LADF

LOS ANGELES DEVELOPMENT FUND

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

The Los Angeles Development Fund
and
LADF Management, Inc.

December 7, 2017

SPECIAL MEETING *of the*
GOVERNING BOARD OF DIRECTORS *of*

<u>THE LOS ANGELES DEVELOPMENT FUND</u> *and* <u>LADF MANAGEMENT, INC.</u>

DECEMBER 7, 2017

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AGENDA

SPECIAL MEETING *of the*
GOVERNING 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, December 7, 2017 | 4:00pm – 5:00pm

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Rushmore Cervantes	
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1	**Discussion Items**	Sandra Rahimi	
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	b. LADF Operational Strategy		
2	**Closed Session Items**	Rushmore Cervantes	
	a. LADF Operational Strategy		
3	**Action Items**	Sandra Rahimi	
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	b. Request for Approval of **$4.068 Million** Sub-Allocation of New Markets Tax Credits and **$346,930** Loan for the **Thai Town Marketplace** Project		Tab 3
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	e. Request for Approval of 2018 LADF Budget		Tab 6
	Request for Future Agenda Items	Rushmore Cervantes	
	Next Meeting Date and Time of Governing Board	Rushmore Cervantes	
	• Thursday, January 11, 2018		
	Public Comment	Rushmore Cervantes	
	Adjournment	Rushmore Cervantes	

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

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

Tab 2

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	December 7, 2017
SUBJECT:	Request to Approve a **$10,000,000** New Markets Tax Credits Allocation to Budokan, Inc. ("**QALICB**") for the Budokan of L.A. Recreational Center ("**Project**")

SUMMARY

Project Name:	Budokan of L.A. Recreational Center ("**Project**")
Location:	Little Tokyo Neighborhood / Downtown L.A. (CD 14 – Jose Huizar)
Project Description:	26,000 SF / New Construction / Community Facility
Sponsor / Developer:	Little Tokyo Service Center Community Development Corp. ("**Sponsor**", or "**LTSC**")
Ownership:	• QALICB will control property through a long-term ground lease with the Sponsor • Sponsor will control property through a long-term ground lease with the City of LA
NMTC Investor:	U.S. Bank ("**Investor**")
Total Project Cost:	$ 32,908,400
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 31,200,000 $ 10,000,000 (*2015-2016 Allocation*) • LADF XIV, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	• **20** Permanent Jobs, **132** Construction Jobs
Site Eligibility Criteria:	2010 Census Tract No. 06037207302 • NMTC Eligible and Targeted Distressed Community (*per 2015-16 Allocation Agmt*)**:** • **31.0%** Poverty Rate (*greater than 30%*) – Section 3.2(h)(i)
Community Benefits:	• Project will support **30,000 to 40,000 visitors per year** • **90%** of the 18,000 individuals Sponsor currently serves qualify as low-income • Project will be controlled by a **Minority Business Enterprise** • **LEED Gold Certification** is anticipated for the Project

Key Compliance Criteria under the 2015-2016 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: $ 3,393,000

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PROJECT DESCRIPTION

Little Tokyo Service Center Community Development Corp. ("**LTSC**", or "**Sponsor**") will use the NMTC financing to fund the new construction of the Budokan of Los Angeles Recreational Center ("**Budokan**", or "**Project**"). Construction of the 61,000 SF facility is expected to begin in January 2018 and be completed in June 2019.

The Budokan will be operated by LTSC, a nonprofit, mission-driven organization with a 37-year track record of providing affordable housing and exemplary social services for low-income households in the Little Tokyo neighborhood and throughout Los Angeles County. LTSC is focused on community development, children and family services, and social services. The services provided through the Budokan project will directly serve the low-income families and individuals residing in LTSC's 205 units developed in nearby Little Tokyo affordable housing projects, as well as other low-income residents in this neighborhood and surrounding neighborhoods of LA.

The idea of a multipurpose sports and activities complex in Little Tokyo first emerged from a community planning meeting in 1994. LTSC has spearheaded this community-driven effort for over two decades to identify a suitable site, raise funds, and design a facility that meets local needs and priorities.

The Budokan will provide a vibrant and safe space for community residents to participate in sports programs, after-school programs, senior programs, health and wellness activities, arts and culture programs and a wide array of special events. Programming at the facility is expected to occur 15 hours per day, seven days a week, and will support an estimated 30,000 to 40,000 visits annually. LTSC estimates that over 90% of the individuals served through its existing locations are low-income persons, and expects the same will be true for the programs provided at the Budokan facility.

The proposed mix of uses for the Budokan project is as follows:

- A 16,000 SF gymnasium that can accommodate a variety of recreational activities, including basketball (*two regulation-size courts with floors donated by the LA Lakers*), volleyball, martial arts, social dancing, and more.
- A community room, to be primarily used for LTSC-sponsored programs for low-income youth, families and seniors. Programs will include teen leadership development, after-school tutoring and senior wellness programs.
- Outdoor areas that will feature a performance venue for community arts programming, a children's playground, and community garden space.
- Subterranean parking with 63 spaces for Budokan visitors.

Playing on the streets of Little Tokyo, which borders Skid Row, is not a safe option for youth. Based on LAPD data, the crime rate in the Project community is 450% higher than the LA County average. The limited park acreage per capita, physical access challenges of the surrounding built environment, homeless encampments, and high crime in the area all contribute to a lack of safe, accessible and affordable recreation space for the community. As a result, the health and quality of life for youth is negatively affected, resulting in 26% of area children in grades 5, 7 and 9 classified as obese and the local high school dropout rate being one of the highest in LA County. These conditions also increase the potential for youth to fall prey to gangs, substance abuse, and violence.

The Budokan will target local low-income and at-risk youth in Little Tokyo and surrounding neighborhoods, where there is an overall lack of greenspace and no indoor recreational facilities. Many of the area's low-income parents work long hours, leaving youth unsupervised with few, if any, structured recreational activities. According to a survey conducted by LTSC, over 80% of respondents claimed that structured programs for youth, especially after-school programs, are one of the most critical needs in Little Tokyo. The Budokan project will help towards filling this need in the community.

SITE ANALYSIS

The project will be built in the Little Tokyo community of Downtown Los Angeles, which is in the City Center Redevelopment Project Area of the former Community Redevelopment Agency of Los Angeles. The site is located at the following address:

- 229-249 S. Los Angeles Street, Los Angeles, CA 90012

The site is 43,000 SF and under the jurisdiction of Council District 14 of the City of Los Angeles, represented by Councilmember Jose Huizar. Additionally, the site lies within the following designated economic development areas:

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

The site is considered a transit-oriented development and is within walking distance of the Little Tokyo Metro Gold Line rail station and public bus transportation.

Site Control

The Sponsor first identified the site owned by the City of Los Angeles in 2003, with the help of then City Councilmember Jan Perry. In May 2011, LTSC secured control of the site through a ground lease with the City of Los Angeles, with an initial term of 25 years and a tenant option to extend for 25 more years (*50 years total*). For purposes of the NMTC transaction, LTSC will sub-lease the property to LTSC's affiliated entity, Budokan, Inc. ("**QALICB**"), which will then sub-sub-lease the property back to LTSC to operate its programming. This ownership structure, in general, was approved by City Council at its meeting on August 29, 2017. LTSC is working the City attorney to finalize an amendment to the ground lease incorporating this structure.

COMMUNITY AND ECONOMIC BENEFITS

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

Job Creation/Retention:	• Creating: **20** Permanent FTEs and **132** Construction Jobs • Retaining: *Not Applicable*
Quality Jobs:	• **100%** of all permanent jobs will be provided with livable wage jobs based on MIT's Living Wage for L.A. County[1] at $13.08 ($27,206 annually)* • **100%** of the permanent jobs will receive full benefits including comprehensive healthcare, dental, vision, paid sick and vacation days, and a 403(b) plan with employer matching up to 3%* • **100%** of the part-time positions will be provided hourly wages of at least $15/hour by the year 2020, per the City of Los Angeles' $15/hour minimum wage law passed in 2015* • **100%** of construction jobs will pay prevailing wages*
Accessible Jobs:	• Recruit and hire Low-Income Community Residents ("**LICR**") or Low-Income Persons ("**LIP**") for certain positions that provide advancement opportunities • Based on LTSC's strong track record of hiring local community residents (*including residents of LTSC's affordable housing developments*) to fill open positions, it is expected that a significant number of permanent jobs at the Budokan will be filled by local **LICRs** and/or **LIPs*** • LTSC has committed to provide part-time employment opportunities for **10 local low-income youth and young adults** during the construction period and operations, in partnership with the LA Conservation Corps and a local YouthBuild program* • **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:	• Provide community services to over **30,000** individuals per year • Over **90%** of individuals served at the Project will be **LIPs**
Financing Minority Businesses	• QALICB will remain a **minority-owned or -controlled enterprise** throughout the seven-year NMTC Compliance Period
Flexible Lease Rates	• Sub-lease or otherwise allow use of space to other local nonprofits and community groups at **no cost** (*or 100% below market*)
Environmentally Sustainable Outcomes:	• Build to standards for and obtain **LEED Gold** certification for the project

* Community benefit is not a requirement per the Community Benefits Agreement, but is an expected outcome of the project by the project Sponsor

[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.

The community benefits discussed in this section and not marked with an asterisk (*) 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: Budokan, Inc.

Budokan, Inc. is a nonprofit public benefit corporation (*application for 501(c)(3) exemption submitted in Aug. 2017*) formed on July 11, 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 ground lease, building, and improvements. The QALICB will enter into a sub-lease agreement with LTSC for control of the Project site and then sub-sub-lease the premises back to LTSC, which will operate its programming at the Budokan facility.

The QALICB is controlled by a five-member Board of Directors, of which two are appointed by LTSC's board of directors and the other three will be individuals that do not serve as director or officer or work for LTSC.

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.

An Agreed-Upon Procedures report[1] will not be required for the QALICB because it is a mission-driven, real estate entity. 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 LTSC originally solicited.

Sponsor: Little Tokyo Service Center Community Development Corp. ("**Sponsor**", or "**LTSC**")

LTSC is a 501(c)(3) nonprofit corporation founded in 1979 to serve the Little Tokyo neighborhood and low-income communities surrounding Downtown Los Angeles. LTSC has four core programs to serve these communities: (1) community development and organizing; (2) services for seniors; (3) affordable housing development; and (4) children and family services. LTSC's services are primarily focused on low-income individuals, and include individual and family mental health counseling, child abuse prevention, case management, support groups, health and wellness programs, childcare, preschool, after-school youth programs, and domestic violence programs.

LTSC plans, promotes and supports community development activities for the benefit of the low-income residents of Little Tokyo and contributes to its physical, social, cultural and economic revitalization. LTSC develops, provides and maintains affordable housing and housing-related services in the Little Tokyo area

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[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.

and in the greater Los Angeles metropolitan area for the benefit of low- and moderate-income people. Just in the Little Tokyo neighborhood, they have developed and support four affordable housing projects with a total of 205 units and one transitional housing facility with 28 beds for survivors of domestic violence. In total, they have developed or partnered in the development of over 25 projects and over 1,100 units of affordable housing.

Many of the individuals that LTSC's programing serves are residents of its affordable housing developments, or residents of the low-income neighborhoods in which its housing developments are located. In addition to its affordable housing developments, LTSC has developed and manages over 130,000 square feet of community and commercial space. These projects have enabled LTSC to build a strong real estate development staff with extensive experience in construction management, property management and working with a variety of funding agencies from the private and public sectors.

With regards to this NMTC transaction, LTSC 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 LTSC for the fiscal years ending December 31, 2014, December 31, 2015, and December 31, 2016. The company had a total of $13.8 million in cash and $152.9 million in total assets as of December 31, 2016. The company has a history of successful fund raising to support its program services and real estate developments, including the Budokan of L.A. LTSC raised $7.1 million in 2016, $6.9 million in 2015, and $5.6 million in 2014 from donations and grants. Additionally, LTSC generated development and property management fee income on the real estate it owns and develops; these fees totaled $8.5 million in 2016, $7.8 million in 2015, and $6.6 million in 2014.

General Contractor: Walton Construction Services

The GC selected for the Budokan project is Walton Construction Services. Walton Construction Services began in 1947 when Reginald F. Walton founded Walton Electrical Engineering, a small commercial and industrial electrical company. The company continued to evolve over the years and in 1976 grew to include general contracting for commercial, industrial and residential projects. Walton Construction Services continues to this day as a family company under the leadership of Thomas W. Gibson with partners E. Lee Jackson and David Jackson. Together, they are committed to delivering the highest quality projects possible. Their teams of qualified field and office personnel have successfully completed numerous projects with significant site constraints. Their recent projects include 15 new construction and 7 rehabilitation projects, which are focused in the construction of affordable housing, multifamily housing, senior housing, and children learning centers.

