also provide an indemnity to the Investor for reimbursement of lost tax credits and losses related to loss of tax credits. The Sponsor will also provide the CDE lender: (1) a guaranty of payment for all construction work, interest on the QLICI loan, and fees and expenses due to the CDE and the Fund during the seven-year Compliance Period and (2) a guaranty of completion of all construction work for the Project.

LOAN REPAYMENT ANALYSIS/EXIT STRATEGY

At the end of the seven-year NMTC compliance period, the LADF's Sub-CDE will distribute the QLICI notes to the investment fund. Additionally, the QLICI B Note, which is tied to the NMTC Investor's equity amount, may be forgiven at the end of the compliance period by way of an option agreement described below.

A Put-Call Option Agreement will be entered into by the Sponsor and Chase Bank (*as the Investor*). Chase Bank may exercise its put option and sell its respective interest in the Fund to the Sponsor for $1,000. If Chase Bank chooses not to exercise its put option, the Sponsor may exercise its call option. Upon exercising of either put or call option by the respective parties, the Sponsor would own all of the debt associated with the proposed transaction.

RISKS AND MITIGANTS

There will be limited recapture risk. All significant NMTC compliance issues have been or will be addressed. The QALICB is an eligible entity, the project is located in an eligible highly distressed census tract, LADF's Sub-CDE is certified, there are no related party issues, and the transaction has been structured to meet the Substantially-All Test.

RISK: GENERAL

The QALICB, Sponsor, and LADF have taken and will take measures to prevent a Recapture Event. Such measures include:

- LADF has engaged Ariel Ventures for compliance services and obtained a license for its specially-designed compliance software to assure that all required reporting to the CDFI Fund is completed in a timely manner.
- No principle amortization or prepayment will be allowed during the seven-year NMTC compliance period. This will prevent putting the project in violation of the Substantially All Test, which states that 85% of the QEI must be continuously invested in QLICIs during the 7-year NMTC compliance period.
- The transaction will be structured to ensure that up-streamed distributions of cash flow cannot be interpreted as redemption of capital (*i.e. a return of equity*). While return of equity to the NMTC Investor Member is not permitted, return on equity is permitted. Therefore, all cash flow up-streamed to the NMTC Investor would be structured as return on equity and would be recognized as income. If there is a return of capital, LADF is the only Sub-CDE and would receive a return of capital.

- To mitigate the possibility that a portion of the QEI is returned via bankruptcy and/or foreclosure on the collateral, through the seven-year NMTC compliance period, the QALICB will be required to commit to maintaining operations at the subject location or providing for an acceptable alternative entity to do so in order to maintain the NMTC structure. Transaction documentation will include legal opinions that all aspects of the transaction comply with the NMTC regulations.

The economic and real estate risks of the project will be borne by the Sponsor and QALICB in their capacity as guarantor and indemnitor, and the Sponsor in its capacity as leverage lender. However, the project-related risks are largely mitigated by the experienced development team assembled for the project as well as the feasibility of the project. The Sponsor has the organizational and financial capacity to access sufficient liquidity to cover reasonable cost overruns and move the project to completion.

LADF FEE LOAD AND RESERVES

The LADF will receive the following fees from the transaction:

- Placement Fee – 2% of QEI (equates to $300,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $15 million of 2017 Allocation
    - This equates to $787,500 (quarterly installments of $28,125 paid out of QLICI interest received for 7 years)
- CDE Expense Reimbursements – estimated at $10,000 annually per CDE for 8 years (equates to $80,000). QALICB will be responsible for paying all ongoing costs incurred by the Sub-CDE related to the transaction, which will consist primarily of audit and tax expenses. For this transaction, Chase has agreed to waive their SubCDE audit requirement.

All of LADF's CDE Servicing and Compliance Fees and estimated CDE Expense Reimbursements for the entire Compliance Period, which total approximately $867,500, will be placed in a separate, controlled reserve account at close of the transaction.

POLICY EXCEPTIONS

None.

RECOMMENDATION

Approval of this funding request is recommended based on the project's feasibility, readiness and community benefits.

