

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.

July 20, 2017

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

JULY 20, 2017

Tab Table of Contents

- 1** Board Meeting Agenda
- 2** Materials regarding Agenda Item 1 – Approval of Minutes for Board Meeting(s) on:
 - February 16, 2017 - Governing Board Special Meeting
 - March 14, 2017 - Joint Board Special Meeting
 - June 15, 2017 - Joint Board Special Meeting
- 3** Materials regarding Discussion Item B:
 - LADF Pipeline Report
- 4** Materials regarding Action Item A:
 - BOARD MEMO regarding Request for Approval of \$2.75 Million Sub-Allocation of New Markets Tax Credits for the Heart of Los Angeles Arts, Enrichment, and Recreation Center Project

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
Thursday, July 20, 2017 | 3:00pm – 4:00pm**

AGENDA ITEM	PRESENTER	TAB
Welcome and Call to Order	Rushmore Cervantes	
Roll Call	Rushmore Cervantes	
1 Approval of Minutes for Board Meeting(s) on:	Rushmore Cervantes	Tab 2
a. February 16, 2017 – Governing Board Special Meeting		
b. March 14, 2017 – Joint Board Special Meeting		
c. June 15, 2017 – Joint Board Special Meeting		
2 Discussion Items		
a. LADF Website and Social Media (<i>Presentation by Karen Brooks</i>)	Karen Brooks	
b. LADF Pipeline Update	Sandra Rahimi	Tab 3
3 Action Items	Sandra Rahimi	
a. Request for Approval of \$2.75 Million Sub-Allocation of New Markets Tax Credits for the Heart of Los Angeles Arts, Enrichment, and Recreation Center Project		Tab 4
b. Request for Authorization of LADF staff to issue a Letter of Interest to the Joshua House Health Center project for providing up to \$3.5 Million of New Markets Tax Credit Allocation. LADF will have option to rescind the Letter of Interest if by August 31, 2017 a) the project has not provided commitment letters from all other financing sources <u>and</u> b) project has not made substantial progress on all other LADF readiness criteria.		
c. Request for Authorization of LADF staff to re-issue a Letter of Interest to the Jordan Downs Retail Center project for providing \$10.0 Million of New Markets Tax Credit Allocation. LADF will have option to rescind the Letter of Interest if by September 29, 2017 a) the project has not provided commitment letters from all other financing sources <u>and</u> b) project has not made substantial progress on all other LADF readiness criteria.		
Request for Future Agenda Items	Rushmore Cervantes	
Next Meeting Date and Time of Governing Board	Rushmore Cervantes	
• Thursday, August 10, 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

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
THURSDAY, FEBRUARY 16, 2017

LADF STAFF PRESENT:

- Sandra Rahimi
- Chris Chorebanian

1. WELCOME AND CALL TO ORDER – Los Angeles Development Fund (LADF) Director Cervantes called the meeting to order at **3:04 pm.**

2. ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Cervantes (Chairperson)
- Director Chavez
- Director Esparza
- Director Kalfayan
- Director Perry

There was a quorum present.

3. APPROVAL OF MINUTES FOR BOARD MEETING(S) ON:

➤ **January 18, 2017 – Joint Board Special Meeting**

- Moved by Director Perry. Seconded by Director Kalfayan. Motion passed unanimously.

4. DISCUSSION ITEMS

➤ **DISCUSSION ITEM (A) – LADF PIPELINE UPDATE**

- Sandra Rahimi and Chris Chorebanian provided an update on projects for whom the issuance of LOIs was approved by the Governing Board at the December 20, 2016 meeting. They also provided an update on the status of the pipeline projects working to qualify for LADF's uncommitted allocation.
- Ms. Rahimi and Mr. Chorebanian also requested that Board members provide contact information for any new pipeline projects in anticipation of issuance of NOAA for the next round of NMTC awards.
- PUBLIC COMMENTS: Mr. Herman expressed his concerns regarding the accrual of project benefits to low income individuals.

➤ **DISCUSSION ITEM (B) – LADF RFP FOR BUSINESS STRATEGY CONSULTANT**

- Director Cervantes led a discussion regarding issuance of an RFP for a business strategy consultant to develop a detailed business strategy to guide LADF's future pipeline development and investments.
- It was determined that because LADF is a support entity for the city, the proposed consultant should be engaged to help codify how LADF can support the city's overall economic development goals and how LADF can measure how well its fulfilling this role and identifying and prioritizing projects that help the city attain its goals.
- Director Perry shared that the EWDD is in the process of issuing an RFP for a consultant to draft a citywide economic development strategy
- LADF's Board agreed that it should wait for the EWDD's consultant to issue its report determining the City's economic development goals and strategies before engaging its own consultant to help determine how LADF can support these goals.
- PUBLIC COMMENTS: Mr. Herman expressed his concerns.

5. REQUEST FOR FUTURE AGENDA ITEMS

- The 2017 budget
- Discuss the RFP for LADF business strategy consultant at next joint meeting.

6. NEXT MEETING DATE AND TIME

- TBD

7. PUBLIC COMMENT

- Mr. Herman presented his concerns.

8. ADJOURNMENT

- Meeting was adjourned at 3:55 pm.

LOS ANGELES DEVELOPMENT FUND

MINUTES OF THE MEETING OF THE GOVERNING BOARD AND ADVISORY BOARD OF LADF AND LADF MANAGEMENT, INC.
TUESDAY, MARCH 14, 2017

LADF STAFF PRESENT:

- Sandra Rahimi
- Chris Chorebanian

1. **WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Director Cervantes called the meeting to order at 2:09 pm.

2. ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Cervantes (Chairperson)
- Director Chavez
- Director Esparza
- Director Kalfayan
- Director Perry

A quorum of the Governing Board was present.

The following Advisory Board directors were present at the meeting:

- Director Cade
- Director Espinoza
- Director Luna [*arrived at 2:22 pm*]
- Director Volpert

There was not a quorum of the Advisory Board present.

3. 1 – DISCUSSION ITEMS

➤ DISCUSSION ITEM (A) – LADF PIPELINE STRATEGY

- Sandra Rahimi provided an update of the closing status of projects for which LADF has issued LOIs. There was a discussion of the strategy to meet the threshold deployment date to qualify to apply in the 2017 round.

4. 2 – ACTION ITEMS

➤ ACTION ITEM (A) – REQUEST FOR APPROVAL OF THE 2017 LADF BUDGET

- Moved by Director Perry. Seconded by Director Kalfayan.
- Roll Call: AYES: 5; NOS: 0; ABSENT: 0; ABSTAIN: 0; APPROVED.

➤ ACTION ITEM (B) – REQUEST FOR APPROVAL OF \$10 MILLION SUB-ALLOCATION OF NEW MARKETS TAX CREDITS FOR THE ORTHOPAEDIC INSTITUTE FOR CHILDREN PROJECT

- Advisory Board members present voiced their support of the investment.
- Moved by Director Perry. Seconded by Director Chavez.
- Roll Call: AYES: 5; NOS: 0; ABSENT: 0; ABSTAIN: 0; APPROVED.

5. REQUEST FOR FUTURE AGENDA ITEMS

- Renewal of Purchase Order Contract for JDiaz Consulting

- Approval to Engage NMTC Application Consultants
- Strategy for writing the application for CY 2017 NMTC allocation

6. NEXT MEETING DATE AND TIME

- **Thursday, April 13, 2017 – 3:00 PM to 4:30 PM [Regularly Scheduled]**

7. PUBLIC COMMENT

- None.

8. ADJOURNMENT

- Meeting was adjourned at **2:58 pm.**

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
THURSDAY, JUNE 15, 2017

LADF STAFF PRESENT:

- Sandra Rahimi
- Chris Chorebanian

1. **WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Director Cervantes called the meeting to order at 1:02 pm.

2. ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Cervantes (Chairperson)
- Director Chavez
- Director Esparza [*arrived at 1:04 pm*]
- Director Perry

A quorum was present.

3. 1 – DISCUSSION ITEMS

➤ **DISCUSSION ITEM (A) – 2017 NMTC APPLICATION AND PIPELINE UPDATE**

- Sandra Rahimi led a discussion of LADF's 2017 NMTC application. She also summarized information regarding the 2017 NMTC round presented by the CDFI Fund at the Washington DC conferences.