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

Architect: Gruen Associates

Gruen Associates is the architect of record for the Budokan project. Established in 1946, Gruen Associates is one of Los Angeles' best known firms with a deep portfolio of landmark projects. They provide planning, architecture, retail architecture, transportation planning and design, urban design, interior design, and landscape architecture services.

Gruen Associates has a 75-person staff and has won more than 250 awards including the 2015 AIACC Firm Award for its collaborative practice, a portfolio of over 10,000 projects worldwide, and contribution and pivotal role in mentoring future generations of professionals. The firm's has provided services to over 180 projects.

PROJECT FEASIBILITY

Property Valuation

An appraised valuation as of September 2017 has been provided by Norris Realty Advisors to determine the as-built market value of the QALICB's sub-leasehold interest in the property after project completion. The appraisal indicates a valuation of the leasehold interest in the as-built project of $10.1 million. With a total QLICI loan amount of $30.5 million, this results in a Loan-to-Value ratio of 302%.

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

Phase I and II environmental reports of the subject property were produced by Anderson Environmental in 2013. The Phase I report in 2013 concluded that there was no evidence of recognized environmental conditions (RECs), except for undocumented materials used to backfill the basements of two of the structures onsite; this situation is considered a historical recognized environmental condition (HREC). The Phase II report in 2013 investigated the soil conditions to ensure that the backfill materials used were not contaminated and did not seep into the soil. The Phase II concluded that there was no evidence of significant soil contamination identified during drilling and sampling activities. Additionally, there were no *de minimus* conditions present in the samples collected. Anderson Environmental opined that no further sampling with respect to the placement of undocumented fills in the areas of the property investigated was warranted at this time.

Since these reports are over four years old, the CDE lenders required an updated Phase I, which was completed in August 2017 by EFI Global. The updated report concluded that there were no RECs identified and recommended no additional investigation. A reliance letter for this updated Phase I report was provided naming LADF XIV, LLC (*LADF's Sub-CDE*) as a party that may rely on the report.

Construction Feasibility

The QALICB will be responsible for developing the project and has elected three officers and five directors, two of each which serve as executive staff or governing board members of the Sponsor. The QALICB will enter into the GMP contract with the GC.

A costing analysis of the project will be required based on final plans and specifications prior to closing by a third-party construction management firm (*Professional Associates Construction Services, or PACS*). US Bank will engage PACS to inspect progress and work done during the construction period, and the firm will provide monthly reports to-be-relied upon by US Bank and the CDE lenders.

US Bank will serve as the disbursing agent and as such will coordinate construction draws. US Bank's role as disbursing agent will include obtaining a full draw package from the QALICB, inspection report from PACS, and subsequent approvals from LADF, OF, and MBS, as CDE lenders 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**	
Investment Fund Level (NMTC)		**Construction Uses**	
Sponsor Equity (*cash reserves*)	5,316,400	*Hard & Soft Costs (inc. FF&E):*	
Sponsor Equity (*pre-inc. cost reimb.*)	1,572,200	- Reimbursed Pre-Incurred Costs[1]	1,572,200
Weingart Bridge Loan	1,500,000	- Pre-Incurred Costs Donated by LTSC[2]	223,400
Genesis LA Bridge Loan	3,200,000	- Additional Hard Costs	21,704,400
USB Bridge Loan[3]	9,025,000	- Additional Soft Costs	3,199,400
Leverage Loan Sources	$20,613,840	Hard Cost Contingency	1,900,000
		Soft Cost Contingency	250,000
NMTC Equity (**LADF**)	3,393,000	***Sub-Total***	$28,849,400
NMTC Equity (Opportunity Fund)	4,987,710		
NMTC Equity (MBS)	2,205,450	**Financing-Related Uses**	
NMTC Investor Equity	$10,586,160	Interest Expense (*net of reserves*)	430,000
		NMTC Closing Costs:	
Sponsor Equity (*cash reserves*)	65,000	- Legal/Accounting/Consulting Fees	950,000
USBCDC Additional Equity	40,000	- **LADF** CDE Placement Fee	200,000
Other IF Sources	$105,000	- Other CDEs Upfront Fees/Other[4]	860,000
		NMTC Reserves:	
Project Level (Direct Sources)		- **LADF** Asset Mgmt. Fee Reserve	525,000
Pre-Incurred Hard & Soft Costs	223,400	- **LADF** Expense Reserve	104,000
Sponsor Equity (*cash reserves*)	730,000	- Other CDEs Fee/Expense Reserves	950,000
Sponsor Equity (*parking sale*)[5]	650,000	- Fund Management Fee Reserve	40,000
Direct Sources	$1,603,400	***Sub-Total***	$4,059,000
Total Project Sources	**$ 32,908,400**	**Total Project Uses**	**$ 32,908,400**

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

2 Pre-Incurred Costs that are donated by LTSC are not reimbursed because they were more than 24 months prior to NMTC closing.

3 The USB Bridge Loan will be provided to LTSC, which will make a total Sponsor Leverage Loan of $19,682,800 to the Investment Fund. The Bridge Loan will be used to bridge LTSC in its capital campaign for the Project.

4 $75,000 of the other CDEs' upfront requirements is in the form of a donation

5 Sponsor will pre-sell a portion of the parking spaces that will be constructed, and contribute the proceeds to the QALICB. The QALICB will still own enough spaces to satisfy the parking requirements for the Budokan project, and this will not have any impact the project's entitlements.

DEVELOPMENT PRO FORMA

The total project cost is estimated to be $32.9 million, $31.2 million of which will be leveraged through the NMTC structure to make $30.5 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the project. The QLICI funds will be disbursed as follows at closing:

- $1.6 million – Reimbursement of pre-closing development costs incurred within the last 24 months[1]
- $1.2 million – Pay NMTC and Other Closing Costs
- $1.6 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts
- $26.1 million – Fund the CDE-Controlled Construction Disbursement Account

NMTC-related reserves held by the QALICB will total $1,619,000 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 $629,000 held in an account pledged to LADF for all of its asset management fees and 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 $5.16 per square foot, or $315,000 annually, starting in June 2019 after construction completion. After accounting for operating expenses, the QALICB's debt service coverage for the Project is estimated at 1.02x (*per the current financial projections dated September 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 November 28, 2017*):

- December 2017: City of LA will execute 2nd Amendment to Ground Lease (*prior to NMTC closing*)
- December 2017: Ready-To-Issue Permits and GC Contract execution (*prior to NMTC closing*)
- January 2018: **NMTC Transaction Close (*currently targeting January 10*)**
- January 2018: Construction Commencement
- June 2019: Construction Completion (*approx. 18-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 unreimbursable Project costs*). The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as three 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 bridge loans from the NMTC Investor, a foundation, and a CDFI lender.

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 previously closed four previous transactions with USBCDC as Investor - the Discovery Science Center of Los Angeles (*December 2012*), La Kretz Innovation Campus (*September 2013*), LA Prep/Kitchen (*March 2014*), and Heart of Los Angeles (*September 2017*).

CDE Lenders

The Budokan Transaction will include three 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	*LADF XIV, LLC*	$10,000,000
Opportunity Fund Northern California	*LCD New Markets Fund XXIV, LLC*	$14,700,000
MBS Urban Initiatives CDE, LLC	*MBS-UI Sub-CDE 34, LLC*	$6,500,000
	Total NMTC Allocation	$31,200,000

Opportunity Fund Northern California

Opportunity Fund Northern California ("**OF**") is a certified CDE located in San Jose, California, and has received nine NMTC allocations totaling $308 million, with a $55 million award in the most recent 2015-16 application round. OF utilizes tax credits to finance community facilities projects benefiting California's most vulnerable communities. It targets projects that provide services and products that support livable wage jobs, education and youth services, access to healthy food, environmental restoration, and critically-needed health care services. OF has a statewide service area covering the State of California. This will be the second transaction that LADF has closed with OF as a partner CDE. LADF co-invested NMTC allocation with OF in the Dream Center project in 2012.

MBS Urban Initiatives CDE, LLC

MBS Urban Initiatives CDE, LLC ("**MBS**") is a certified CDE located in St. Louis, Missouri, and has received seven NMTC allocations totaling $350 million, with a $75 million award in the most recent 2015-16 application round. MBS Urban Initiatives CDE is a division of McCormack Baron Salazar, a leading for-profit developer of economically-integrated urban neighborhoods. Its CDE will use its allocation to provide deeply discounted and highly flexible equity-equivalent debt to invest in projects that create quality jobs and job training, provide education and health care services, increase access to fresh food, and promote sustainable development in highly distressed communities. MBS has a national service area. This will be the first transaction that LADF has closed with MBS as a partner CDE.

Leverage Lenders

The NMTC Transaction will leverage funds provided by the Sponsor using $20.6 million from its capital campaign contributions received, capital campaign contributions to-be-received that will be bridged by the Genesis and US Bank bridge loans, 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".

LADF
LOS ANGELES DEVELOPMENT FUND

FINANCING STRUCTURE

The project's total development cost will be funded by:
(1) the $31.2 million QEI generated, $65,000 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 $223,400 Sponsor net contribution of pre-incurred Project costs to the QALICB outside the NMTC structure, $730,000 Sponsor equity (*cash on hand*), and $650,000 Sponsor equity from pre-selling a portion of the parking spaces that will be construction. 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 $10.6 million. In exchange, USBCDC will receive $12.2 million in tax credits that will be generated through the Fund (39% of the total $31.2 million QEI). This exchange of equity for tax credits reflects a pricing of $0.87 per tax credit dollar for QEIs associated with LADF's, OF's, and MBS's allocations. LADF's *pro rata* share equates to $3.9 million in tax credits generated by LADF's $10 million in allocation, for which USBCDC provides $3,393,000 in equity at the upper tier.

The $20.6 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 1.5%, 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 23 years.

USBCDC's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $31.2 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $10.0 million QEI to the LADF Sub-CDE, a $14.7 million QEI to the OF Sub-CDE, a $6.5 million QEI to the MBS Sub-CDE, and pay $65,000 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 three Sub-CDEs will use the contributed capital to make QLICIs to the QALICB totaling $30.5 million after $785,000 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 $1,000 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $75,000 (*0.75% of $10.0 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 1.39% and 34-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. OF Sub-CDE – first $14.1 million of capital redeployment
2. MBS Sub-CDE – next $6.4 million of capital redeployment
3. LADF Sub-CDE – next $10.0 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 XIV, 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 in January 2018. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site*: 2nd Amendment to the ground lease with City expected to be finalized in December 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 in December 2017
- *Tenant Leases*: Leaseback to Sponsor to-be-executed concurrent with NMTC closing
- *GMP Construction Contract*: GMP contract execution expected in December 2017
- *Financing Commitments*: LOIs have been issued by Opportunity Fund (*for $14.7 million in allocation*), MBS (*for $6.5 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*: City of LA's ground lease amendment and State of CA's funding contracts will be finalized prior to NMTC closing.

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037207302. The population within the Census tract is 3,791 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 **31.0%** of the greater Metro area (*greater than 20%*)

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 following qualifying measure:

- Poverty Rate of **31.0%** of the greater Metro area (*greater than 30%*)

LADF
LOS ANGELES DEVELOPMENT FUND

QALICB Analysis

The Budokan, Inc. 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 Agreement[1], 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 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 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 $10.0 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 81.5% invested (*assuming the Thai Town Marketplace and Joshua House Health Center transactions are closed prior to January 2018*).

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 XIV, 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) – With this QEI, LADF will meet the 60% threshold prior to the Dec. 31, 2019 deadline
- §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)[2]."

---

[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.

[2] 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

LADF's QLICI notes bear interest rates of 1.39% and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF references the current draft of the better rates and terms letter provided by the QALICB as of November 21, 2017, which will be provided prior to NMTC closing to support the flexible terms of LADF QLICI notes. This letter states that if the Sponsor obtained a similar loan from a lender that it has worked with in the past, the loan would bear a 10% interest rate. The LADF QLICI notes are 86% 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 2015-16 round – a new provision, Section 3.3(j), was 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's affiliate, LTSC, prior to the 24-month period ending on the NMTC closing. Additionally, the QALICB and LTSC will execute a cost reimbursement certification agreement, for the benefit of the CDE lenders, certifying to that point.

For additional assurance, the CDEs have also required an AUP report from Novogradac. To provide the AUP report, Novogradac obtained all invoices and proofs of payment from the Sponsor for project-related expenses incurred in the prior 24-month period. Novogradac did not perform a full audit, but based on its review and representations made by the Sponsor, attests that the reimbursed amounts in the transaction are accurate.

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

The equity generated through the NMTC structure will provide an estimated $7.0 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 22.3% of the $31.2 million QEI in the transaction and 24.1% of the $28.8 million of total construction costs (*excluding financing costs*). The LADF Sub-CDE's portion of the total net subsidy is approximately $2.6 million.

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 Budokan 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. $7.9 million*), using

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.

capital campaign funds and the unrestricted portion of its endowment, as well as secured $13.7 million in bridge financing for the project. Its ability to raise an additional $7.0 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. The low valuation of the completed improvements relative to the construction costs makes market rate construction financing by a commercial lender unlikely.