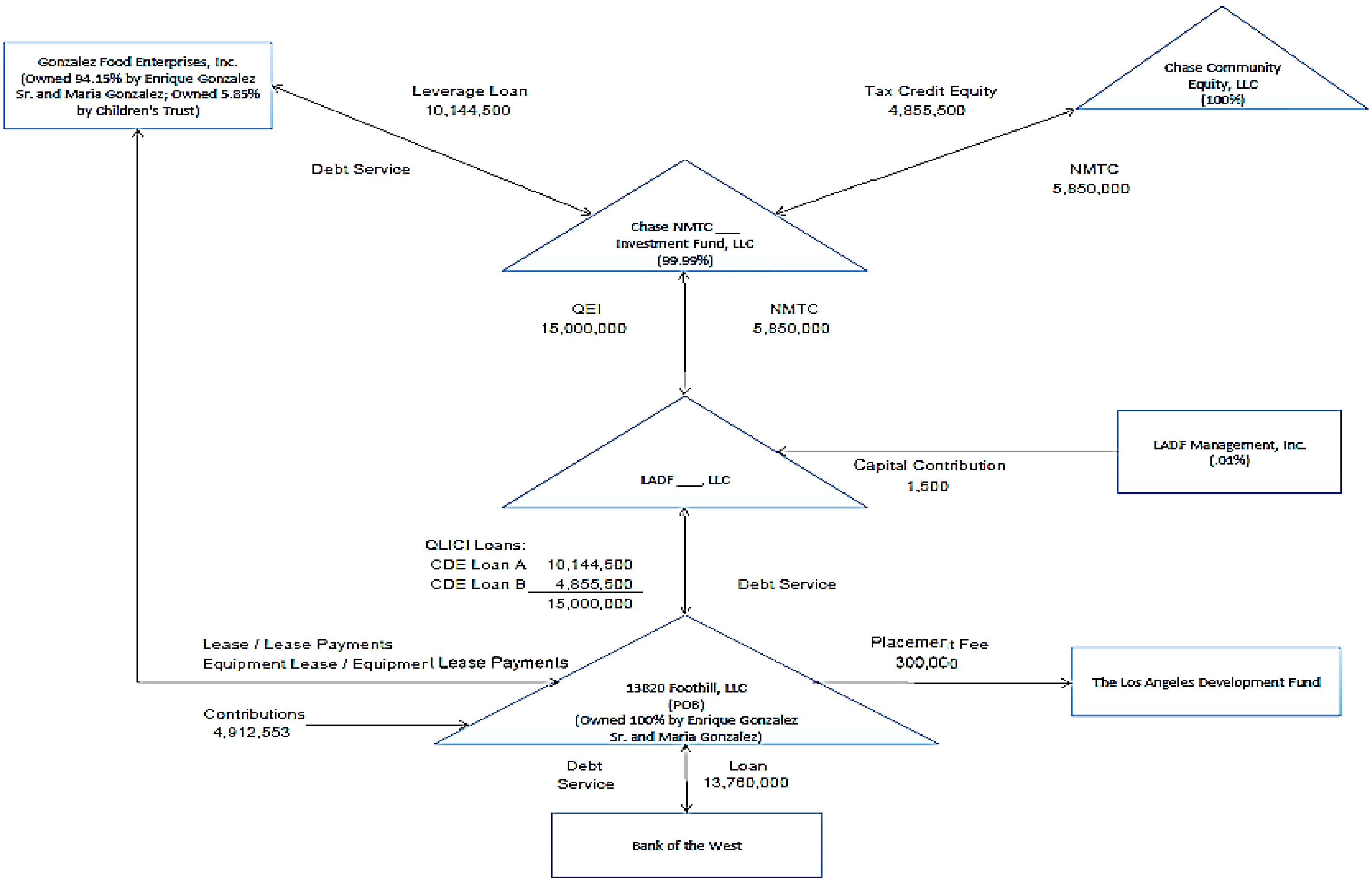
Another CDE, Local Initiative Support Corporation ("**LISC**") is considering investing $6 million of its NMTC Allocation into the Project. If this investment is fully committed, then LADF staff will submit a subsequent memo to the Board highlighting the changes to the pertinent sections of this memo above.