4. 2 – ACTION ITEMS

➤ **ACTION ITEM (A) – AUTHORIZATION TO APPLY TO THE CDFI FUND FOR AN AMOUNT UP TO \$80 MILLION ALLOCATION IN THE CY 2017 ROUND OF NEW MARKET TAX CREDIT AWARDS.**

- Moved by Director Perry. Seconded by Director Chavez.
- Roll Call: AYES: 4; NOS: 0; ABSENT: 1; ABSTAIN: 0; APPROVED.

➤ **ACTION ITEM (B) – REQUEST FOR APPROVAL TO OBTAIN COMMERCIAL LIABILITY INSURANCE (\$751 PER YEAR) AS A REQUIREMENT TO ENTER INTO A SUBLEASE AGREEMENT WITH EWDD.**

- Moved by Director Perry. Seconded by Director Chavez.
- Roll Call: AYES: 4; NOS: 0; ABSENT: 1; ABSTAIN: 0; APPROVED.

➤ **ACTION ITEM (C) – REQUEST FOR AUTHORIZATION OF LADF STAFF TO ISSUE A LETTER OF INTEREST TO PROVIDE \$3 MILLION OF NEW MARKETS TAX CREDIT ALLOCATION TO HEART OF LOS ANGELES (HOLA) PROJECT. LADF WILL HAVE OPTION TO RESCIND IF BY JULY 14, 2017 1) THE PROJECT HAS NOT PROVIDED COMMITMENT LETTERS FROM ALL OTHER FINANCING SOURCES AND 2) THE PROJECT HAS NOT MADE SUBSTANTIAL PROGRESS ON ALL OTHER LADF READINESS CRITERIA.**

- Moved by Director Perry. Seconded by Director Chavez.
- Roll Call: AYES: 4; NOS: 0; ABSENT: 1; ABSTAIN: 0; APPROVED.

➤ **ACTION ITEM (D) – REQUEST FOR AUTHORIZATION OF LADF AND LADF MANAGEMENT, INC. TO ENGAGE MANATT AS LADF'S TRANSACTION COUNSEL FOR THE HEART OF LOS ANGELES (HOLA) TRANSACTION.**

- **Action Item Amended as Follows:**

REQUEST FOR AUTHORIZATION OF LADF AND LADF MANAGEMENT, INC. TO ENGAGE MANATT AS LADF'S TRANSACTION COUNSEL FOR THE HEART OF LOS ANGELES (HOLA) TRANSACTION. MANATT'S FEES TO BE CAPPED AT \$25,000.

- Moved as amended by Director Perry. Seconded by Director Chavez.
- Roll Call: AYES: 4; NOS: 0; ABSENT: 1; ABSTAIN: 0; APPROVED.

5. REQUEST FOR FUTURE AGENDA ITEMS

- EWDD Lease Agreement
- Report on legal fees related to Heart of Los Angeles (Action Items C and D above) transaction
- Presentation of LADF's new website and social media platforms

6. NEXT MEETING DATE AND TIME

- **Thursday, July 13, 2017 – 3:00 PM to 4:30 PM [Regularly Scheduled]**

7. PUBLIC COMMENT

- None.

8. ADJOURNMENT

- Meeting was adjourned at 1:21 pm.

Tab 3

LADF

LOS ANGELES DEVELOPMENT FUND

PIPELINE PROFILES

LADF Board Meeting
July 20, 2017

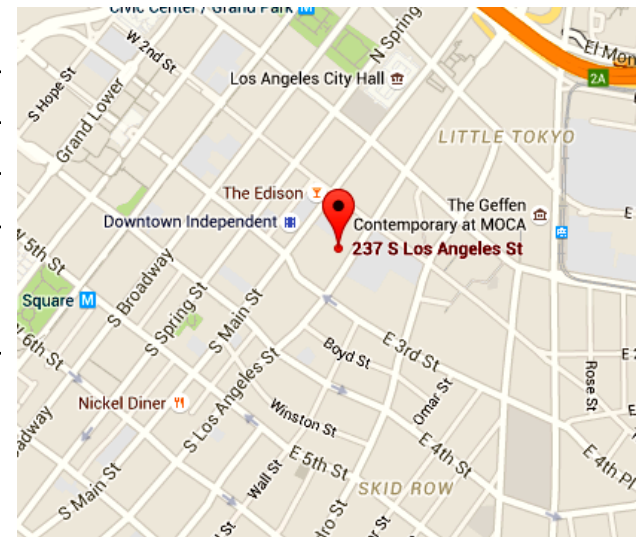
HEART OF LOS ANGELES

Developer:	Heart of Los Angeles (HOLA)
Project Type:	Community Facility, New Construction
Description:	<p>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.</p> <p>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.</p>
Location:	625 S. Lafayette Park Place, Los Angeles, CA 90057 (CD 10)
Census Tract Eligibility (2010):	<p>➤ 66.9% of Metro/State Median Income (<i>less than 80% and 70%</i>)</p> <p>➤ Located in a State Enterprise Zone and Federal Promise Zone</p>
Estimated TDC:	\$ 14,800,000
Estimated NMTC Allocation:	<p>Total QEI: \$ 14,550,000</p> <p>LADF QEI: \$ 2,750,000</p>
Potential Sources of Funds:	Capital Campaign (rec'd): \$ 2,540,000 Lev. Loan Eligible
	Bridge Loan / Bridge Equity: \$ 7,270,000 Lev. Loan Eligible
	NMTC Equity (\$0.88 / NMTC): \$ 4,990,000
Projected Closing:	August 2017
Current Status:	<p>➤ Ground lease expected to be finalized/approved by July 2017</p> <p>➤ Receiving final GC bids within a week</p> <p>➤ Project has commitment for \$11.8M NMTC Allocation from a CDE</p>
Community Benefits/Impact:	<p>➤ Job Creation: 12 Permanent – 280 Construction</p> <p>➤ 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</p>