COLLATERAL AND GUARANTEES

The LADF's QLICI loan, along with the QLICI loans from the OF Sub-CDE and MBS 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 XIV, 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 guaranty of payment for all construction work, 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 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 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 third in the waterfall (*after OF Sub-CDE and MBS Sub-CDE*) and would receive a return of capital only after **$20.5 million** was returned to the other CDEs providing allocation.
- 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 $200,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $10.0 million of 2015-2016 Allocation
  - This equates to $525,000 (quarterly installments of $18,750 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 estimated CDE Expense Reimbursements for the entire Compliance Period, which total approximately $629,000, will be placed in a separate, controlled reserve account at close of the transaction.

POLICY EXCEPTIONS

None.

RECOMMENDATION

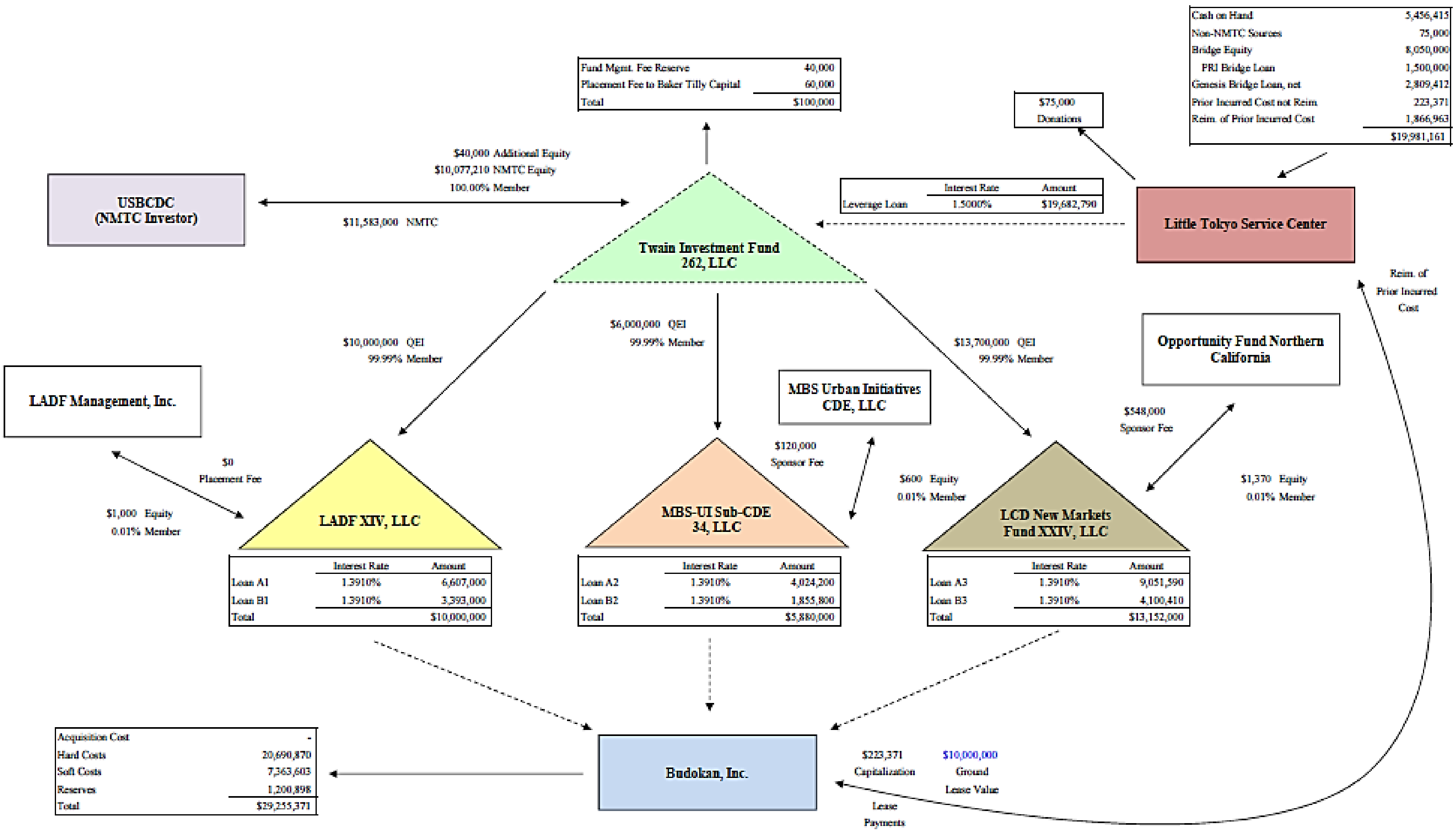
Approval of this funding request is recommended based on the project's feasibility, readiness and community benefits.

ATTACHMENTS

EXHIBIT A: Budokan of L.A. Flow of Funds (*as of September 18, 2017*, Final Projections Pending)

LADF
LOS ANGELES DEVELOPMENT FUND

EXHIBIT A: Budokan of L.A. Flow of Funds (*as of September 18, 2017*, Final Projections Pending)



Tab 3

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	December 7, 2017
SUBJECT:	Request to Approve a **$4,068,000** New Markets Tax Credits Allocation to Thai Town Marketplace, Inc. ("**QALICB**") and **$346,930** Loan to Thai Community Development Center ("**Sponsor**") for the Thai Town Marketplace ("**Project**")

SUMMARY

Project Name:	Thai Town Marketplace ("**Project**")
Location:	East Hollywood Neighborhood (CD 13 – Mitch O'Farrell)
Project Description:	5,150 SF / Tenant Improvement Build-Out / Food Hall & Business Incubator
Sponsor / Developer:	Thai Community Development Center ("**Sponsor**", or "**Thai CDC**")
Ownership:	• QALICB will control property through a long-term sub-sub-lease with the Sponsor • Sponsor will control property through a long-term sub-lease with property owner
NMTC Investor:	Chase Community Equity ("**Investor**")
Total Project Cost:	$ 4,268,000
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 4,068,000 $ 4,068,000 (*2015-2016 Allocation*) • LADF XV, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	• **40** Permanent Jobs, **20** Construction Jobs
Site Eligibility Criteria:	2010 Census Tract No. 06037190510 • NMTC Eligible and Targeted Distressed Community (*per 2015-16 Allocation Agmt*)**:** • **41.5%** AMI Households (*less than 80%/60%*) –Section 3.2(h)(ii)
Community Benefits:	• Project will incubate **18 new small businesses** (*12 food stalls and 6 retail kiosks*) • **100%** of the new small business startups will be owned by *Low-Income Persons* • Incubated businesses will hire *Low-Income Persons & Low-Income Comm. Residents* • PQALICB is a **Minority Business Enterprise**

Key Compliance Criteria under the 2015-2016 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: $ 1,396,140

CONTENTS

LADF
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PROJECT DESCRIPTION

Thai CDC will use the proposed NMTC financing to fund the construction of tenant improvements for the Thai Town Marketplace ("**TTMP**", or "**Project**"). Construction began in August 2016 and is expected to be completed in August 2018.

TTMP will include 5,150 SF of interior and exterior improvements for this retail unit, which will consist of building out 12 food stalls and seating area within the interior space, as well as 6 retail kiosks and seating area within the exterior space for Thai CDC's proposed sub-sub-tenants.

TTMP offers a new approach to urban revitalization and an innovative "green" community market. Representing a model for community economic development, TTMP will create 40 entrepreneurship, management, and service jobs for economically disadvantaged residents of East Hollywood and Los Angeles, while incubating 12 food and 6 retail small business vendors. The Sponsor, Thai CDC, has been doing outreach on an ongoing basis in the surrounding low-income, minority communities to identify low-income and disadvantaged persons that are interested in operating a small business at the TTMP location. This outreach has included advertising in several local ethnic newspapers and publications, and receiving and reviewing applications from interested individuals. Thai CDC has already identified 10 low-income individuals to operate 10 of the 12 food stalls. Thai CDC requires that any individual selected to operate at TTMP complete the entrepreneurship training through its affiliated API Small Business Program. Once TTMP is operational, these vendors will receive ongoing technical assistance from Thai CDC and access to shared office equipment.

Thai CDC also operates the weekly farmers' market in the neighborhood, which will provide opportunities for purchase agreements between TTMP vendors and farmers from the farmers' market to include healthy ingredients in their food and to support the farmers. Thai CDC will also educate vendors on accepting WIC, food stamps, and other benefit programs. The goal of the TTMP project is to create the first "Health and Wealth Zone" that deliberately links health outcomes with economic outcomes by helping low-income residents start their first business, creating jobs, teaching financial and health literacy, and making more accessible the social services provided by nearby organizations, such as the Hollywood Family Source Center, to make the transit-oriented district at Hollywood/Western a "one-stop" destination for food, culture, and resources.

The proposed mix of uses for the TTMP project's 5,150 SF of space is as follows:

• **Food Hall – 12 stalls and seating (*interior*)**	4,485 SF – *42%*
• **Outdoor Patio / Retail Kiosks (*exterior*)**	665 SF – *25%*
	5,150 SF

SITE ANALYSIS

The project will be built in the Thai Town community of East Hollywood, which is in the Hollywood Redevelopment Project Area of the former Community Redevelopment Agency of Los Angeles. The site is located at the following address:

- 5448 Hollywood Boulevard, Los Angeles, CA 90027

The site is under the jurisdiction of Council District 13 of the City of Los Angeles, represented by Councilmember Mitch O'Farrell. 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, located directly next to the Hollywood/ Western Metro Red Line rail station and public bus transportation.

Site Control

The site is owned by the Metropolitan Transportation Authority ("**MTA**"), which in turn provided Western/Carlton II, LP (subsidiary of McCormack Baron Salazar, or "**MBS**") with a ground lease of the site for the purpose of developing a mixed-use affordable housing development with ground-floor retail.

Thai Community Development Center ("**Thai CDC**", or "**Sponsor**") secured control of one of the retail units in this development in 2016 through a retail sub-lease with MBS, with initial term of 5 years and tenant option to extend for another 5 years. For a detailed real estate flow chart, please refer to "EXHIBIT B: Thai Town Marketplace Real Estate Flow Chart".

For purposes of the NMTC transaction, the sub-lease will be extended to a 50-year term and the Sponsor will sub-sub-lease the premises to its affiliated entity, Thai Town Marketplace, Inc. ("**QALICB**"), which will develop and operate the project. In November 2017, McCormack Baron Salazar approved the lease extension and consent to sub-sub-lease the premises to the QALICB.

Additionally, to secure control of the exterior space in front of the retail unit (where the retail kiosks will be placed), Thai CDC requested MTA to provide MBS with a license to use the exterior and that MBS then sub-license the exterior space to Thai CDC. This was also approved in 2016. In October 2017, MTA's Board of Directors approved an extension of the license agreement with MBS for an additional term of 29 years and consent for Thai CDC to sub-sub-license the exterior space to the QALICB. MBS will also amend its sub-license agreement with Thai CDC to match the new extended term of its license agreement with MTA, as well as consent to Thai CDC sub-sub-licensing the exterior space to the QALICB.

Please see Exhibit B for a full diagram describing the real estate ownership structure.

COMMUNITY AND ECONOMIC BENEFITS

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

Job Creation/Retention:	• Creating: **40** Permanent FTEs and **20** Construction Jobs
Quality Jobs:	• **100%** of Construction hires will be provided with prevailing wages (*higher than livable wage jobs based on MIT's Living Wage for L.A. County*)
Accessible Jobs:	• **100%** of the food stalls and retail kiosks at the Project will be leased to Low-Income Community Residents ("**LICR**") or Low-Income Persons ("**LIP**") to operate a food or retail small business • Provide business training, ongoing technical assistance, shared services, and permitted spaces to food stall and retail kiosk tenants to operate a food or

	retail small business • QALICB will use reasonable best efforts to recruit and hire, and require tenants to recruit and hire, **LIPs** and **LICRs** for certain positions that provide advancement opportunities at the Project. QALICB will pursue a concerted **local hire** effort and create jobs for nearby residents • QALICB will use reasonable best efforts to recruit and hire, and require tenants to recruit and hire **difficult-to-employ**, **ex-offenders**, **chronically underemployed** and **immigrant individuals** for certain positions that provide advancement opportunities at the Project
Community Goods/Services to Low-Inc. Communities:	• Project will be the central information station and cultural tourism hub for the Thai Town neighborhood of East Hollywood • Provide tenants with access to an existing childcare facility operated by another organization and co-located in the same building as the Project location
Flexible Lease Rates	• On average, rents charged to food stall and retail kiosk tenants at time of pre-leasing will be **65%** below market and leases for these tenants also include other favorable terms and conditions, such as providing all equipment, a fully-permitted facility, flexible credit requirements, and offer supportive services that are not usually offered to tenants in market rate retail centers.