ATTACHMENTS

EXHIBIT A: Vallarta Van Nuys Supermarket Flow of Funds (*as of August 20, 2019*, Final Projections Pending)

LADF
LOS ANGELES DEVELOPMENT FUND

EXHIBIT A: Vallarta Van Nuys Supermarket Flow of Funds (*as of August 20, 2019*, Final Projections Pending)



Note: The Bank of the West loan closed prior to the NMTC closing.

Tab 4

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	September 12, 2019
SUBJECT:	Request to Approve a Second Qualified Equity Investment of **$3,000,000** New Markets Tax Credits Allocation to HOLA Community Partners ("**QALICB**") for the Heart of Los Angeles Arts, Enrichment and Recreation Center ("**Project**")

SUMMARY

Project Name:	Heart of Los Angeles Arts, Enrichment and Recreation Center ("**Project**")
Location:	Westlake Neighborhood (CD 10 – Herb J. Wesson, Jr.)
Project Description:	25,000 SF / New Construction (*Modular Build, Containers*) / Community Facility
Sponsor / Developer:	Heart of Los Angeles Youth, Inc. ("**Sponsor**", or "**HOLA**")
Ownership:	• QALICB will control *Land* through a long-term ground lease with the City of LA • Property will be sub-leased to Sponsor during operations
NMTC Investor:	U.S. Bank ("**Investor**")
Total Project Cost:	$ 18,483,000 (*Original Budget in 1st NMTC Closing in 2017: $15,122,000*)
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 17,550,000 (*$ 14,550,000 NMTC Allocation invested in 2017*) • **$ 3,000,000** (*2018 Allocation, proposed investment in 2019*) • LADF XIII, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	• **12** Permanent Jobs, **280** Construction Jobs • **54** Permanent Jobs Retained
Site Eligibility Criteria:	2010 Census Tract No. 06037211120 • NMTC Eligible and Targeted Distressed Community (*2018 Alloc. Agmts*)**:** • **20.3%** Poverty Rate (*greater than 20%*) – Section 3.2(h)(i) • **56.6%** AMI Households (*less than 60%*) – Section 3.2(h)(ii) • Federally designated **Promise Zone** – Section 3.2(h)(xiv)
Community Benefits:	• Increasing Sponsor's capacity by **300 youth per day** and **1,700 persons per year** • Expanding Sponsor's music programs to serve **200 additional youth per year** • Creating additional space for use by Sponsor's nonprofit partners at no cost

Key Compliance Criteria under the 2018 Allocation Agreement:

☒ Sect. 3.2(a):	Investments in, or loans to, QALICBs	☒ Sect. 3.2(b):	Located within Service Area
☒ Sect. 3.2(c):	Approved/Certified Sub-Allocatees	☒ Sect. 3.2(d):	QLICI Made to Unrelated Entity
☒ Sect. 3.2(f):	Flexible Product	☒ Sect. 3.2(h):	Targeted Distressed Community
☒ Sect. 3.2(j):	100% QEI Investment Usage	☒ Sect. 3.3(j):	Monetize Only Eligible Existing Assets

Projected Residual Value of LADF QLICI that may be obtained by the QALICB: $ 1,891,500
$ 947,700 from $3mm 2018 Alloc.

NMTC REQUEST SUMMARY

LADF invested $2.75 million of its 2015-2016 NMTC Allocation in the Project on September 14, 2017, alongside Telacu's $11.8 million NMTC Allocation for a total of $14.55 million NMTC Allocation invested. Since this time, the Project has experienced significant delays and subsequent cost overruns. These delays were mostly related to the non-performance of one of the Project's sub-contractors, SG Blocks, which was responsible for the fabrication and installation of built-to-suit storage containers used in the construction of the Project.

SG Blocks' non-performance caused physical damage to the Project in addition to delaying construction. As a result, HOLA terminated SG Blocks in December 2018, and has engaged Balfour Beatty Construction, the general contractor for the Project, to perform the work that SG Blocks was originally hired to complete. The revised budget presented in this memo reflects the increased cost estimates provided by Balfour Beatty, the cost associated with the termination of the SG Blocks contract, and additional expenses associated with the delayed construction. Construction is ongoing at the site and Balfour Beatty is already performing the additional work at the Project.