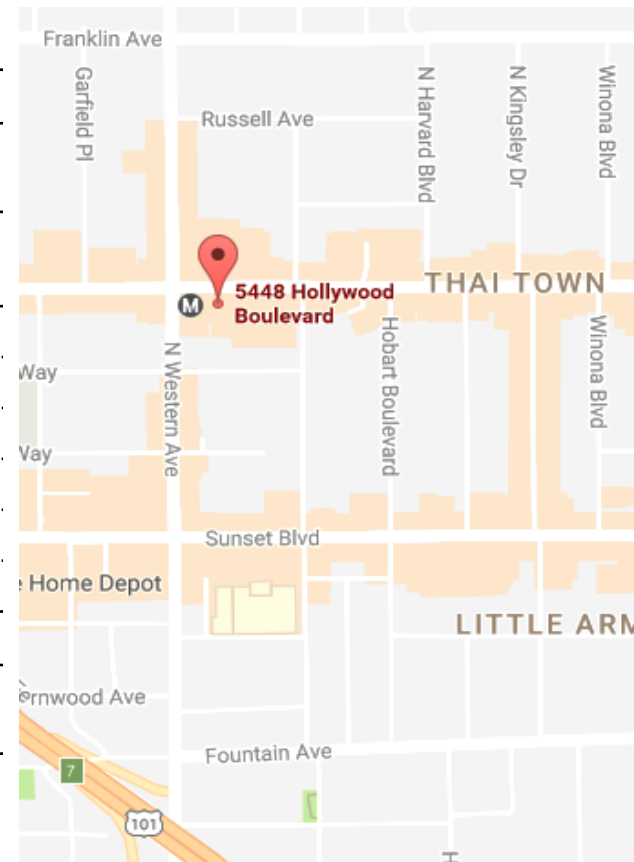
BUDOKAN OF LOS ANGELES

Developer:	Little Tokyo Service Center – nonprofit with a 35-year track record of providing affordable housing & social services for low-income HHs		
Project Type:	Community Facility, New Construction		
Description:	<p>Project is a 61,000 SF multi-purpose community facility in the Little Tokyo neighborhood of Downtown LA. Project will provide critically needed recreational space for low-income youth, and a safe and accessible community gathering space for local residents, including:</p> <ul style="list-style-type: none"> ➤ 16,000 SF gymnasium that can accommodate two regulation size basketball courts, volleyball, martial arts and other activities ➤ Community room, to be primarily used for LTSC-sponsored programs for low-income youth, families and seniors (such as teen leadership development, senior wellness programs, and tutoring) ➤ Outdoor area with performance venue for community arts programs, children's play area and community garden space 		
Location:	237- 249 S. Los Angeles St., Los Angeles, CA 90012 (CD 14)		
Census Tract Eligibility (2010):	➤ 31.0% Poverty Rate (<i>greater than 30%</i>)		
Estimated TDC/ NMTC Allocation:	TDC:	\$ 29,700,000	Total QEI: \$ 29,700,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	Capital Campaign:	\$ 19,600,000	Lev. Loan Eligible
	NMTC Equity (\$0.87 / NMTC):	\$ 10,100,000	
Projected Closing:	September 2017		
Current Status:	<ul style="list-style-type: none"> ➤ Sponsor controls site through a long-term lease with City of LA ➤ Architect is identified and design development is complete ➤ Cap. campaign 90% complete, to obtain bridge equity & loan 		
Community Benefits/Impact:	<ul style="list-style-type: none"> ➤ Job Creation: 20 Permanent – 132 Construction ➤ Project will support 30,000 to 40,000 visitors annually ➤ 90% of the 18,000 individuals LTSC serves qualify as Low-Income ➤ Financing Minority-Controlled Business ➤ Sustainability: LEED Gold certification anticipated 		



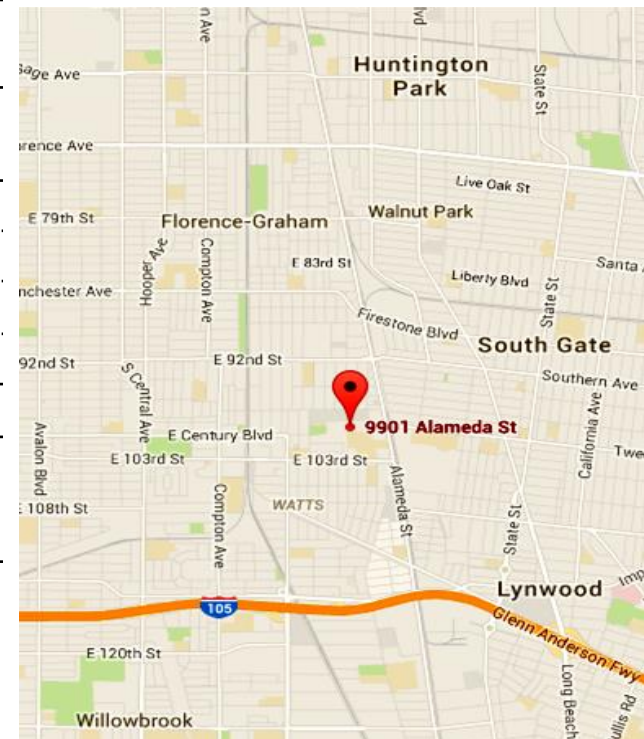
THAI TOWN MARKETPLACE

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):	<p>➤ 41.5% of Metro/State Median Income (<i>less than 60%</i>)</p> <p>➤ Located in a Federal Promise Zone</p>		
Estimated TDC/ NMTC Allocation:	\$ 4,700,000 (<i>approximate</i>)	Total QEI:	\$ 3,850,000
		LADF QEI:	\$ 3,850,000
Potential Sources of Funds:	Sponsor - fundraising, cash:	\$ 957,000	Lev. Loan Eligible
	City: CDBG	\$ 892,000	Lev. Loan Eligible
	City: CD13 Excess Bond Funds	\$ 764,000	Lev. Loan Eligible
	City: AB 1290 Funds	\$ 436,000	Lev. Loan Eligible
	Proposed LADF Bridge Loan:	\$ 331,000	Lev. Loan Eligible
	NMTC Equity (\$0.88 / NMTC):	\$ 1,320,000	
Projected Closing:	September 2017		
Current Status:	<p>➤ Sponsor controls site through a lease executed in July 2016</p> <p>➤ Entitlements completed, construction is 30% complete</p>		
Community Benefits/Impact:	<p>➤ Job Creation: 40 Permanent – 20 Construction</p> <p>➤ Promote entrepreneurship & job opportunities for minorities, as well as ex-offenders and chronically underemployed individuals.</p>		



JORDAN DOWNS RETAIL CENTER

Developer:	Primestor Development, Inc.		
Project Type:	Retail Center w/ Grocery Store Anchor, New Construction		
Description:	Development of a 118,200 SF retail center with a grocery store anchor (45,000 SF) and two junior anchor (25,000 / 20,000 SF – pharmacy and soft goods retailers) tenants. Inline space (28,200 SF) will include tenants for daily needs such as an insurance shop, dentist, nail salon or quick service food. Project is part of redevelopment of Jordan Downs (a 700-unit public housing community) into a mixed-income, mixed-use environment with housing density up to 1,800 housing units. Over 14 acres of land designated for commercial uses such as retail/office/manufacturing.		
Location:	9901 South Alameda Street, Los Angeles, CA 90002 (CD 15)		
Census Tract Eligibility (2010):	➤ 42.6% of Metro/State Median Income (<i>less than 60%</i>) ➤ Located in a USDA-Designated Food Desert		
Estimated TDC/ NMTC Allocation:	TDC:	\$ 44,210,000	Total QEI: \$ 40,000,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	JV Partner Equity:	\$ 26,810,000	Lev. Loan Eligible
	NMTC Equity (\$0.87 / NMTC):	\$ 13,570,000	
	HACLA Loan for Offsite:	\$ 2,420,000	Non-NMTC
	Primestor Equity:	\$ 1,410,000	Non-NMTC
Projected Closing:	December 2017		
Current Status:	➤ Ground lease is completed and approved ➤ Construction expected to start December 2017 ➤ Century Blvd extension expected to complete by Jun . 2018		
Community Benefits/Impact:	➤ Job Creation: 243 Permanent – 100 Construction ➤ Project to implement local hiring, training & job readiness program ➤ Provide needed neighborhood-serving retail ➤ Fresh foods to be provided by grocery store anchor in a USDA designated Food Desert		



JOSHUA HOUSE

Developer:	Skid Row Housing Trust
Project Type:	Federally Qualified Health Center, New Construction
Description:	<p>Project is a new 26,000 SF federally qualified health center (FQHC) to be co-located with 55 units of permanent supportive housing for the homeless in the Skid Row neighborhood of downtown Los Angeles.</p> <p>The FQHC will be operated by Los Angeles Christian Health Centers (LACHC), which provides medical services for homeless and low income individuals in LA's Skid Row. LACHC's current Joshua House clinic is a 105 year old converted SRO hotel. The new facility will replace the 8,200 SF structure, and will include 24 medical exam/consultation rooms, 8 dental chairs, 9 mental health exam rooms, and a health education/fitness area.</p>
Location:	317 E. 7 th St., Los Angeles, CA 90014 (CD 14)
Census Tract Eligibility (2010):	<p>➤ 78.3% Poverty Rate (<i>greater than 30%</i>)</p> <p>➤ 5.4x National Avg. Unemployment (<i>greater than 1.5x</i>)</p>
Estimated TDC:	\$ 26,570,000
Estimated NMTC Allocation:	<p>Total QEI: \$ 24,000,000</p> <p>LADF QEI: \$ 3,000,000 to \$ 3,500,000</p>
Potential Sources of Funds:	Permanent Loan: \$ 10,970,000 Lev. Loan Eligible
	Capital Campaign: \$ 3,760,000 Lev. Loan Eligible
	Proposition HHH Funds: \$ 3,700,000 Lev. Loan Eligible
	NMTC Equity (\$0.87 / NMTC): \$ 8,140,000
Projected Closing:	November 2017
Current Status:	<p>➤ LOIs received for \$23mm allocation and \$7mm permanent loan</p> <p>➤ \$4.2mm of Capital Campaign committed</p> <p>➤ If Capital Campaign isn't complete, will increase perm. loan</p>
Community Benefits/Impact:	<p>➤ Job Creation: 36 Permanent – 80 Construction</p> <p>➤ Increase Sponsor's capacity from serving 3,300 patients and 19,000 visits per year to 7,000 patients and 49,000 visits per year</p>