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.

DEVELOPMENT TEAM

Real Estate QALICB: Thai Town Marketplace, Inc.

Thai Town Marketplace, Inc. is a nonprofit corporation formed on November 7, 2017, which is applying for a 501(c)(3) nonprofit designation (*expected post-NMTC closing*). 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 the sub-sub-leasehold and sub-sub-license interests in the retail unit and outdoor patio area. The QALICB will enter into sub-sub-lease as lessee and sub-sub-license agreements as licensee with the Sponsor, Thai CDC, for control of the Project. The QALICB will also enter into lease agreements as lessor with the food and retail vendor tenants. Thai CDC controls the retail unit and outdoor patio through a sub-lease agreement with MBS executed in 2014 and sub-license agreement for the outdoor patio with MBS executed in 2016.

The QALICB will be controlled by a five-member Board of Directors, of which one is concurrently serving as the Executive Director of Thai CDC and another is concurrently serving as a board member of Thai CDC.

The joint Thai CDC and QALICB management team will carry out the remainder of the development of the Project and be responsible for management and maintenance of the subject property.

An Agreed-Upon Procedures report[1] 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 four (4) full-time employees working at the Project location 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, originally solicited by Thai CDC.

Developer/Sponsor: Thai Community Development Center ("**Sponsor**", or "**Thai CDC**")

Thai CDC is a 501(c)(3) nonprofit corporation founded in 1994 on the idea that all peoples have a basic right to a decent standard of living and quality of life. The mission of Thai CDC is to advance the social and economic well-being of low- and moderate-income Thais and other ethnic communities in the greater Los Angeles area through a broad and comprehensive community development strategy including human rights advocacy, affordable housing, access to healthcare, promotion of small businesses, neighborhood empowerment, and social enterprises.

Thai CDC obtained from City Council 13 the municipal designation of Thai Town in 1999. Thai CDC seeks to transform this East Hollywood neighborhood into a vibrant cultural and economic hub through community and culturally-based tourism. Thai CDC provides the following range of services in Thai and English:

- **Small Business Assistance**: Individualized Business Counseling; Business Plan Development; Assistance regarding legal requirements, wage and hour laws, and tax regulations; Business Workshops (Access to Capital, E-Commerce, and more); 26-Hour Entrepreneurship Training Program; and Annual API Small Business Expo
- **Housing Counseling/ Affordable Housing**: One-on-One Foreclosure Intervention/ Prevention; Mortgage Delinquency and Default Solution Workshops; Financial Education; Loan Modification Scam Alert; Halifax Apartments; and Palm Village Senior Apartments
- **Legal Services**: Citizenship/ Naturalization; Family Based Immigration Visas; Family Based Green Card Applications; Renew/ Replace Green Card; and Advance Parole/ Re-entry Permit
- **Family & Children Services**: Covered California Healthcare Enrollment; and Domestic Violence and Sexual Assault Assistance
- **Hollywood Family Source Center**: Multi-Benefit Screening; Case Management; Pre-Employment and Employment Support; Adult Education Classes (ESL and GED preparation); Computer Literacy Workshops; Legal Assistance; Parenting Classes; Financial Literacy/ Money Management; College Access Support; Job Training; Tutoring (1st—12th Grade); Youth Leadership and Promise Neighborhood; Cash for College (Youth); Cultural Activities (Youth); and Recreational Activities (Youth)

[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.

Below is a summary of the neighborhood development, cultural-tourism, and place-making projects that Thai CDC operates:

- The **East Hollywood Certified Farmers' Market** every Thursday in Thai Town improves access to fresh affordable locally-grown fruits and vegetables and encourages healthy eating behavior in East Hollywood. This farmers' market aims to promote healthier lifestyles in the underserved neighborhood of East Hollywood by increasing awareness of and access to local food programs.
- **Songkran (Thai New Year) Festival** is a free community event which occurs on the first Sunday of April every year. It is a day of Thai culture, food, and entertainment on the streets of Thai Town.
- **Thai Cultural Day** is held every year in September at Barnsdall Art Park. Thai Cultural Day preserves and promotes Thai arts and culture through educational and entertainment activities.
- **Neighborhood Beautification**: Thai CDC employs cultural preservation, heritage marketing, and the revitalization of public spaces as strategies for economic development in Thai Town. Thai CDC gained the national recognition of the nation's only Thai Town and erected the Thai Town Angel Apsonsi Gateway and the Thai Town Kinarra Lampposts. Both projects use Thai mythological figures to beautify and enhance Thai Town. By creating a unique, unifying identity which draws upon Thai heritage, Thai Town offers its residents and visitors an opportunity to enjoy Thai culture while growing local businesses. Thai CDC started the Thai Town Clean-Up Initiative and Tree Planting Project to beautify Thai Town and increase its appeal to local and non-local visitors and tourists.
- **Community Empowerment**: Thai CDC enables the East Hollywood community to take ownership of their neighborhood through political empowerment, voter education, and community organizing. Thai CDC engages its community members in civics and campaigns. They provide education on voting and ballot measures and cultivate leadership by registering new voters to ensure residents are able to take an active role in the decision-making process. As part of the *Choice Neighborhoods* program, Thai CDC also engages the community to address pressing neighborhood issues in Hollywood. In addition, Thai CDC campaigns to demand fair and equitable development around transit in Thai Town, due to our ongoing research on the effects of transit development and its significant impact on Thai Town.
- **Slavery Eradication and Rights Initiative (SERI) Project** assists Thai human trafficking victims by providing an immediate response team that arranges shelter, food, clothing, medical care, and legal counsel. The SERI Project also helps victims overcome trauma and develop survival and self-sufficiency skills while preparing them to seek redress and restitution through all legal avenues. Of the ten pre-lease food stall tenants at the Thai Town Marketplace project, two are food businesses started and owned by former victims of human trafficking.

Thai Town Marketplace is a social enterprise project of Thai CDC that serves as a public market and will provide entrepreneurs with affordable retail opportunities. Thai Town Marketplace aims to build a local economy and retain local spending by providing a low cost-entry point for start-up businesses which will help create small business ownership opportunities and permanent living wage jobs in the low-income community. The public market also improves access to affordable, nutritious, and culturally-appropriate foods reflective of the cultural and ethnic diversity of East Hollywood. Thai Town Marketplace will also be the central information station and cultural tourism hub for Thai Town.

With regards to this NMTC transaction, Thai CDC will be the borrower of the LADF source loan and the leverage lender, and 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 ".

FINANCIAL STATEMENT ANALYSIS

LADF has reviewed the consolidated audited financial statement for Thai CDC for the fiscal years ending June 30, 2014, June 30, 2015, and June 30, 2016. The company had a $120,100 in total assets, consisting of cash and grants receivable, as of June 30, 2016. The company has a history of successful fund raising to support the construction of this project and to finance programs. Thai CDC raised $501,500 in 2016, $664,900 in 2015, and $528,400 in 2014 from grants and donations. They have no other long-term liabilities on their balance sheet to service.

General Contractor: West Net Commercial Construction Company

The GC selected for the Thai Town Marketplace project is West Net Commercial Construction Company. West Net's portfolio of completed projects since 2011 includes a Guess retail location at the Costa Mesa Mall; three Wing Stop restaurants in San Clemente, Los Angeles, and Burbank; Bruxie Waffles restaurant in Irvine; One West Bank location in Glendora; Charleys Philly Steaks restaurant at the Westfield Mall in Santa Ana; and Sol Cocina restaurant in Huntington Beach. It is a local firm with operations based in Pico Rivera, CA.

West Net has provided a Guaranteed Maximum Price contract, and construction is presently approximately 30% complete. West Net will provide a payment and performance bond for the remaining 70% of the construction contract.

Architect: CSC Architecture

CSC Architecture is the architect of record for the Thai Town Marketplace project. The Los Angeles-based firm provides design and project management services and its recent projects include Market Café for Patina Group, "Wurstkuche" Gourmet Sausage-Beer Hall in the LA Arts District, 396 Lake Retail Building, Executive Office/Post Production Building for 10Db Films and 110 unit mix use complex in Riverside.

Charles Stephen Cordero, principal of CSC Architecture, also developed a Master Plan for Palauea Bay Beach Resort on Maui and Harbor Court Mixed-Use Tower with Lacayo Architects. As the lead Concept Architect at Nikken America, Los Angeles, Mr. Cordero designed residential resorts, golf clubhouses, restaurants, and corporate interiors, such as the Cypress Golf Club, Big Island Golf Club, and Sumitomo Bank Corporate Headquarters in Los Angeles.

PROJECT FEASIBILITY

Property Valuation

The total development costs for the project is $4.3 million. Prior to close of the NMTC transaction, a broker opinion of value letter was provided by the brokerage firm Cushman & Wakefield to determine market lease rates for comparable retail food halls. This was provided for the purpose of determining whether the lease rates offered by the QALICB to its identified vendors will be below market. However, because the underlying real estate interest is the sub-sub-lease of a sub-lease, an appraisal or broker letter was not requested to determine the value of the QALICB's leasehold interest in the property after project completion.

Environmental Inspections

Environmental inspection of the subject site was performed and subsequent remediation completed in 2001 by McCormack Baron Salazar (*ground lessee of the subject site*) for purposes of the development of the entire mixed-use building on the property. In 2013, the Sponsor obtained an exemption from the required environmental review under the California Environment Quality Act ("CEQA") for purposes of obtaining a change of use and securing public financing sources from the City of Los Angeles.

Considering the following, LADF and Chase Bank (NMTC Investor) have waived the environmental review requirement:

1) scope of the Project, limited to tenant improvements of one retail unit in a larger mixed-use development
2) the only prior use of the retail unit was a thrift store, which does not represent a recognized environmental condition

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 existing GMP contract with the GC will be assigned to the newly-formed QALICB.

Prior to closing the subject NTMC financing, a costing analysis of the project will be completed by Professional Associates Construction Services ("PACS"). PACS will also inspect progress and work done during the construction period, and the firm will provide monthly reports to Chase Bank and LADF.

Chase Bank will serve as the disbursing agent and as such will coordinate construction draws. Chase's role as disbursing agent will include obtaining a full draw package from the QALICB, inspection report from PACS, title updates and subsequent approval from LADF as CDE lender. LADF will have full approval rights over each draw. The full draw package submitted by the QALICB will require also that LADF 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 will not be required, given the scope of construction as a tenant improvement project and the recent construction of the larger project in which the space is located.

Financial Feasibility

SOURCES		USES	
Investment Fund Level (NMTC)		**Construction Uses**	
City of LA - CDBG	892,200	*Pre-Incurred Costs:*	
City of LA - CRA EBF (CD13)	763,900	- Donated by Thai CDC (*Soft Costs*)[1]	200,000
City of LA - AB1290	436,100	- Reimb. to Thai CDC (*Hard and Soft Costs Paid*)[2]	141,210
LADF Source Loan	346,920	- Reimb. to Thai CDC (*Rent Expense Paid*)[2]	84,030
Chase Bridge Loan[2]	232,740	- Outstanding Invoices (*Hard and Soft Costs*)	964,280
Leverage Loan Sources	$2,671,860	- Outstanding Invoices (*Rent Expense*)	112,550
		- Outstanding Invoices (*Thai CDC Developer Fee*)**Error! Bookmark not defined.**	52,610
NMTC Equity (**LADF**)	1,396,140	*Balance to Finish:*	
NMTC Investor Equity	$1,396,140	- Hard Costs	1,694,950
		- Hard Cost Contingency – *6.0%*	101,830
Project Level (Direct Sources)		- Soft Costs	73,780
Sponsor Donation:		- Soft Cost Contingency – *18.6%*	13,710
- Pre-Incurred Hard & Soft Costs1	200,000	- Rent Expense (*Dec. 2017 to July 2018*)	114,740
Direct Sources	$200,000	- Thai CDC Developer Fee – *5.0% of HC*	89,840
		Sub-Total	$3,643,530
		Financing-Related Uses	
		Interest Expense (*net of reserves*)	27,540
		NMTC Closing Costs:	
		- Reimbursed to Thai CDC (*Closing Costs Paid*)2	7,500
		- Legal/Accounting Closing Costs	242,500
		- LADF CDE Placement Fee	152,550
		NMTC Reserves:	
		- LADF Asset Mgmt. Fee Reserve	142,380
		- LADF Expense Reserve	52,000
		Sub-Total	$624,470
Total Project Sources	**$ 4,268,000**	**Total Project Uses**	**$ 4,268,000**

LADF SOURCE LOAN

LADF proposes to provide a $346,920 source loan to Thai CDC, as part of the investment approval action taken by the LADF Governing Board. The Sponsor will need the source loan amount to provide the entire $2.7 million leverage loan to the Investment Fund, which will generate the tax credit investment needed to complete the capital stack necessary to finance the entire project.