The Project's current request is for an additional $3 million NMTC Allocation from LADF to cover the cost overruns. To make this investment, LADF would use $3 million of its 2017 NMTC Allocation to make a Qualified Low Income Community Investment ("**QLICI**") using the same Subsidiary Community Development Entity ("**Sub-CDE**"), LADF XIII, LLC, which LADF used in making its $2.75 million QLICI with its 2015-2016 NMTC Allocation.

PROJECT DESCRIPTION

HOLA will use the NMTC financing to complete the new construction of the Heart of Los Angeles Arts, Enrichment and Recreation Center ("**HOLA Center**", or "**Project**"). Construction began in September 2017 and is expected to be completed in December 2019.

The HOLA Center will be 25,000 SF and built using modified shipping containers as "building blocks" to create an energy- and cost-efficient structure. These components will be blended with more traditional modular construction to create a large multi-purpose pavilion and various common areas in the building.

The HOLA Center will be operated by HOLA, a youth services non-profit, for its renowned academic, arts, music, and community engagement programs. HOLA serves youth and families located in the Rampart District of Los Angeles. This area is among the poorest and densest in the City of LA. Of the youth that HOLA serves, 97% live in poverty and 86% are Latino.

Currently, HOLA provides youth (ages 6-24) with academic, arts, music and athletic activities in four separate buildings. This project will allow HOLA to move out of one 10,000 square foot building which has less than optimal space, poor management and high rent. Moving to the new building will increase HOLA's space while reducing its rent expense by 15-20%. This will allow the organization to invest more of its funds in operations that benefit the community.

HOLA's ability to increase the number of youth and families participating in its programs means that the number of Rampart District youth that graduate high school and attend college will increase. Nearly 100% of the students who participate in HOLA's academic, arts and music programming graduate high school and go on to post-secondary education. Over 85% of HOLA's students who go to college obtain a degree. This is compared with a sub-50% high school graduation rate in this community overall. This is notable because high school graduates and those with a Bachelor's degree annually earn 150% to 280% more than high school dropouts; the poverty rate for high school dropouts is 30.8% as compared to 13.5% for those with Bachelor's degrees; and the incarceration rate is 63 times higher among high school dropouts than college graduates.

FINANCIAL FEASIBILITY

To date, HOLA has spent $9,980,000 on the project. With a new budget of $15.17 million, there is still $5,190,000 to spend. Below is a table showing the original and revised budget for the Project:

Budget Analysis	**Initial Budget (*Sept. 2017*)**	**Rev. Budget (*Jun. 2019*)**	***Increase/(Reduction)***
Hard & Soft Costs	$ 12,200,000	$ 14,300,000	*$ 2,100,000*
FF&E	$ 420,000	$ 500,000	*$ 80,000*
Owner's Contingency	$ 300,000	$ 370,000	*$ 70,000*
TOTAL	**$ 12,920,000**	**$ 15,170,000**	***$ 2,250,000***

Below is a table showing the sources and uses for the second NMTC investment in the Project:

SOURCES		**USES**	
2nd QEI Sources		**Construction Uses**	
Leverage Loan (*Sponsor Equity*):	2,052,300	Hard & Soft Costs:	14,300,000
NMTC Equity	947,700	FF&E:	500,000
Sub-Total	$3,000,000	Owner's Contingency:	370,000
		Sub-Total	$15,170,000
1st QEI Sources			
Pre-Incurred Hard & Soft Costs:	9,980,000	**Financing-Related Uses**	
Pre-Incurred NMTC Costs:	2,055,000	Pre-Incurred NMTC Costs (1st QEI):	2,055,000
QLICI Funds Available:	3,087,000	NMTC Reserve Bal. from 1st QEI:	600,000
Sub-Total	$15,122,000	NMTC Add'l Fee Reserve for 1st QEI:	41,250
		NMTC Closing Costs (2nd QEI):	
Direct (Non-NMTC) Sources		- Legal/Accounting/Consulting Fees	200,000
Sponsor Equity (*cash on hand*):	361,000	- **LADF** CDE Placement Fee	60,000
Sub-Total	$361,000	*NMTC Reserves (2nd QEI):*	
		- **LADF** Asset Mgmt. Fee Reserve	157,500
		- **LADF** Expense Reserve	20,000
		- **Telacu** Asset Mgmt. Fee Reserve	141,600
		- **Telacu** Expense Reserve	26,000
		- Fund Management Fee Reserve	11,650
		Sub-Total	$3,313,000
Total Project Sources	**$ 18,483,000**	**Total Project Uses**	**$ 18,483,000**