LOS ANGELES CHRISTIAN HEALTH CENTERS
 "SERVING ALL, WITH OPEN HEARTS"



Tab 4

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO: LADF Board of Directors
FROM: Sandra Rahimi, Secretary
DATE: July 20, 2017
SUBJECT: Request to Approve a **\$2,750,000** 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: \$ 15,122,000

Total Allocation / QEI: \$ 14,550,000

LADF Allocation / QEI: \$ 2,750,000 (*2015-2016 Allocation*)

- 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. 06037191901

- **NMTC Eligible and Targeted Distressed Community** (*per 2015-16 Allocation Agmt*):
- **66.9%** AMI Households (*less than 80%*) – Section 3.2(h)(ii)
- **1.47x** National Avg. Unemployment Rate (*greater than 1.25x*) – Section 3.2(h)(vi)
- 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 2015-2016 Allocation Agreement:

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

Projected Residual Value of LADF QLICI that may be obtained by the QALICB: \$ 943,800

CONTENTS

SUMMARY.....	1
SITE ANALYSIS	3
PROJECT DESCRIPTION	3
COMMUNITY AND ECONOMIC BENEFITS.....	5
DEVELOPMENT TEAM	7
PROJECT FEASIBILITY	9
FINANCING PARTNERS.....	11
FINANCING STRUCTURE.....	12
PROJECT READINESS	13
NMTC ELIGIBILITY AND COMPLIANCE.....	14
DEMONSTRATED NEED FOR NMTC FINANCING (“BUT FOR” TEST).....	16
COLLATERAL AND GUARANTEES.....	16
LOAN REPAYMENT ANALYSIS/EXIT STRATEGY	17
RISKS AND MITIGANTS	17
LADF FEE LOAD AND RESERVES	18
POLICY EXCEPTIONS	18
RECOMMENDATION.....	18
ATTACHMENTS.....	18
EXHIBIT A: HOLA Flow of Funds (<i>as of July 18, 2017</i> , Final Projections Pending).....	19

SITE ANALYSIS

The project will be built in Lafayette Park in the Westlake neighborhood of Central Los Angeles, which is in the Wilshire/Koreatown Project Area of the former Community Redevelopment Agency of Los Angeles. The site is located at the following address:

- 615 S. Lafayette Park Place, Los Angeles, CA 90057

The site is under the jurisdiction of Council District 10 of the City of Los Angeles, represented by Councilmember Herb J. Wesson, Jr. Additionally, the site lies within the following designated economic development areas:

- *Promise Zone:* Central Los Angeles Promise Zone
- *State Enterprise Zone:* Los Angeles State Enterprise Zone
- *Revitalization Zone:* Central City

The site is considered a transit-oriented development and is 0.6 miles from the Wilshire / Vermont Metro Red/Purple Line rail station. Public bus transportation is located nearby on 6th Street. The site is also 1.4 miles from the US-101 Freeway.

The site is located in Lafayette Park (a public city park), which is adjacent to the Sponsor's current 10,000 SF leased facility at 2701 Wilshire Blvd. Completion of the Project will allow HOLA to vacate this space to facilitate a reduction in operating expenses and an expansion of services. Also located at Lafayette Park are the Lafayette gymnasium, Felipe De Neve Branch Library, Lafayette skate plaza, and an office building occupied by the LA County Child Support Services.

Site Control

The Heart of Los Angeles ("**HOLA**", or "**Sponsor**") is currently finalizing a 50-year ground lease with the City's Department of Recreation and Parks, which is expected to be completed by the end of July 2017. For purposes of the NMTC transaction, the ground lease will be assigned to HOLA's affiliated entity, HOLA Community Partners ("**QALICB**"), which will sub-ground lease the property to HOLA to operate its programming. At its meeting on June 30, 2017, City Council approved this ownership structure, in general, and authorized the Department of Recreation and Parks to enter into a ground lease once finalized. The land value will not be capitalized in this financing.

PROJECT DESCRIPTION

HOLA will use the NMTC financing to fund the new construction of the Heart of Los Angeles Arts, Enrichment and Recreation Center ("**HOLA Center**", or "**Project**"). Construction is expected to begin in August 2017 and be completed in April 2018.

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.

HOLA will operate the following programs on-site at the new HOLA Center. Most of these programs are also provide at their other three sites:

- **Academic Enrichment:** HOLA has three core academic programs that serve youth in elementary, middle school, and high school. The programming is focused on getting students to: (1) achieve at or beyond grade level requirements in math, language arts and science; (2) engage in a college preparatory curriculum; and (3) navigate the college application process. Currently, HOLA offers over 375 academic enrichment programs per year that are led by credentialed teachers and dedicated tutors. Through these programs, students participate in a wide variety of enrichment opportunities that are geared toward expanding horizons far beyond the classroom. Additionally, HOLA offers alumni programs to help its high school graduates stay in college.
- **Scientific Arts:** HOLA's Scientific Arts Program ensures that computer literacy and technology classes are available to all HOLA youth. Students have access to 16 computer workstations and classes that include engineering, robotics, 3D printing, computer repair, video game design, circuit bending and stop motion animation. Currently, HOLA provides over 35 STEM-related classes per year.
- **Visual Arts:** HOLA's Visual Arts Program provides quality programming to over 280 students currently. Each year, over 100 different classes are taught by professional art instructors, college professors and volunteer artists. Classes include ceramics, photography, fashion design, printmaking, screen printing and public art.
- **Music:** HOLA's Music Program offers students introductory music instruction, a full youth orchestra (YOLA at HOLA), a rock band, big band and jazz ensembles, a choir, and weekly drum, piano, and guitar lessons. YOLA at HOLA now provides 250 students with up to 15 hours of intensive music education and academic support each week. As a result of this project, 450 students will be able to participate. YOLA at HOLA is a partnership with the LA Philharmonic and is inspired by Music Director Gustavo Dudamel's formative experience with "El Sistema," Venezuela's music education program.

- **Athletics:** Through HOLA's Athletics Program, more than 1,000 youth have the opportunity to participate in soccer and basketball leagues and an extensive offering of recreational activities. Through a unique partnership with the City of Los Angeles Department of Recreation and Parks, HOLA's kids enjoy much-needed green space, a soccer field, outdoor basketball courts and a full-size gymnasium.
- **Wrap-Around Services:** HOLA provides wrap-around services that support the whole family. Services include individual, group and family counseling, leadership and character development programs and activities and assistance connecting to essential community resources. Currently, HOLA provides over 500 counseling sessions annually.
- **Workforce Training Practicum:** HOLA has created a separate LLC that is working to create more jobs for alumni and parents. The program, which is in its nascent state, is called the "Management Institute" and provides participants with social skill development, business training, trade skills, financial skills, customer service skills, and interview guidance. Through this program, participants initially work at HOLA and are then placed in other organizations. HOLA is able to launch this new program because of the increased space offered at the new HOLA Center

The proposed mix of uses for the HOLA Center project's 25,000 SF of space is as follows:

• 13 Club Rooms/Classrooms	10,770 SF – 42%
-for Academic, Arts, and Music programming	
• 2 Multi-Purpose Rooms	6,150 SF – 25%
-for meetings and music ensemble gatherings	
• 5 Group Convening Rooms	410 SF – 2%
-for group projects and practice rooms	
• Community Room	500 SF – 2%
-for general community use (<i>e.g. parent advisory boards and neighborhood councils</i>)	
• Offices	2,510 SF – 10%
-for HOLA and community partners (<i>e.g. Legal Aid, law enforcement, senior services organizations</i>)	
• Storage / Reception / Other	4,660 SF – 19%
• Performance Pavilion	Exterior Space
-for indoor/outdoor performance by HOLA orchestra	
	25,000 SF

The HOLA Center will help to revitalize Lafayette Park and the area around it. HOLA's programming at the site, the building's physical orientation toward the park, and the increase in families accessing services and activities at the Center will improve safety and vibrancy in the park and area. Additionally, the Project's design will preserve green space by minimizing the building footprint and will be aesthetically compatible with the park's existing Recreation Center and gym.