The LADF source loan will be unsecured against any real or personal property of Thai CDC, and will bear the following loan term:

- Interest Rate: 1.0% (*per annum*)

[1] Sponsor donation of pre-incurred costs represents costs incurred more than 24 months prior to NMTC closing
[2] Reimbursement is limited to costs incurred within the 24 months or less prior to closing of the NMTC transaction, per NMTC guidance. Reimbursement is for costs paid by Thai CDC for hard and soft costs, rent expense, and NMTC closing costs.

- Loan Term: 96 Months (*or 8 Years*)
- Payments: Quarterly
- Interest-only payments through construction
- Amortizing payments on an 8-year amortization period thereafter
- Cash Sweep: 25% of operational income that is passed from QALICB to Thai CDC

The interest rate for the Thai CDC leverage loan bears an interest rate that will provide enough cash flow to Thai CDC to make the interest-only and amortizing payments on the LADF source loan. The cash sweep mechanism is incorporated to ensure quicker repayment of the LADF source loan.

The LADF source loan amount is equal to the total fees and expense reimbursement that LADF will be receiving from the NMTC transaction (*including the upfront Placement Fee, annual CDE Servicing and Compliance Fee, and expense reimbursement*) for the seven-year NMTC Compliance Period. Since the LADF fees and expenses in the NMTC transaction will either be paid at closing or placed in a reserve that is pledged to and controlled by LADF, LADF has assurance that it will receive this amount back. The net risk to LADF in making the source loan is the potential for a $52,000 loss if Thai CDC does not fully repay the source loan. If Thai CDC is not able to pay back the LADF source loan, then LADF's opportunity cost is that it will have lost the equivalent of the fees that it could have collected on its approximately $4 million in NMTC allocation if it had invested the $4 million in another transaction that did not require the LADF source loan, plus $52,000 paid out to cover the LADF sub CDE's third party expenses.

DEVELOPMENT PRO FORMA

The total project cost is estimated to be $4.3 million, $4.1 million of which will be leveraged through the NMTC structure to make $4.1 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the project. The QLICI funds will be disbursed as follows at closing:

- $232,740 – Reimbursement of pre-closing costs incurred/paid within the last 24 months
- $1,129,440 – Closing draw to QALICB to pay off outstanding invoices
- $395,050 – Pay NMTC and Other Closing Costs
- $194,390 – Fund the CDE-Controlled Fee and Expense Reserve Accounts
- $2,116,390 – Fund the CDE-Controlled Construction Disbursement Account

LADF will collect its $152,550 in upfront Placement Fees at NMTC closing. NMTC-related reserves held by the QALICB will total $194,390 and be held for the payments of asset management fees and expense reimbursements to the LADF Sub-CDE. The LADF Sub-CDE will require that its ongoing fees and expense reimbursements reserved will be held in a separate bank account pledged to LADF, including $142,380 for all asset management fees and $52,000 for 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 incubated food and retail vendors under its separate lease agreements with each vendor. The rental rates to be paid by the vendors are projected at $6 per square foot per month (*on average*), or $369,300 annually, starting in August 2018 after construction completion. After accounting for operating expenses, the QALICB's debt service coverage for the QLICI is estimated at 1.33x (*per the current financial projections dated November 21, 2017*). Since 10 of the 12 food stalls are pre-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.

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LOS ANGELES DEVELOPMENT FUND

Regarding the LADF source loan to Thai CDC, below is a pro forma cash flow for the repayment from the Sponsor, Thai CDC, to LADF:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	TOTAL
LADF Loan Draw	346,920								**346,920**
Lev. Loan Pmt Recd	45,142	45,142	45,142	45,142	45,142	45,142	45,142	125,145	**441,139**
QALICB Donations		61,745	7,157						**68,902**
Sub-Total	392,062	106,887	52,299	45,142	45,142	45,142	45,142	125,145	**$856,961**
Lev. Loan Draw	(346,920)								**(346,920)**
P&I Payments	(13,888)	(45,142)	(45,142)	(45,142)	(45,142)	(45,142)	(45,142)	(45,142)	**(329,882)**
Cash Sweep (25%)		(15,436)	(1,789)						**(17,266)**
Balloon Payment								(14,585)	**(15,715)**
Sub-Total	(360,808)	(60,578)	(46,931)	(45,142)	(45,142)	(45,142)	(45,142)	(60,857)	**(709,743)**
TOTAL	**$31,254**	**$46,309**	**$5,368**	**$0**	**$0**	**$0**	**$0**	**$64,288**	**$147,219**

Project Timeline

The following list represents the milestone items and the project's completion and expected completion dates (*as of December 4, 2017*):

- *Early* Dec. 2017: LA City enters into 3 funding contracts with Sponsor (*prior to NMTC closing*)
- *Early* Dec. 2017: MBS enters into lease amendment with Sponsor (*prior to NMTC closing*)
- *Early* Dec. 2017: MTA enters into license amendment with MBS (*prior to NMTC closing*)
- Present: Construction is through 30% completion (*approx.*)
- December 2017: **NMTC Transaction Close (*currently targeting December 21*)**
- December 2017: Construction Continues
- July 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, and LADF will be the sole 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 provided by the Sponsor using source funding described below under the sub-section entitled "Leverage Lenders".

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 five previous transactions with Chase as Investor. The transactions were for the YWCA Urban Campus Development, Food4Less, Anderson Munger YMCA, Dream Center, and Orthopaedic

Institute for Children projects, which closed in December 2009, December 2010, August 2012, August 2012, and April 2017 respectively.

CDE Lender

LADF will provide NMTC allocation and make QLICI loans to the project through a Sub-CDE special purpose entity, LADF XV, LLC. 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 XV, LLC*	$4,068,000
	Total NMTC Allocation	$4,068,000

Leverage Lenders

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

- $2.1 million – City of LA funding sources (CDBG, CRA EBF, and AB1290) – comprised of grants and service repayment loans – carry no fees or interest
- $346,920 – LADF Source Loan – see above for terms
- $232,740 – Chase Bank Bridge Loan (*pre-incurred cost reimbursement*) – repaid the day after close of transaction and carries no fees or interest

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 $4.1 million QEI generated through the NMTC leverage structure and (2) a $200,000 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. Chase Community Equity will be the NMTC Investor Member and own 100% of the investment fund. The equity contribution at the upper tier by Chase will total $1.4 million. In exchange, Chase will receive $1.6 million in tax credits that will be generated through the Fund (39% of the total $4.1 million QEI). This exchange of equity for tax credits reflects a pricing of $0.88 per tax credit dollar for the QEI associated with LADF's allocation.

The $2.7 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 1.6095%. After the end of the interest-only period, the self-leverage loan will amortize over the following 26.5 years.

Chase's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $4.1 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $4.1 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 Sub-CDE will use the contributed capital to make QLICIs to the QALICB totaling $4.1 million.

LADF Management, Inc. (*LADF's subsidiary entity*) will contribute $407 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $20,340 (*0.5% of $4.1 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 1.5725% and 34-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.

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 to identify for reinvestment a project within the City of Los Angeles that is acceptable to both entities; thereafter Chase can remove LADF Management, Inc. as managing member of LADF XV, 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 Chase'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 December 15, 2017. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site*: Sponsor controls retail unit through lease with MBS (*dtd 11/20/14*)
- *Entitlement Process*: Completed
- *Design/Pre-Development*: Completed
- *Working Drawings*: Completed
- *Value Engineering*: Completed
- *Permits*: Completed
- *Tenant Leases*: 10 of 12 food stalls pre-leased, pre-leasing of outdoor kiosks in process
- *GMP Construction Contract*: Completed. GMP contract executed on July 28, 2016.
- *Financing Commitments*: Term sheet has been issued by Chase Bank (*for NMTC equity and Bridge Loan*). City of LA funding sources have been fully approved by City Council and contracts will be finalized and executed prior to NMTC closing.
- *Outstanding 3rd Party Issues*: Lease and sub-license amendments with MBS will be finalized and executed prior to NMTC closing.

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037190510. The population within the Census tract is 4,227 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:

- Area Median Income of **41.5%** of the greater Metro area (*lower 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 following qualifying measure:

LADF
LOS ANGELES DEVELOPMENT FUND

- Area Median Income of **41.5%** of the greater Metro area (*lower than 60%*)

QALICB Analysis

The Thai Town Marketplace, Inc. 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 Agreement[1], because its sole business activities are the development of the project and leasing of the completed improvements to the incubated food and retail vendors.

The QALICB 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 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 the Sub-CDE, so there is no Related Party entity issue.

LADF 2015-2016 Allocation Agreements Compliance

This transaction will use $4.1 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 53.6% invested or 61.5% invested if the Joshua House FQHC transaction for $3,932,000 of LADF's allocation closes earlier than the TTMP transaction.

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 XV, 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) – With this QEI, LADF will be closer to meeting the 60% threshold prior to the Dec. 31, 2019 deadline
- §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:

[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.

"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 1.5725% and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF notes that the Sponsor could not qualify for a loan large enough to fill the gap in the project budget. However, the Sponsor was able to secure a smaller, shorter-term loan for the project, which is charging a 7.75% interest rate. The LADF QLICI notes are 80% below this assumed market rate.

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, Thai CDC, prior to the 24-month period ending on the NMTC closing. Additionally, the QALICB and Thai CDC will execute a cost reimbursement certification agreement, for the benefit of the CDE lender, certifying to that point.

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

The equity generated through the NMTC structure will provide an estimated $807,000 in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the project, approximately 19.8% of the $4.1 million QEI in the transaction and 22.1% of the $3.6 million of total construction costs (*excluding financing costs*).

Given the nonprofit Sponsor and incubation services provided to the food stall vendors at the proposed facility, the Project could not move forward without the NMTC equity injection. The Sponsor already has expended and reserved a significant amount of equity using capital campaign funds and organizational reserves. Additionally, the project has been stalled since early 2017 due to lack of gap funding, which has stalled funding of the City of LA financing sources that the Sponsor had secured. Its ability to raise an

[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.

additional $807,000 for this project is highly unlikely and would make the project insolvent. Without the NMTC equity injection, the Project would likely not be able move forward.

COLLATERAL AND GUARANTIES

The LADF's QLICI loan will be secured by a senior Leasehold Deed of Trust on the QALICB's sub-sub-leasehold interest in the subject property. Additional collateral for the QLICI loan 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 lender, LADF XV, 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 lender: (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.

LADF's $346,920 source loan will be unsecured.

LOAN REPAYMENT ANALYSIS/EXIT STRATEGY

QLICIs

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.

LADF Source Loan

At the end of the eighth year, one year after the end of the seven-year NMTC compliance period, LADF's source loan will mature and may have a balloon payment due, depending on the level of profits the project generates which would be subject to the cash sweep provision of the LADF source loan. Based on the current projections, there is a balloon payment of approximately $15,000 at maturity of LADF source loan. If the project generates higher profits than projected there would be no balloon payment at maturity and the LADF source loan could be fully paid off prior to the maturity date.

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.

NMTC 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 of the QLICIs 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.
- 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.

RISK: LADF SOURCE LOAN DEFAULT RISK

The LADF source loan to Thai CDC will be unsecured against any real or person property. There is default risk that Thai CDC will not be able to repay the source loan. However, this risk is partially mitigated by the following factors:

- The interest rate for the Thai CDC leverage loan bears an interest rate that will provide enough cash flow to Thai CDC to make the interest-only and amortizing payments on the LADF source loan
- The LADF source loan will include a cash sweep provision stating that 25% of any cash flow surpluses from the project that are passed from the QALICB to Thai CDC must be used to pay down the LADF source loan principal. This will ensure quicker repayment of the LADF source loan.
- Thai CDC has a strong record of fundraising, which will help to support the success of the Thai Town Marketplace project and help Thai CDC repay the LADF source loan
- The LADF source loan amount is equal to the sum of the LADF upfront fee and ongoing fees and expense reimbursements (*which are reserved at NMTC closing for the seven-year NMTC Compliance Period*). These fees and reserves are pledged to LADF, ensuring that LADF may experience a financial loss limited to $52,000 (*related to the amount reserved for expense reimbursements*) in the transaction.

The economic and real estate risks of the project will be primarily 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 development team assembled for the project as well as the feasibility of the project. The Sponsor has carried the project through 30% completion, including installation of the HVAC, electrical, and plumbing systems. This represents the period of construction with the most risk of cost overruns. The budget includes sufficient contingency to complete to the remainder of construction.

LADF FEE LOAD AND RESERVES

The LADF will receive the following fees from the transaction:

- Placement Fee – 3.75% of QEI (equates to $152,550). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.5% of QEI per year for $4.1 million of 2015-2016 Allocation

- This equates to $142,380 (quarterly installments of $5,085 paid out of QLICI interest received for 7 years)
- CDE Expense Reimbursements – estimated at $6,500 annually per CDE for 8 years (equates to $52,000). 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.