REVISED PROJECT TIMELINE

The following list represents the milestone items and the updated project's completion and expected completion dates (*as of August 2019*):

- September 14, 2017: **NMTC Transaction Close (*1st Closing – $14.55 million NMTC Allocation*)**
- September 2017: Construction Commencement
- November 2019: **NMTC Transaction Close (*2nd Closing – $3 million NMTC Allocation*)**
- December 2019: Expected Construction Completion

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037211120. The population within the Census tract is 5,139 individuals per the 2011-2015 American Community Survey. Based on the CDFI Fund's GeoCode Report for the site, LADF has determined that the site is located in a Qualified Census Tract based on both qualifying measures:

- Poverty Rate of **20.3%** (*greater than 20%*)
- Median Family Income of **56.6%** of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2018 Allocation Agreement as a Targeted Distressed Community based on the two qualifying measures listed:

- Median Family Income of **56.6%** of the greater Metro area (*less than 60%*)
- Located in a Federally designated **Promise Zone**

LADF 2018 Allocation Agreements Compliance

This transaction will use $3.0 million in allocation from LADF's 2018 Allocation award from the CDFI Fund. With the closing of this transaction, the 2018 Allocation award will be 8.6% invested.

The LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2018 Allocation Agreement, evident through the following characteristics of the transaction:

- §3.2(a) –LADF's allocation will be used to make a loan to a QALICB
- §3.2(b) – Project is located in the County of Los Angeles
- §3.2(c) – LADF XIII, LLC will be a listed Subsidiary Allocatee in an Amendment to the Allocation Agreement
- §3.2(d) – QALICB is controlled 100% by persons unrelated to LADF
- §3.2(e) – LADF must issue $18 in additional QEIs to meet the 60% threshold by Dec. 31, 2021
- §3.2(f) – LADF's QLICI provides flexible terms (*discussed below*)
- §3.2(h) – The subject site is located in a Targeted Distressed Community (*discussed above*)
- §3.2(j) – 100% of QEI will be passed down as a QLICI

Section 3.2(g) (*Non-Metropolitan Counties*), 3.2(i) (*Loan Purchases Reinvestment*), and Section 3.2(l) (*Innovative Investments*) are marked "Not Applicable" in LADF's 2018 Allocation Agreement. Although Section 3.2(k) (*Affordable Housing*) is applicable to LADF's 2018 Allocation Agreement, this Project does not apply since it does not include any housing.

As the transaction relates to Section 3.2(f) (*Flexible Products*) of the 2018 Allocation Agreement, LADF must comply with the following:

“All of the Allocatee's QLICIs must (a) be equity or equity-equivalent financing, (b) have interest rates that are 50 percent lower than either the prevailing market rates for the particular product or lower than the Allocatee's current offerings for the particular product, or (c) satisfy at least 5 of the indicia of flexible or non-traditional rates and terms, as listed in Section 3.2(f)[1].”

LADF’s QLICI notes will bear interest rates in line with its notes in the first NMTC closing, or 1.41%, and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF references a market rate lending terms letter provided by Berkadia Commercial Mortgage LLC, which was ordered to support the flexible terms of LADF QLICI notes in another transaction closed on April 10, 2017 (*Orthopaedic Institute for Children*). This letter states that the market interest rate for the transaction (*which is similar in project type as the subject HOLA Center transaction*) is between 5.5% to 6.0%.