COMMUNITY AND ECONOMIC BENEFITS

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

<i>Job Creation/Retention:</i>	<ul style="list-style-type: none"> • Creating: 12 Permanent FTEs and 280 Construction Jobs • Retaining: 54 Permanent FTEs
<i>Quality Jobs:</i>	<ul style="list-style-type: none"> • 100% of all permanent jobs will be provided with livable wage jobs based on MIT's Living Wage for L.A. County at \$13.08 (\$27,206 annually) • 100% of the permanent jobs will be provided with the following benefits:

Medical, Dental, Vision Care, Paid Time Off, Paid Holidays, Retirement, and 403(b) Benefits

- **100%** of the permanent jobs will be provided opportunities for advancement
- **100%** of Construction hires will be provided with Davis-Bacon wages (*higher than livable wage jobs based on MIT's Living Wage for L.A. County*) and benefits described above (*% of construction jobs not yet negotiated for this requirement*)

Accessible Jobs:

- **20%** of all individuals interviewed for new positions at the Project will be Low-Income Community Residents ("**LICR**") or Low-Income Persons ("**LIP**")
- **20%** of permanent jobs created by the Project will be filled by **LICRs** or **LIPs**
- **25%** of predevelopment/construction contracts targeted to businesses in the local low-income community
- **15%** of predevelopment/construction contracts targeted to minority, women, and/or military veteran-owned or -controlled business enterprises

Community Goods/Services to Low-Inc. Communities:

- Increase Sponsor capacity for providing critically needed programs and services, predominantly for low-income families (*97% of current youth served live in poverty*), by **300 youth per day** and **1,700 persons per year** (*increasing Sponsor's total capacity to 800 youth per day and 4,000 persons per year*). Notably, HOLA will be able to expand its music programs to **200 additional youth per year**. Many of the new music program participants will be students with no prior instrument experience.
- A portion of the space at the HOLA Center will be available to partners, such as Legal Aid, organizations serving seniors, colleges and universities, and law enforcement. These organizations will have dedicated offices on-site and provide services to the community during the school day, when HOLA's youth are at school. This arrangement will serve the non-profits and the broader community.

Flexible Lease Rates

- **20%** reduction of rent for HOLA by moving operations into the new Center
- Space provided to other mission-aligned nonprofits and community groups at **no cost** (*or 100% below market*)

Environmentally Sustainable Outcomes:

- The Center will be made from **85% recycled** and **LEED certified materials**.
- The Center will achieve **Los Angeles Green Code** and **Title 24** requirements

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 a biannual 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.

DEVELOPMENT TEAM

Real Estate QALICB: HOLA Community Partners

HOLA Community Partners is a 501(c)(3) nonprofit corporation formed on January 19, 2017. This entity will serve as the Qualified Active Low-Income Community Business (“**QALICB**”) for the NMTC transaction purposes. The entity was established for the purposes of controlling and managing the real estate interests in the project, including land, building, and improvements. The QALICB will enter into a ground lease agreement with the City of LA (*approved by City Council on June 30, 2017*) for control of the Project site and sub-lease the premises to the Sponsor to operate the HOLA Center.

The QALICB is controlled by a five-member Board of Directors, of which one is concurrently serving as a Board Member of HOLA and another is concurrently serving as an officer of HOLA. The officers of the QALICB include Alison Whalen as President (*also Board Member of HOLA*) and Genaro Trejo as Treasurer (*also COO of HOLA*). The joint HOLA and QALICB management team will carry out the development of the project and be responsible for management and maintenance of the subject property.

An Agreed-Upon Procedures report¹ will not be required for the QALICB because it is a mission-driven, real estate entity.

The entity 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.

Since this is a newly-formed company, there are no financial statements to review. The company will be the beneficiary of the NMTC and direct project financing sources, which HOLA originally solicited.

Developer/Sponsor: Heart of Los Angeles Youth, Inc. (“**Sponsor**”, or “**HOLA**”)

HOLA is a 501(c)(3) nonprofit corporation founded in 1989 for the purpose of ensuring that at-risk youth living in the inner-city are eligible and prepared for post-secondary education. HOLA's academic programs focus on building strong foundations in reading, writing, math, arts and science and providing critical support to at-risk youth and their families throughout their primary and secondary school years. The academic needs for youth aged 6-19 years are addressed through HOLA's SmartStart Elementary School, Bridges Middle School, and Preparing Achievers for Tomorrow (PAT) High School Education Programs.

HOLA's academic programs are enhanced by a wide variety of enrichment activities and summer camps provided through HOLA's Visual Arts and Music, S.T.E.A.M. (Science, Technology, Engineering, Arts and Math), Leadership, and Athletics programs. Students also benefit from a vibrant college success and alumni program, parent and community resources and counseling services. HOLA's programming is carried out by credentialed teachers and staff who collectively hold 1 Doctorate, 28 Masters, and 56 Bachelor degrees, as well as hundreds of highly-qualified volunteers.

Each year, HOLA provides more than 2,300 underserved youth with free exceptional after-school programming in academics, visual and performing arts, and athletics within a nurturing environment, empowering them to develop their potential, pursue their education and strengthen their communities. Over the last four years HOLA has maintained an accumulative 99% high school graduation rate, a 97%

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.

college persistence rate among its scholarship recipients and since 2009, has awarded over \$2.1 million in college scholarships to its youth.

Arts programming at HOLA annually includes more than 100 visual arts classes, private and group music lessons, a youth orchestra and chorus, ceramics, public art, and many other unique opportunities to experience art in the greater community. HOLA offers extensive recreation and sports programming. Competitive league play is available through the Lakers Youth Foundation's Junior Jumpshot Leagues and the Central City Athletic Association which organizes soccer for boys and girls (ages 6-18) and basketball (ages 11-18). Elementary and middle school youth participate in exercise, fitness and dance classes, nutrition/healthy cooking classes, and play a variety of sports including flag football, tennis, soccer, basketball, and volleyball.

HOLA's existing four-building and 32,000 square-foot campus includes multiple classrooms, an art studio and gallery, multiple education and fine art libraries, music and orchestra rooms, a dance studio, a science and technology center, digital media center, and wireless computer lab. Completion of this project will increase program space to 47,000 square feet and provide a performance pavilion.

With regards to this NMTC transaction, HOLA 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 consolidated audited financial statement for HOLA for the fiscal years ending June 30, 2014, June 30, 2015, and June 30, 2016. The company had a total of \$2.2 million in cash and \$12.0 million in total assets as of June 30, 2016. Additionally, the company has \$1.0 million in liquid short-term investments whose use is mostly unrestricted, consisting of fixed income and equity securities. The company has a history of successful fund raising to support the construction of this project and to finance programs. They have no other long-term liabilities on their balance sheet to service.

General Contractor: Balfour Beatty

The GC selected for the HOLA Center project is Balfour Beatty. Balfour is a leading international infrastructure group providing innovative and efficient infrastructure. Balfour finances, develops, builds, and maintains complex infrastructure (*such as transportation, power and utility systems*) and social and commercial buildings. It is an international firm with operations based in the UK, US, and the Far East. As of December 31, 2016, Balfour reported a cash position of £173 million and total assets of £4.8 billion.

Balfour will provide a Guaranteed Maximum Price contract, which is expected to be executed prior to NMTC closing.

Architect: Berliner Architects

Berliner Architects is the architect of record for the HOLA Center project and will bill approximately \$301,000 for its services. Established in 1996, Berliner is a full-service design firm with expertise in master planning, architecture, interior design, and environmental graphics. Additionally, the firm has expertise in the areas of sustainable design, LEED compliance, and ADA compliance.

The firm has provided services to 12 charter schools, 13 K-12 schools, 7 higher education schools, 7 master planning and campus developments, 3 nonprofit facilities, as well as many other commercial and residential developments.