LADF's fee structure was modified in this transaction for purposes of complying with the NQFP test. LADF's fee structure discussed in its 2015-2016 NMTC Allocation Application is a 2.0% Placement Fee and a 0.75% annual CDE Servicing and Compliance Fee. In order to comply with the NQFP test, the Placement Fee was increased to 3.75% and the annual fee was reduced to 0.5%. The total fee for the seven-year NMTC Compliance Period will remain at 7.25%. This modification was vetted with and approved by LADF's legal counsel on the transaction.

All of LADF's CDE Servicing and Compliance Fees and estimated CDE Expense Reimbursements for the entire Compliance Period, which total approximately $194,380, will be placed in a separate, controlled reserve account at close of the transaction.

Regarding the LADF source loan, LADF is not charging an upfront fee or any ongoing fees.

POLICY EXCEPTIONS

None.

RECOMMENDATION

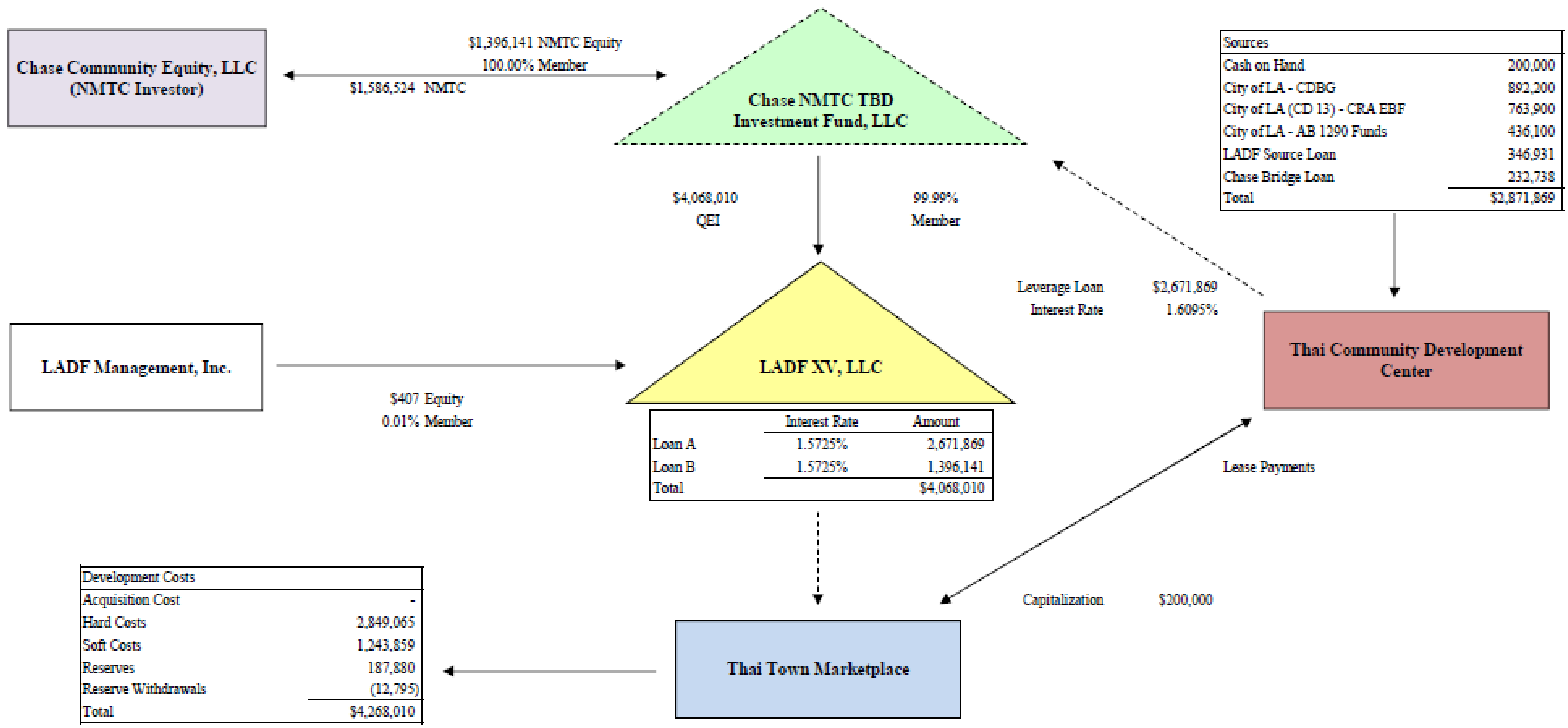
Approval of this funding request is recommended based on the project's feasibility, readiness and community benefits.

ATTACHMENTS

EXHIBIT A: Thai Town Marketplace Flow of Funds (*as of November 21, 2017*, Final Projections Pending)

LADF
LOS ANGELES DEVELOPMENT FUND

EXHIBIT A: Thai Town Marketplace Flow of Funds (*as of November 21, 2017*, Final Projections Pending)



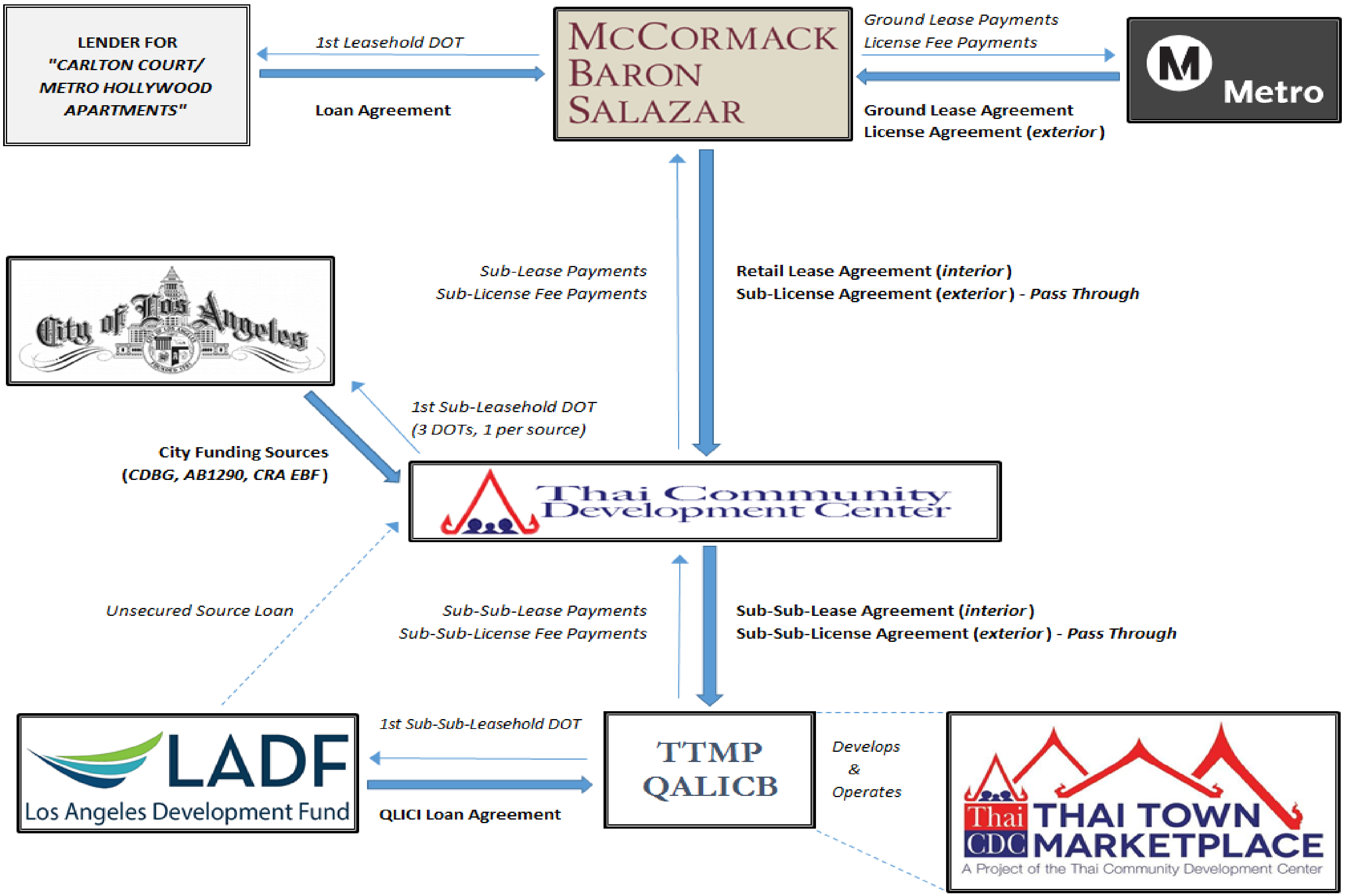
Sources	
Cash on Hand	200,000
City of LA - CDBG	892,200
City of LA (CD 13) - CRA EBF	763,900
City of LA - AB 1290 Funds	436,100
LADF Source Loan	346,931
Chase Bridge Loan	232,738
Total	$2,871,869

	Interest Rate	Amount
Loan A	1.5725%	2,671,869
Loan B	1.5725%	1,396,141
Total		$4,068,010

Development Costs	
Acquisition Cost	-
Hard Costs	2,849,065
Soft Costs	1,243,859
Reserves	187,880
Reserve Withdrawals	(12,795)
Total	$4,268,010

LADF
LOS ANGELES DEVELOPMENT FUND

EXHIBIT B: Thai Town Marketplace Real Estate Flow Chart



Tab 4

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	December 7, 2017
SUBJECT:	Request to Approve a **$3,932,000** New Markets Tax Credits Allocation to Joshua House Health Center ("**QALICB**") for the Joshua House Federally Qualified Health Center ("**Project**")

SUMMARY

Project Name:	Joshua House Federally Qualified Health Center ("**Project**")
Location:	Downtown L.A. (CD 14 – Jose Huizar)
Project Description:	26,000 SF / New Construction / Community Facility
Sponsor:	Los Angeles Christian Health Center ("**Sponsor**", or "**LACHC**")
Developer:	Skid Row Housing Trust ("**Developer**", or "**SRHT**")
Ownership:	• QALICB will control property through a master lease with SRHT until TCO • QALICB will acquire fee interest in FQHC condominium at TCO (*exp. 2019*)
NMTC Investor:	U.S. Bank ("**Investor**")
Total Project Cost:	$ 27,400,000
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 25,932,000 $ 3,932,000 (*2015-2016 Allocation*) • LADF XVI, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	• **36** Permanent Jobs, **80** Construction Jobs
Site Eligibility Criteria:	2010 Census Tract No. 06037206300 • NMTC Eligible and Targeted Distressed Community (*per 2015-16 Allocation Agmt*)**:** • **78.3%** Poverty Rate (*greater than 20%/30%*) – Section 3.2(h)(i)
Community Benefits:	• Project will increase patients served from 3,227 to **7,000 individuals per year** • Project will increase Sponsor's capacity from 19,240 to **48,726 visits per year** • **LEED Gold Certification** is anticipated for the Project

Key Compliance Criteria under the 2015-2016 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: $ 1,334,128

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LADF
LOS ANGELES DEVELOPMENT FUND

PROJECT DESCRIPTION

Los Angeles Christian Health Centers ("**LACHC**") will use the NMTC financing to fund the new construction of the Joshua House Federally Qualified Health Center ("**Joshua House FQHC**", or "**Project**"). Construction of the 26,000 SF health care facility is expected to begin in January 2018 and be completed in August 2019. The facility will be housed in the first three stories of a seven-story mixed-use project. Construction of the entire mixed-use project will be managed by Skid Row Housing Trust ("**SRHT**"), which will enter into a development agreement with LACHC for construction of the three-story Joshua House FQHC within the larger project.

LACHC is a Federally Qualified Health Center ("**FQHC**") operator that provides medical services for homeless and low-income persons in Los Angeles' Skid Row. LACHC operates two full-time clinics, 11 part-time satellite sites, and a street medical outreach team. In 1995, LACHC opened its first full-time clinic, which provides comprehensive medical, dental, optometry, and mental health care to 3,300 patients annually. The clinic is located within an 8,200 SF three-story former single residence occupancy hotel built in 1910 and due to size constraints LACHC is unable to meet the full demand of its client base. LACHC will be able to reach more patients by relocating its service delivery site in the proposed new flagship facility dedicated to expanding its capacity to serve the homeless in this community.

The new facility will allow LACHC to increase the number of patients it serves from 3,227 to an estimated 7,000 individuals per year, and increase the annual visits from 19,240 to 48,726. The new facility will continue to target homeless individuals living in the Skid Row area of downtown Los Angeles, which is an area that suffers from significant gaps in access to health services for the chronically homeless population in the neighborhood. Across the surrounding low-income communities, the health center penetration of low-income residents is 41.2%. There are 32,798 low-income residents not served by health centers in this densely populated urban core. With 42.4% of the residents in this service area below the poverty level, with its current facilities the demand for services far exceeds LACHC's ability to care for the most vulnerable.