DEMONSTRATED NEED FOR NMTC FINANCING (“BUT FOR” TEST)

The equity generated through the NMTC structure will provide an estimated $290,000 in subsidy (*net of NMTC closing costs, placement fees, management fees, and on-going expenses*) to the project, approximately 9.7% of the $3 million Qualified Equity Investment (“**QEI**”) in the transaction. Combined with the approximate $3 million in net subsidy (*from both LADF’s and NMCC’s QEIs*) from the first NMTC closing, NMTC subsidies from both closings will cover and 21.9% of the $15.2 million of total construction costs (*excluding financing costs*). The LADF Sub-CDE’s total net subsidy, including the subsidy generated from its first QEI of $2.75 million in 2017, is approximately $1.0 million.

NMTCs are a crucial part in completing the construction of the HOLA Arts, Enrichment, and Recreation Center. Without NMTCs, HOLA will have to cut into its programming dollars to complete the project and pay its debt. This will negatively impact the students served, especially in the early years of operation for the Project.

LOAN REPAYMENT ANALYSIS/EXIT STRATEGY

At the end of the seven-year NMTC compliance period of this second NMTC closing, the LADF’s Sub-CDE will distribute the QLICI notes from its first and second NMTC closings to the investment fund. LADF’s and Telacu’s Sub-CDEs will keep their QLICI notes from the first NMTC closing invested in the project until the seven-year NMTC compliance period ends for LADF’s second NMTC allocation investment. Additionally, the QLICI B Notes from both closings, which are tied to the NMTC Investor’s equity amount, may be forgiven at the end of the compliance period by way of an option agreement described below.

A Put-Call Option Agreement was entered into by the Sponsor and US Bank (*as the Investor*) in the first NMTC closing on September 14, 2017. US Bank can exercise its put option and sell its respective interest in the Fund to the Sponsor for $1,000. If US Bank chooses not to exercise its put option, the Sponsor can exercise its call option. Upon exercising of either put or call option by the respective parties, the Sponsor would own all of the debt associated with the first NMTC transaction and this proposed NMTC transaction.

[1] Flexible or non-traditional rates and terms listed in Section 3.2(f) include: (i) Below market interest rates; (ii) Lower than standard origination fees; (iii) A longer than standard period of interest only loan payments; (iv) Higher than standard loan to value ratio; (v) A longer than standard amortization period; (vi) More flexible borrower credit standards; (vii) Nontraditional forms of collateral; (viii) Lower than standard debt service coverage ratio; or (ix) Subordination.

LOS ANGELES DEVELOPMENT FUND

LADF FEE LOAD AND RESERVES

The LADF will receive the following fees from the transaction:

- Placement Fee – 2% of QEI (equates to $60,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $3.0 million of 2018 Allocation
    - This equates to $157,500 (quarterly installments of $5,625 paid out of QLICI interest received for 7 years)
- CDE Expense Reimbursements – estimated at $10,000 annually per CDE for 8 years. Since this reserve was already established in the first NMTC closing in 2017, the second NMTC closing will only have to add 2 additional years of reserve, or $20,000. QALICB will be responsible for paying all ongoing costs incurred by the Sub-CDE related to the transaction, which will consist primarily of audit and tax expenses.

Additionally, the two extra years of asset management for LADF's $2.75 million NMTC Allocation will require two additional years of payments for CDE Servicing & Compliance Fees on that allocation. This equates to $41,250 (or $20,625 per year). Below is a table describing the total fees and expenses related to the first and second NMTC closings:

	Allocation Amount	CDE Serv. & Comp. Fees		Expense Reimbursements	
		1st Closing	2nd Closing	1st Closing	2nd Closing
2015-16 Alloc.:	$ 2,750,000	$ 144,375	$ 41,250 (*add'l*)	$ 80,000 (*8 yrs*)	N/A
2018 Alloc.:	$ 3,000,000	N/A	$ 157,500	N/A	$ 20,000 (*2 yrs*)
	$ 5,750,000		**$ 198,750**		**$ 20,000**

All of LADF's CDE Servicing and Compliance Fees and estimated CDE Expense Reimbursements for the entire Compliance Period, which total $218,750, will be placed in LADF's separate, controlled reserve account (*which includes LADF's reserve from the first NMTC closing*) at close of the second NMTC transaction.

POLICY EXCEPTIONS

None.

RECOMMENDATION

Approval of this funding request is recommended based on the project's feasibility, readiness and community benefits.