Project Manager: SL Leonard & Associates

SL Leonard is the project manager for the HOLA Center Project and will bill approximately \$300,000 for its services. SL Leonard has extensive experience working with property owners, developers, designers and contractors to manage projects. Each of its senior level project managers brings a minimum of 20 years of experience. They have provided project management services to 22 other institutional nonprofit facility projects (*including the Legal Aid Foundation project in the Westlake neighborhood of LA*), as well as numerous other projects and a variety of project types (*i.e. educational, entertainment, healthcare, commercial, and residential*).

PROJECT FEASIBILITY

Property Valuation

The total development costs for the project is \$15.1 million. Prior to close of the NMTC transaction, a broker opinion of value letter will be provided by the brokerage firm Cushman & Wakefield to determine market value of the leasehold interest in the property after project completion and the market lease rates for comparable space.

Environmental Inspections

A Phase I environmental report of the subject property was produced by All Phase Environmental, Inc. dated February 23, 2017. The report concluded that the assessment revealed no evidence of recognized environmental conditions (RECs), historical recognized environmental conditions (HRECs), controlled recognized environmental conditions (C-RECs), or de minimis conditions in connection with the subject property.

A reliance letter will be provided naming LADF XIII, LLC (*LADF's Sub-CDE*) as a party that may rely on the Phase I report.

Construction Feasibility

The QALICB will be responsible for developing the project and has elected officers and directors, many of which serve as senior officers, presiding board members, or past board members of the Sponsor. The QALICB will enter into the GMP contract with the GC.

A costing analysis of the project will not be required because there will be a GMP based on final plans and specifications prior to closing, and a third-party construction management firm (*SL Leonard*) as well as a board member from another large GC firm have reviewed the budget.

The CDE lenders will engage a third-party firm, SimonGlover Inc., to inspect progress and work done during the construction period, and the firm will provide monthly reports to US Bank and the CDE lenders. Considering the uniqueness of the type of construction, the CDE lenders have selected SimonGlover Inc., a firm with 12 years of experience providing construction inspection services (*as well as other architectural and planning services*) and has worked on projects involving containers and other modular build types. The shipping containers used in the HOLA Center Project will be provided by a vendor in Texas, SG Blocks, and will be 90% completed (*including interior and exterior finishing work*) prior to delivery to the Project site in Los Angeles. The CDE lenders may require progress inspections of the work being performed on the shipping containers in Texas. SimonGlover Inc. has partner firms in Texas that it can engage to perform these inspections as they are requested.

TELACU's CDE will serve as the disbursing agent and as such will coordinate construction draws. In addition to having approval rights as a CDE lender, TELACU's role as disbursing agent will include obtaining a full draw package from the QALICB, inspection report from SimonGlover Inc., and subsequent approvals from LADF as CDE lender and US Bank as NMTC Investor. The CDE lenders will have full approval rights over each draw. The full draw package submitted by the QALICB will require also that the CDE lenders receive date down endorsements from the title company and lien waivers from the GC and all subcontractors.

PROBABLE MAXIMUM LOSS REPORT

A Probable Maximum Loss (PML) study may be performed upon finalizing plans and design. However, it is unlikely given that the project is new construction. It is a reasonable expectation that the design will reflect the most current seismic design standards which would result in a PML of 20% or less.

Financial Feasibility

SOURCES		USES	
<u>Investment Fund Level (NMTC)</u>		<u>Construction Uses</u>	
Sponsor Equity (<i>cash rsv, 2nd draw</i>)	1,581,873	<i>Hard & Soft Costs (inc. FF&E):</i>	
USB Bridge Equity/Sponsor 2nd Draw ¹	2,063,567	- Reimbursed Pre-Incurred Costs ²	2,063,567
USB Bridge Loan ³	6,000,000	- Other Pre-Incurred Costs	348,000
<i>Leverage Loan Sources</i>	\$9,645,440	- Additional Hard & Softs Costs	10,154,429
NMTC Equity (LADF QEI)	943,800	Hard Cost Contingency	285,448
NMTC Equity (TELACU QEI)	4,049,760	Soft Cost Contingency	217,426
<i>NMTC Investor Equity</i>	\$4,993,560	<i>Sub-Total</i>	\$13,068,870
USBCDC Additional Equity	40,000	<u>Financing-Related Uses</u>	
<i>Other IF Sources</i>	\$40,000	Interest Expense (<i>net of reserves</i>)	76,155
<u>Project Level (Direct Sources)</u>		<i>NMTC Closing Costs:</i>	
<i>Sponsor Donation:</i>		- Legal/Accounting/Consulting Fees	550,100
- Pre-Incurred Hard & Soft Costs	348,000	- LADF CDE Placement Fee	55,000
- Pre-Incurred NMTC Closing Costs	95,000	- Other CDE Upfront Fees	472,000
<i>Direct Sources</i>	\$443,000	<i>NMTC Reserves:</i>	
		- LADF Asset Mgmt. Fee Reserve	144,375
		- LADF Expense Reserve	80,000
		- Other CDE Fee/Expense Reserves	635,500
		- Fund Management Fee Reserve	40,000
		<i>Sub-Total</i>	\$2,053,130
Total Project Sources	\$ 15,122,000	Total Project Uses	\$ 15,122,000

¹ The USB Bridge Equity will be repaid on the day of closing, after HOLA receives its reimbursement of pre-incurred costs and funds the second draw on its Leverage Loan to the Investment Fund

² Reimbursement is limited to costs incurred 24 months prior to closing of the NMTC transaction, per NMTC guidance.

³ The USB Bridge Loan will be provided to HOLA, which will make a total Sponsor Leverage Loan of \$9,615,440 to the Investment Fund. The Bridge Loan will be used to bridge HOLA in its capital campaign for the Project.

DEVELOPMENT PRO FORMA

The total project cost is estimated to be \$15.1 million, \$14.7 million of which will be leveraged through the NMTC structure to make \$14.3 million in Qualified Low-Income Community Investment (“**QLICI**”) loans to the project. The QLICI funds will be disbursed as follows at closing⁴:

- \$2.1 million – Reimbursement of pre-closing development costs incurred within the last 24 months²
- \$0.8 million – Pay NMTC and Other Closing Costs
- \$0.8 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts¹
- \$10.6 million – Fund the CDE-Controlled Construction Disbursement Account

NMTC-related reserves held by the QALICB will total \$860,000 (*of which \$85,000 will be funded post-closing in December 2017 by the Sponsor*) and be held for the payments of asset management fees and expense reimbursements to the Sub-CDEs. The Sub-CDEs will require that their ongoing fees and expense reimbursements reserved will be held in separate bank accounts, including \$224,375 held in an account pledged to LADF for all of its asset management fees and \$80,000 of its estimated \$104,000 expense reimbursements for the seven-year NMTC Compliance Period.

OPERATING PRO FORMA

The project’s operating revenues will consist of rental payments made to the QALICB by the Sponsor under its sub-ground lease of the Project site. The rental rates to be paid by the Sponsor are projected at \$4.59 per square foot, or \$114,650 annually, starting in May 2018 after construction completion. After accounting for operating expenses, the QALICB’s debt service coverage for the Project is estimated at 1.04x (*per the current financial projections dated July 18, 2017*). Since the project will be 100% Sponsor-leased 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 July 6, 2017*):

- June 2017: Design Development & Construction Drawings completed
- Late July 2017: City of LA to enter into Ground Lease with QALICB (*prior to NMTC closing*)
- Late July 2017: City Planning Dept. to approve entitlements (*prior to NMTC closing*)
- Early August 2017: Ready-To-Issue Permits and GC Contract execution (*prior to NMTC closing*)
- Early August 2017: **NMTC Transaction Close (currently targeting August 3)**
- August 2017: Construction Commencement
- April 2018: Construction Completion (*approx. 9-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 (*Sponsor will contribute pre-incurred Project costs*). The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as two NMTC allocatees, or Community Development Entities (“**CDEs**”), making the QLICI loans to the project through their Subsidiary CDEs (“**Sub-CDEs**”) at the lower tier. Additionally, the leverage loan at the upper tier will be sourced from the Sponsor and a Bridge Loan from the NMTC Investor.

⁴ \$85,000 of the NMTC reserves will be funded post-closing in December 2017 through a Sponsor contribution to the QALICB. The reason for this is to comply with the NMTC compliance, specifically the Non-Qualified Financial Property Test. For a description of this compliance topic, see the section entitled “NMTC ELIGIBILITY AND COMPLIANCE”.