The proposed mix of uses for the entire mixed-use development is as follows:

- Floor 1: Joshua House FQHC + Parking (*25 stalls*)
- Floors 2-3: Joshua House FQHC
- Floors 4-7: 55-Unit Affordable Housing Project (*non-NMTC financed portion*)

The new Joshua House FQHC will have 24 medical examination and consultation rooms, 8 dental chairs, 9 mental health examination rooms, 13 social work offices, a health education and fitness area, a foot care program, and a meditation room.

LADF
LOS ANGELES DEVELOPMENT FUND

SITE ANALYSIS

The project will be built in Downtown Los Angeles, which is in the City Center Redevelopment Project Area of the former Community Redevelopment Agency of Los Angeles. The site is located at the following address:

- 317 E. 7th Street, Los Angeles, CA 90014

The site is 14,800 SF and under the jurisdiction of Council District 14 of the City of Los Angeles, represented by Councilmember Jose Huizar. Additionally, the site lies within the following designated economic development areas:

- *State Enterprise Zone*: Los Angeles State Enterprise Zone
- *Revitalization Zone*: Central City
- *Business Improvement District*: Fashion District

The project is considered a transit-oriented development and is within walking distance of the 7th Street / Figueroa Metro Center rail station and public bus transportation.

Site Control

Skid Row Housing Trust ("**SRHT**", or "**Developer**") first identified and purchased the site in 2014. To facilitate construction SRHT has designed and will manage construction of all the improvements on site. Los Angeles Christian Health Centers ("**LACHC**", or "**Sponsor**") will initially control its portion of the project dedicated to the Joshua House FQHC through a master lease agreement executed at NMTC closing.

Once construction of the entire development reaches the point that SRHT receives a Temporary Certificate of Occupancy ("**TCO**") for the building from the Los Angeles Department of Building and Safety ("**LADBS**"), the master lease agreement will terminate and LACHC will receive a fee interest in the Joshua House FQHC portion of the building. To accommodate this transfer, a condominium map is being recorded on the property to create two condominiums – one for the FQHC on the first three floors and one for the affordable housing component on the top four floors. The recording of the condominium map is subject to approval by City Council. As of November 30, 2017, the project is still waiting for clearance from the Department of Recreation and Parks so that the Bureau of Engineering may submit its report to City Council. SRHT is working with the City to get this item on the City Council agenda for its meeting on December 13, 2017. If the file is not complete in time to be on the agenda for this meeting, then City Council approval will be delayed until its next meeting on January 9, 2017.

COMMUNITY AND ECONOMIC BENEFITS

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

Job Creation/Retention:
- Creating: **36** Permanent FTEs and **80** Construction Jobs

Quality Jobs:
- **100%** of the permanent jobs will receive full benefits including medical, dental, vision, life/disability, employee assistance program, and 403(b) retirement program with up to a 3% employer matching contribution
- Provide thorough orientation and training to all employees including a professional development and training plan that is crafted for each position.
- Promote staff from within and provide further professional training and development

Accessible Jobs:	• Hire from the surrounding low-income communities served (which all have extremely high poverty rates), including hiring of formerly homeless individuals
Commercial Goods/Services to Low-Inc. Communities:	• Project will include a **340B pharmacy** that will provide low-cost pharmaceuticals to patients of the Joshua House FQHC
Community Goods/Services to Low-Inc. Communities:	• Provide capacity to serve **7,000 patients per year**, an increase from the Sponsor's capacity at its existing facility of 3,227 patients per year • Provide capacity to **48,726 patient visits per year**, an increase from the Sponsor's capacity at its existing facility of 19,240 patient visits per year
Environmentally Sustainable Outcomes:	• Build to standards for and obtain **LEED Gold** certification for the project, and include renewable energy features such as a solar thermal system

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.

DEVELOPMENT TEAM

Real Estate QALICB: Joshua House Health Center

Joshua House Health Center is a nonprofit public benefit corporation (*application for 501(c)(3) exemption in process*) formed on October 26, 2017. This entity will serve as the Qualified Active Low-Income Community Business ("**QALICB**") for the NMTC transaction. The entity was established for the purposes of controlling and managing the real estate interests in the project, including land, building, and improvements. Prior to TCO, the QALICB will master lease the facility from SRHT and sub-lease the facility to LACHC, which will operate the Joshua House FQHC at the facility. Once TCO is obtained, the QALICB will acquire fee simple interest in the condo portion developed for the FQHC and lease the facility to LACHC for operations.

The QALICB is controlled by a five-member Board of Directors, of which three concurrently serve as board directors or staff of LACHC.

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.

An Agreed-Upon Procedures report[1] will not be required for the QALICB because it is a mission-driven, real estate entity. 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, originally solicited by LACHC.

[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.

Sponsor: Los Angeles Christian Health Center ("**Sponsor**", or "**LACHC**")

LACHC is a 501(c)(3) nonprofit corporation founded in 1995 with a mission to provide quality, comprehensive healthcare services to homeless and underserved populations in Los Angeles County. Today, LACHC's 120 staff members serve the County's most vulnerable populations from its two full-time health centers in Skid Row and Boyle Heights. The organization also provides comprehensive medical care at its 11 part-time satellite clinics hosted by its community partners throughout Downtown Los Angeles and Watts.

As an FQHC, LACHC is able to offer the following services to homeless and disadvantaged persons:

- **Medical**: Care for acute and chronic diseases, including lab work, radiology services, pharmacy services, cancer screenings, specialty referrals and health education.
- **Dental**: Full range of dental services, such as cleanings, x-rays, fillings, extractions, and full and partial dentures.
- **Mental Health**: Services are provided by licensed therapists and graduate-level interns, filling a vital need for treatment of depression, anxiety, substance abuse and other disabling mental health conditions.
- **Optometry**: Patients have access to a range of optometry care, including eye exams and treatment of various eye conditions, such as glaucoma. Prescription eyeglasses also are available.
- **Pediatric**: From birth through age 18, LACHC offers comprehensive care to children, from routine examinations and immunizations to advanced prevention and treatment of diseases.
- **Social Services**: Social workers and case managers at LACHC are focused on assisting patients with critical needs such as housing, transportation, food, and benefits. Services include care coordination, referral coordination, and mental health and substance abuse linkages.
- **Pharmacy**: LACHC runs a fully licensed pharmacy staffed by USC School of Pharmacy Clinical Pharmacy Program and dispenses 2,000 prescriptions per month.
- **Enrollment**: LACHC's enrollment team reaches hundreds of uninsured people through street outreach and health fairs. LACHC's enrollment team members provide education about coverage options and help potential patients make LACHC their health home.

With regards to this NMTC transaction, LACHC 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 LACHC for the fiscal years ending June 30, 2014, June 30, 2015, and June 30, 2016. The company had a total of $1.8 million in cash and $5.3 million in total assets as of June 30, 2016. The company has a history of successful fund raising, primarily through federal grants, to support its program services. LACHC raised $6.3 million in 2016, $4.9 million in 2015, and $5.3 million in 2014 from grants, donations, and gifts-in-kind. Additionally, LACHC generated revenue for providing healthcare services through Medi-Cal, Medicare, managed care, and medical services contracts. This revenue source totaled $5.7 million in 2016, $3.7 million in 2015, and $4.2 million in 2014.

Developer: Skid Row Housing Trust ("**Developer**", or "**SRHT**")

SRHT is an affordable housing development company founded in 1989 to preserve affordable homes for residents of Downtown Los Angeles' Skid Row neighborhood. Over the past twenty-five years, SRHT has refined its homes to provide not just housing but a supportive community as well. SRHT has increasingly targeted its homes to long-term homeless and disabled men and women, with an emphasis on co-locating housing and services together. By providing an integrated approach to housing, primary healthcare, mental health treatment, substance abuse treatment, and counseling, SRHT provides many of the tools needed to overcome the causes of homelessness.

SRHT's goal for the next five year is to develop or renovate 1,200 homes for individuals that have experienced chronic homelessness. In 2015, SRHT completed its first ever permanent supportive housing project outside of Downtown Los Angeles: a 52-unit project in the Westlake / MacArthur Park neighborhood of Los Angeles.

SRHT will be the developer for the total project, including both the NMTC-financed Joshua House FQHC and the 55-unit affordable housing component. With regards to this NMTC transaction, SRHT will be providing a completion guaranty to the CDE lenders for the entire project. This guaranty will give the CDE lenders additional assurance that the affordable housing component will be completed to complement the NMTC-finance Joshua House FQHC.

General Contractor: Snyder Langston

The GC selected for the Joshua House FQHC project (*as well as the 55-unit affordable housing component of the project*) is Snyder Langston. Snyder Langston began in 1959 and since 2012 has had a larger presence in the healthcare space. Snyder Langston completed work for Providence Health & Services, Hoag Health, Cottage Health System, Pacific Medical Buildings, and St. Joseph Health, among others. In addition to medical office building construction, Snyder Langston has also developed an expertise in constructing more technical healthcare projects, including State of California Office of Statewide Health Planning and Development projects, cancer and infusion centers, imaging, in-patient/occupied environments, surgery centers, and sterile processing. In 2013, Snyder Langston made the Orange County Register's list of Top Workplaces, a recognition based on employee survey results.

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

Architect: Abode Communities

Abode Communities is the architect of record for the Joshua House FQHC project (*as well as the 55-unit affordable housing component of the project*). Abode Communities was originally established in 1968 as an all-volunteer organization of architects dedicated to socially beneficial work. Today, its professional architectural studio capitalizes upon its decades of design experience and ingenuity to serve a multitude of community-based organizations for the production and preservation of small and mid-size affordable housing developments, as well as FQHCs, early education centers, childcare centers, and health and wellness recreational facilities. The company has completed 19 projects, including affordable housing, early education, healthcare, and recreation projects.

Additionally, Abode Communities is a pioneer in the creation of environmentally sustainable affordable housing, having designed the first LEED Platinum affordable housing project constructed in Los Angeles County. Abode studio's sustainable innovations include the incorporation of a ground source heat pump and a gray water system to retain, filter and reuse discharged water from a common laundry facility to feed drought-tolerant landscaping, both firsts in Los Angeles County. The company has successfully achieved eight LEED certifications on a variety of projects, six of which achieved the highest level, Platinum.

PROJECT FEASIBILITY

Property Valuation

An appraised valuation as of November 2017 has been provided by CBRE to determine the as-built market value of the QALICB's fee interest in the property after project completion. The fee simple interest was appraised due to the fact that the QALICB will acquire the fee interest in the Joshua House FQHC condominium after the project receives TCO. The appraisal indicates a valuation of the fee simple interest in the as-built project of $10.9 million. With a total QLICI loan amount of $25.4 million, this results in a Loan-to-Value ratio of 233%.

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 as a result of valuations not being high enough 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 by Partner Engineering & Science, Inc. ("**Partner**") dated as of September 29, 2017. The Phase I report concluded that there was no evidence of recognized environmental conditions (RECs), controlled recognized environmental conditions (CRECs), historical recognized environmental conditions (HRECs), except for undocumented materials used to backfill the basements of two of the structures onsite, which is considered a historical recognized environmental condition (HREC).

Considering the age of the existing improvements onsite, Partner noted the potential exists for asbestos-containing material (ACM) and/or lead-based paint (LBP) to be exposed during demolition and/or renovation activities. Partner recommended sampling of such materials and that these samples should be analyzed for asbestos and/or LBP content prior to any renovation and/or demolition activities that could impact these materials. An ACM/LBP report was also produced by Partner dated as of September 29, 2017. The report provided recommendations for ACM/LBP removal during demolition. Demolition was complete as of November 2017, and ACM/LBP was removed in accordance with the recommendations of the report.

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

Construction Feasibility

SRHT will be responsible for developing the project and has extensive experience as a real estate developer. SRHT will enter into the GMP contract with the GC.

Prior to closing, a costing analysis by a third-party construction management firm (*LM Consultants, Inc.*) will be required. US Bank will engage LM Consultants to inspect progress and work done during the construction period, and the firm will provide monthly reports to-be-relied upon by US Bank. The CDE lenders will be provided with the reports, but will not be provided with reliance letter from LM Consultants.