NMTC Investor

US Bancorp Community Development Corporation (“**Investor**”, or “**USBCDC**”) is the NMTC Investor that will provide the equity contribution to the Investment Funds. USBCDC finances affordable housing and community development projects, and also provides various financial services. The company was incorporated in 2002, based in St. Louis, Missouri, and operates as a subsidiary of US Bank.

LADF has closed three previous transactions with USBCDC as Investor. The transactions were for the Discovery Science Center of Los Angeles, La Kretz Innovation Campus, and LA Prep projects, which closed in December 2012, September 2013, and March 2014, respectively.

CDE Lenders

The HOLA Center Transaction will include two CDE allocatees providing NMTC allocation and making QLICI loans to the project through their Sub-CDE special purpose entities. The following table lists the CDE allocatees, along with their Sub-CDEs, and the Qualified Equity Investment (“**QEI**”) associated with their NMTC allocations:

CDE Allocatee	Sub-CDE	Sub-Allocation Amount
Los Angeles Development Fund	<i>LADF XIII, LLC</i>	\$2,750,000
New Markets Community Capital, LLC	<i>New Markets Community Capital XXI, LLC</i>	\$11,800,000
Total NMTC Allocation		\$14,550,000

NEW MARKETS COMMUNITY CAPITAL, LLC

New Markets Community Capital, LLC (“**TELACU**”) is a certified CDE located in Los Angeles, California, and has received seven NMTC allocations totaling \$260 million: 2002-\$30mm, 2008-\$40mm, 2009-\$55mm, 2011-\$20mm, 2012-\$25mm, 2014-\$35mm, and 2015-2016-\$55mm. TELACU utilizes tax credits to provide substantially below-market financing for qualified commercial, retail and industrial developments. TELACU has \$40 million in NMTC allocation remaining, all from its 2015-2016 allocation, with a statewide service area covering the State of California. This will be the third transaction that LADF has closed with TELACU as a partner CDE. LADF co-invested NMTC allocation with TELACU in the Dream Center and the AMR Campus projects in 2012 and 2017, respectively.

Leverage Lenders

The NMTC Transaction will leverage funds provided by the Sponsor using \$9.6 million from its capital campaign contributions received, capital campaign contributions to-be-received, unrestricted cash reserves, as well as proceeds from the reimbursement for pre-incurred costs to fund the leverage loan. 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) the \$14.55 million QEI generated, \$59,000 Sponsor equity (*to cover CDE fees at the upper tier*), and \$40,000 additional US Bank equity (*to cover the Investment Fund’s management fees*) through the NMTC leverage structure, and (2) a \$443,000 Sponsor net contribution of pre-incurred Project costs 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. USBCDC will be the NMTC Investor Member and own 100% of the investment fund. The equity contribution at the upper tier by USBCDC will total \$5.0 million. In exchange, USBCDC will receive \$5.7 million in tax credits that will be generated through the Fund (39% of the total \$14.55 million QEI). This exchange of equity for tax credits reflects a pricing of \$0.88 per tax credit dollar for QEIs associated with LADF's and TELACU's allocations.

The \$9.6 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%. After the end of the interest-only period, the self-leverage loan will amortize over the following 23 years.

USBCDC's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with \$14.7 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a \$2.75 million QEI to the LADF Sub-CDE, an \$11.8 million QEI to the TELACU Sub-CDE, and pay \$99,000 in NMTC costs charged at the upper tier.

In exchange for its contributions, the investment fund will receive a 99.99% membership share in each Sub-CDE. The two Sub-CDEs will use the contributed capital to make QLICIs to the QALICB totaling \$14.3 million after \$236,000 in upfront fees paid at the Sub-CDE level.

With regards to LADF's Sub-CDE, LADF Management, Inc. (*LADF's subsidiary entity*) will contribute \$275 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn \$20,625 (*0.75% of \$2.75 million QEI*) in annual income related to management services it provides on behalf of the Sub-CDE.

Each 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 notes and B notes will each have interest rates of 1.41% and 30-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.

If there should be a return of capital during the seven-year NMTC compliance period, the order of capital redeployment will be as follows:

1. TELACU Sub-CDE – first \$11.8 million of capital redeployment
2. LADF Sub-CDE – next \$2.75 million of capital redeployment

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 USBCDC to identify for reinvestment a project within the City of Los Angeles that is acceptable to both entities; thereafter USBCDC can remove LADF Management, Inc. as managing member of LADF XIII, LLC and choose an investment without LADF's input. However, it must still be within Los Angeles County per LADF's 2015-2016 Allocation Agreement. With USBCDC'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 on or before August 10, 2017. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site:* Ground lease with City expected to be finalized in late July 2017
- *Entitlement Process:* City Planning Dept. has preliminarily approved entitlements. Official approval will be provided when the ground lease is signed.
- *Design/Pre-Development:* Completed
- *Working Drawings:* Completed
- *Value Engineering:* Completed
- *Permits:* Expected by first week of August 2017
- *Tenant Leases:* Leaseback to Sponsor to-be-executed concurrent with NMTC closing
- *GMP Construction Contract:* GMP contract execution expected August 2, 2017
- *Financing Commitments:* LOIs have been issued by TELACU (*for \$11.8 million in allocation*) and US Bank (*for NMTC equity, Bridge Equity, and Bridge Loan*). The Sponsor has committed capital campaign funds and cash reserves for the Leverage Loan and direct project contributions.
- *Outstanding 3rd Party Issues:* Required insurance policies will be ordered and will be provided prior to NMTC closing.

Since the Project will be a modular construction using shipping containers, it must go through additional processes for entitlements and permitting. For modular shipping container project, the developer must obtain approval from the State of California's Department of Housing and Community Development ("HCD") for the engineering and plans. Subsequently, the locality (*City of LA*) approves the site work and other construction not related to the shipping containers. The HOLA Center obtained all of its necessary approvals from HCD on May 30, 2017, and is now being reviewed by City of LA's Department of Building and Safety for final approval of the site work. The City's approval and permitting is expected to be provided the first week of August 2017.

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037211120. The population within the Census tract is 5,194 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 one qualifying measure:

- Median Family Income of **66.9%** of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2015-2016 Allocation Agreement as a Targeted Distressed Community based on the two qualifying measures listed:

- Unemployment Rate that is 1.47x the National Unemployment Rate (*greater than 1.25x*)
- Located in a Federally designated Promise Zone

QALICB Analysis

The HOLA Community Partners 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 2015-2016 Allocation Agreement⁵, because its sole business activities are the development of the project and leasing of the completed improvements to the Sponsor.

The QALICB will meet the Non-Qualified Financial Property ("NQFP") Test since 100% of the QLICB proceeds will be expended for development of the project within 18 months of closing. The NQFP test

⁵ "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.

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 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 will be controlled by any entity having an interest in any Sub-CDEs, so there is no Related Party entity issue.

LADF 2015-2016 Allocation Agreements Compliance

This transaction will use \$2.75 million in allocation from LADF’s 2015-2016 Allocation award from the CDFI Fund. With the closing of this transaction, the 2015-2016 Allocation award will be 45.5% invested.

The LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2015-2016 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 \$7.75 in additional QEIs to meet the 60% threshold by Dec. 31, 2019
- §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 2015-2016 Allocation Agreement.

As the transaction relates to Section 3.2(f) (*Flexible Products*) of the 2011 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)⁶.”

LADF’s QLICI notes bear interest rates of 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%.

⁶ 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.

Reimbursement of Costs

As part of guidance published by the CDFI Fund in December 2015 – after LADF’s last allocation award in the 2011 Allocation round – a new provision, Section 3.3(j), was incorporated into all allocation agreements after that time 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’s affiliate, HOLA, prior to the 24-month period ending on the NMTC closing. Additionally, the QALICB and HOLA will execute a cost reimbursement certification agreement, for the benefit of the CDE lenders, certifying to that point.

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

The equity generated through the NMTC structure will provide an estimated \$3.0 million in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the project, approximately 20.8% of the \$14.55 million QEI in the transaction and 23.1% of the \$13.1 million of total construction costs (*excluding financing costs*). The LADF Sub-CDE’s portion of the total net subsidy is approximately \$664,000.

Given the nonprofit Sponsor and social service nature of the proposed facility, the Project could not move forward without the NMTC equity injection. Community facilities projects such as the HOLA Center historically have relied on public funding sources and capital campaigns to provide funds for development costs. The Sponsor already has expended and reserved a significant amount of equity (*approx. \$4.1 million*), using capital campaign funds and the unrestricted portion of its endowment, as well as secured a \$6 million bridge loan for the project. Its ability to raise an additional \$3.0 million for this project is highly unlikely and would take a substantial amount of time. Without the NMTC equity injection, the Project would need to be scaled back or could not move forward without raising the gap funding through a larger capital campaign than anticipated.

COLLATERAL AND GUARANTEES

The LADF’s QLICI loan, along with the QLICI loan from the TELACU Sub-CDE, will be secured *pari passu* by a senior Leasehold Deed of Trust on the QALICB’s leasehold interest in the subject property. Additional collateral for the QLICI loans will consist of guaranties from the QALICB and Sponsor and a security interest in the reserve accounts.

The QALICB and Sponsor will provide an indemnity to the CDE lenders, including LADF XIII, LLC (*LADF Sub-CDE*), for environmental losses. The QALICB and Sponsor will also provide an indemnity to the Investor for reimbursement of lost tax credits and losses related to loss of tax credits. The QALICB and

Sponsor will also provide the CDE lenders: (1) a payment guaranty to cover interest on the QLICI loans and fees and expenses due to the CDEs and the Fund during the seven-year Compliance Period and (2) a completion guaranty for construction of 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 US Bank (*as the Investor*). US Bank may 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 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 credit and 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 obtained a license for specially-designed compliance software to assure that all required reporting to the CDFI Fund is completed in a timely manner. This will prevent the LADF from losing its certification with the CDFI Fund.
- 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 second in the waterfall (*after TELACU Sub-CDE*) and would receive a return of capital only after **\$11.6 million** was returned.
- To mitigate the possibility that a portion of the QEI is returned via bankruptcy and/or foreclosure on the subject site, 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 QALICB and Sponsor in their capacities as guarantors and indemnitors, 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 \$55,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for \$2.75 million of 2015-2016 Allocation
 - This equates to \$144,375 (quarterly installments of \$20,625 paid out of QLICI interest received for 7 years)
- CDE Expense Reimbursements – estimated at \$13,000 annually per CDE for 8 years (equates to \$104,000). 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.

All of LADF's CDE Servicing and Compliance Fees and \$80,000 of its estimated CDE Expense Reimbursements for the entire Compliance Period, which total approximately \$224,375, will be placed in a separate, controlled reserve account at close of the transaction.

POLICY EXCEPTIONS

LADF is authorized by its Board of Directors to engage five law firms for transactional counsel. Those five firms are Bergman and Allderdice, BuchalterNemer, Butler Snow LLP, Kutak Rock LLC, and Nixon Peabody LLP. For this transaction, LADF will be engaging Manatt as legal counsel. LADF's partner CDE in the transaction has an established relationship with Manatt and has identified Manatt as their counsel for this transaction (*prior to LADF's proposed investment in the Project*). In an effort to keep transactional costs low, increase efficiency in closing, and provide the maximum benefit to a low-income community project, LADF has engaged Manatt for the lower-tier documents in this transaction as well.

For its upper-tier documents, LADF has engaged Bergman and Allderdice, one of LADF's five Board-approved law firms. Additionally, LADF will leverage the upper-tier documents in the Budokan transaction (*also US Bank as NMTC Investor*), which will be fully-negotiated with US Bank prior to Bergman and Allderdice adjusting them to suit the HOLA transaction.

At its special meeting on June 15, 2017, the LADF Governing Board approved engaging Manatt for the HOLA Center transaction subject to Manatt agreeing to cap LADF legal fees at \$25,000 or less. Manatt has agreed to cap LADF legal fees at \$15,000.

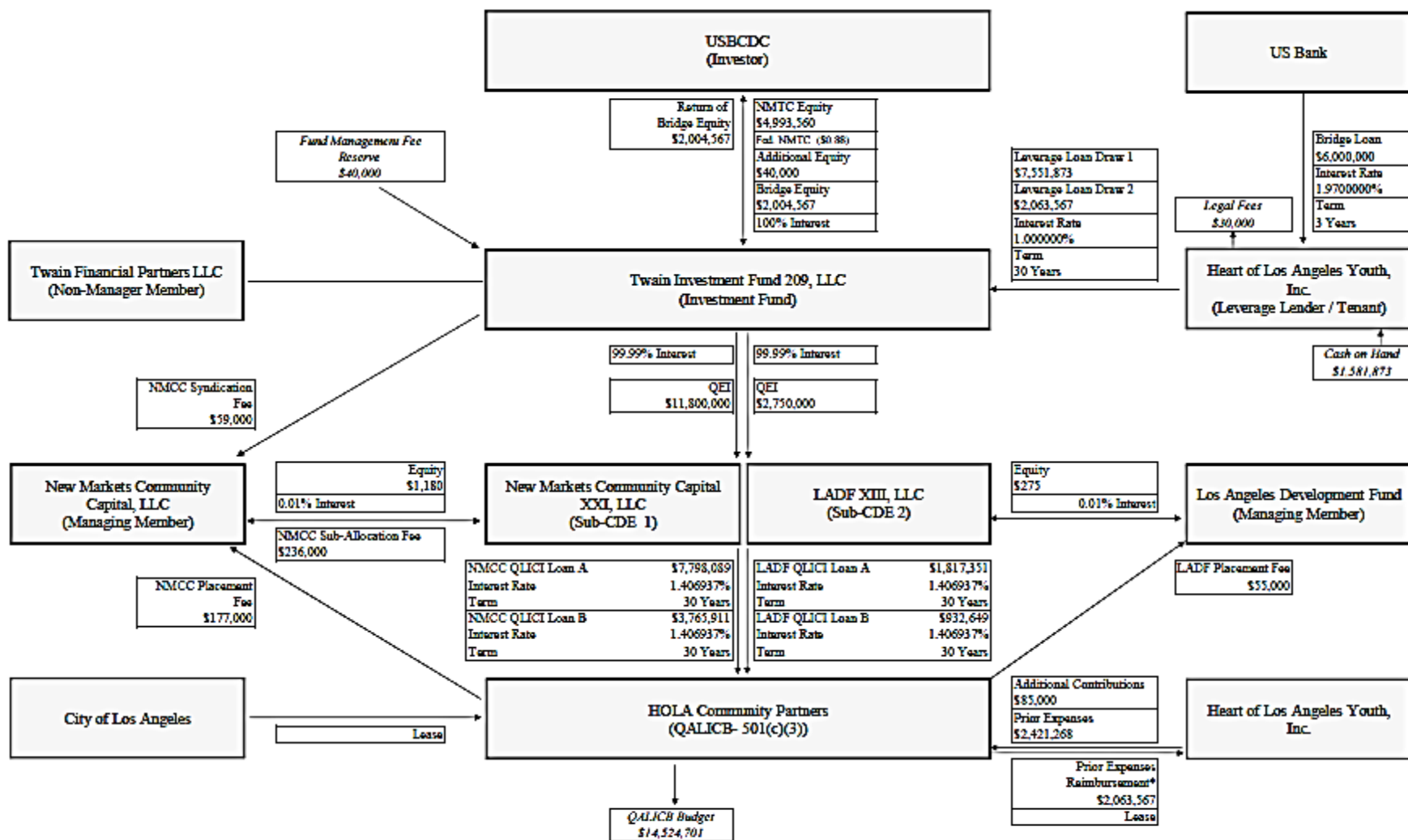
RECOMMENDATION

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

ATTACHMENTS

EXHIBIT A: HOLA Flow of Funds (*as of July 18, 2017, Final Projections Pending*)

EXHIBIT A: HOLA Flow of Funds (as of July 18, 2017, Final Projections Pending)



*Represents predevelopment costs incurred by Heart of Los Angeles on behalf of HOLA Community Partner within the 24 months prior to the closing date.