CIP (*one of the CDE lenders*) will serve as the disbursing agent and as such will coordinate construction draws. CIP's role as disbursing agent will include obtaining a full draw package from the QALICB, LM

Consultant's inspection report from US Bank, and subsequent approvals from LADF, CIP, and NFF, as CDE lenders and US Bank as NMTC Investor and also a CDE lender. 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 will not be required 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**	
Investment Fund Level (NMTC)		**Construction Uses**	
Sponsor Equity (*cash reserves*)	1,949,800	Land Acquisition	1,650,000
Sponsor Equity (*pre-inc. cost reimb.*)	1,321,960	*Hard & Soft Costs (inc. FF&E):*	
Capital Impact Term Loan	3,500,000	- Reimbursed Pre-Incurred Costs[1]	1,054,360
Capital Impact Bridge Loan	1,600,000	- Additional Hard Costs	14,192,900
NFF Term Loan	6,500,000	- Hard Cost Contingency	843,600
NFF Bridge Loan	3,200,000	- Additional Soft Costs	5,681,000
Leverage Loan Sources	$18,071,760	- Soft Cost Contingency	381,670
		Sub-Total	$23,803,530
NMTC Equity (**LADF**)	1,334,130		
NMTC Equity (Capital Impact)	3,393,000	**Financing-Related Uses**	
NMTC Equity (NFF)	3,732,300	Interest Expense (*net of reserves*)	335,500
NMTC Equity (USB CDE)	339,300	*NMTC Closing Costs:*	
NMTC Investor Equity	$8,798,730	- Legal/Accounting/Consulting Fees	788,700
		- **LADF** CDE Placement Fee	78,640
USBCDC Additional Equity	40,000	- Other CDEs Upfront Fees/Other	589,000
Other IF Sources	$40,000	- Leverage Lender Fees	185,000
		NMTC Reserves:	
Project Level (Direct Sources)		- **LADF** Asset Mgmt. Fee Reserve	206,430
Sponsor Equity (*cash reserves*)	490,510	- **LADF** Expense Reserve	104,000
Direct Sources	$490,510	- Other CDEs Fee/Expense Reserves	505,600
		- Leverage Lender Reserves	764,600
		- Fund Management Fee Reserve	40,000
		Sub-Total	$3,597,470
Total Project Sources	$27,401,000	**Total Project Uses**	$27,401,000

Development Pro Forma

The total project cost is estimated to be $27.4 million, $26.9 million of which will be leveraged through the NMTC structure to make $25.4 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the project. The QLICI funds will be disbursed as follows at closing:

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

- $1.1 million – Reimbursement of pre-closing development costs incurred within the last 24 months1
- $0.9 million – Pay NMTC and Other Closing Costs
- $0.8 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts
- $22.6 million – Fund the CDE-Controlled Construction Disbursement Account

The QALICB will control the site through master lease agreement with SRHT, the Developer, until the overall development obtains a TCO, when a fee interest in the Joshua House FQHC condominium will be transferred to the QALICB. The master lease will have a term of 99 years and rental rate of only $1 upfront plus payments for expenses, including utilities, maintenance of the property, and taxes.

Additionally, SRHT will be managing construction of both the Joshua House FQHC and the affordable housing component of the development, which is memorialized by a joint developer agreement between SRHT and LACHC.

NMTC-related reserves held by the QALICB will total $816,030 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 be held in separate bank accounts, including $310,430 held in an account pledged to LADF for all of its asset management fees and 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 LACHC under its lease of the Project site. The annual rental rates to be paid by the LACHC are projected at $11.08 per square foot, or $260,000 annually, starting in 2020 after construction completion of the entire development (*including the affordable housing component*). After accounting for operating expenses, the QALICB's debt service coverage on the QLICIs is estimated at 1.09x (*per the current financial projections dated December 1, 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 November 30, 2017*):

- November 2016: Design Development & Construction Drawings completed
- December 13, 2017: City Council to approve lot line adjustment and condominium map and condominium map recorded (*prior to NMTC closing*)
- December 2017: Ready-To-Issue Permits and GC Contract execution (*prior to NMTC closing*)
- December 2017: **NMTC Transaction Close (*currently targeting December 19*)**
- January 2018: Construction Commencement
- August 2019: Joshua House FQHC Construction Completion (*20-month construction*)
- November 2019: Affordable Housing Construction Completion

SRHT is currently working with City staff to obtain clearances from all the required departments for recording of the lot line adjustment and condominium map. If all clearances are obtained and the report by City of LA's Bureau of Engineering is submitted to City Council in time to be put on City Council's agenda for the December 13, 2017 meeting, then the timeline above will be accurate. If the project misses the opportunity to make the agenda for this meeting, then it will likely be ready for City Council's meeting on

January 9, 2018. In this scenario, the NMTC transaction close, construction commencement, and construction completion dates may be delayed by one month. Please see the "Project Readiness" section for alternative closing strategy in the event that the project cannot get on the agenda for the December 13, 2017 City Council meeting.

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 four 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 bridge loans from two CDFI lenders (*who are also providing NTMC allocation as two of the four CDEs in the transaction*).

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 four previous transactions with USBCDC as Investor. The transactions were for the Discovery Science Center of Los Angeles, La Kretz Innovation Campus, LA Prep/Kitchen, and Heart of Los Angeles projects, which closed in December 2012, September 2013, March 2014, and September 2017, respectively. Additionally, USBCDC is the NMTC Investor in the Budokan L.A. transaction, which LADF is investing $10 million NMTC allocation into and is expected close in January 2018.

CDE Lenders

The Joshua House FQHC Transaction will include four 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	*LADF XVI, LLC*	$3,932,000
Nonprofit Finance Fund	*NFF New Markets Fund XXXI, LLC*	$11,000,000
Capital Impact Partners	*Impact CDE 63 LLC*	$10,000,000
USBCDE LLC (*US Bank's CDE*)	*USB Sub-CDE 163, LLC*	$1,000,000
	Total NMTC Allocation	$25,932,000

CAPITAL IMPACT PARTNERS

Capital Impact Partners ("**CIP**") is a certified CDFI located in is located in Arlington, VA founded in 1983. CIP provides financial and development services and supports community development by financing health centers, grocery stores, schools, affordable housing, and long-term senior care. CIP has received the following awards as a CDFI and CDE:

- Capital Magnet Fund Awards (*total $4.8 million*): 2016-$4.8mm
- Financial Assistance Awards (*total $8.3 million*): 2011-$1.5mm, 2012-$1.5mm, 2013-$1.3mm, 2014-$2mm, and 2016-$2mm

- Financial Assistance Awards for Healthy Food Financing Initiative (*total $13.1 million*): 2011-$3mm, 2012-$1mm, 2013-$3mm, 2014-$2mm, 2015-$0.9mm, 2016-$2.4mm, and 2017-$0.8mm
- NMTC Allocations (*total $519 million*): 2003-$75mm, 2006-$54mm, 2007-$100m, 2008-$90mm, 2009-$90mm, 2012-$40mm, and 2015/2016-$70mm

CIP has $30.5 million in NMTC allocation remaining from its 2015-2016 allocation, with a national service area. CIP, along with NFF, is providing a term loan and bridge loan to the Sponsor to make its leverage loan, as well as NMTC allocation to the QALICB. The CDFI bridge loan is bridging grants and capital campaign funds to-be-received by the Sponsor. This will be the second transaction that LADF has closed with CIP. CIP provided a leverage loan in the LA Prep / Kitchen transaction, into which LADF invested $10 million NMTC allocation in 2014.

NONPROFIT FINANCE FUND

Nonprofit Finance Fund ("**NFF**"), founded in 1980, is a certified CDFI located in Philadelphia, PA. NFF is dedicated to unlocking the potential of mission-driven organizations through tailored investments, strategic advice, and accessible insights. The organization uses its NMTC allocation to contribute to the creation of vibrant, healthy communities by financing organizations that work in fields such as health, youth, aging, child care, and education, and require flexible capital to achieve their goals. NFF has received the following awards as a CDFI and CDE:

- Financial Assistance Awards (*total $12.3 million*): 2006-$0.6mm, 2009-$1.9mm, 2010-$0.8mm, 2011-$1.5mm, 2012-$1.5mm, 2013-$1.3mm, 2014-$2mm, 2015-$1.7mm, and 2016-$1mm
- NMTC Allocations (*total $281 million*): 2006-$20mm, 2008-$50mm, 2009-$60mm, 2010-$21mm, 2011-$40mm, 2012-$40m, and 2015/2016-$50mm

NFF has $18.5 million in NMTC allocation remaining from its 2015-2016 allocation, with a national service area. NFF, along with CIP, is providing a term loan and bridge loan to the Sponsor to make its leverage loan, as well as NMTC allocation to the QALICB. The CDFI bridge loan is bridging grants and capital campaign funds to-be-received by the Sponsor. This will be the first transaction that LADF has closed with NFF.

USBCDE LLC

USBCDE LLC ("**USBCDE**") is US Bank's certified CDE located in St. Louis, Missouri, and has received seven NMTC allocations totaling $665 million. USBCDE uses its NMTC allocation to support real estate projects, operating businesses, and loan funds that create quantifiable, meaningful, catalytic outcomes for low-income communities across the United States. This will be the second transaction that LADF has closed with USBCDE as a partner CDE. USBCDE also provided $5 million in allocation in the Discovery Science Center transaction in 2012, along with LADF's investment of $10 million NMTC allocation.

Leverage Lenders

The NMTC Transaction will leverage funds provided by the Sponsor using $17.1 million from its capital campaign contributions received, bridge loans from CIP and NFF for capital campaign contributions to-be-received, term loans from CIP and NFF, and unrestricted cash reserves 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 $25.9 million QEI generated and $40,000 additional US Bank equity (*to cover the Investment Fund's management fees*) through the NMTC leverage structure, and (2) a $490,510 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. 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 $8.8 million. In exchange, USBCDC will receive $10.1 million in tax credits that will be generated through the Fund (*39% of the total $25.9 million QEI*). This exchange of equity for tax credits reflects a pricing of $0.87 per tax credit dollar for QEIs associated with LADF's, CIP's, NFF's, and USBCDE's allocations.

The $17.1 million leverage loan provided to the investment fund by the Sponsor as the Leverage Lender will be interest-only for nine years (*through the seven NMTC compliance period and two years thereafter*) 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 25 years.

USBCDC's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $25.9 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $3.9 million QEI to the LADF Sub-CDE, a $10 million QEI to the CIP Sub-CDE, a $11 million QEI to the NFF Sub-CDE, a $1 million QEI to the USBCDE Sub-CDE.

In exchange for its contributions, the investment fund will receive a 99.99% membership share in each Sub-CDE. The four Sub-CDEs will use the contributed capital to make QLICIs to the QALICB totaling $25.4 million after $540,000 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 $394 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $29,490 (*0.75% of $3.9 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 1.033% and 34-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, capital will be redeployed in an order that is yet to-be-negotiated with the other CDE lenders. US Bank has already expressed that it will require that its CDE be last in the order of capital redeployment. LADF will require that it is second to last in the order. Thus, the order will be as follows, with two possibilities in the first and second place in the order:

1. CIP or NFF Sub-CDE – first $9.8 million or $10.7 million of capital redeployment
2. CIP or NFF Sub-CDE – first $9.8 million or $10.7 million of capital redeployment
3. LADF Sub-CDE – next $3.9 million of capital redeployment
4. USBCDE Sub-CDE – last $1.0 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 XVI, 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 around December 19, 2017, with an outside closing date in mid-January 2018. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site*: SRHT owns site. QALICB will enter into master lease agreement with SRHT at NMTC closing. SRHT will transfer fee interest in Joshua House FQHC condominium to QALICB at time of obtaining TCO for the project.
- *Entitlement Process*: Completed
- *Design/Pre-Development*: Completed
- *Working Drawings*: Completed
- *Value Engineering*: Completed
- *Permits*: Expected by January 2018
- *Tenant Leases*: Leaseback to Sponsor to-be-executed concurrent with NMTC closing
- *GMP Construction Contract*: GC contract execution expected December 2017 (*prior to NMTC closing*)
- *Financing Commitments*: LOIs have been issued by CIP (*for NMTC allocation, term loan, and bridge loan*), NFF (*for NMTC allocation, term loan, and bridge loan*), and US Bank (*for NMTC allocation and NMTC equity*). The Sponsor has committed capital campaign funds and cash reserves for the Leverage Loan and direct project contributions.
- *Outstanding 3rd Party Issues*: Awaiting approval from City Council of recording lot line adjustment and condominium map, currently expected on December 13, 2017

SRHT is seeking City Council approval to record a lot line adjustment and the condominium map, for purposes of separating the ownership in the mixed-use development between the Joshua House FQHC and the affordable housing component. Currently, SRHT needs clearance from one more City department, at which point the City of LA's Bureau of Engineering can finalize and submit its report to City Council. If the report is received within the required timeframe, the motion may go on City Council's agenda for its meeting on December 13, 2017. In this scenario, if the motion is approved at the December meeting, then the NMTC transaction is expected to close on or around December 19, 2017.

However, if Bureau of Engineering report is not submitted in time for the December 13, 2017 City Council meeting, it is expected that it will be submitted in time for the January 9, 2018 City Council meeting. In this scenario, if the motion is approved at the January meeting, then the NMTC transaction is expected to close on or around mid-January 2018. Under this scenario, SRHT, US Bank (*as the lender on the affordable housing component*), and the Low-Income Housing Tax Credit ("**LIHTC**") equity investor for the affordable housing component of the development, which is also US Bank, has expressed concern about delaying NMTC closing to 2018 because the affordable housing component is also obtaining Private Activity Housing Bond financing (*a federal housing finance program*), and there is a chance this program might be eliminated under currently proposed federal tax reform bill. Additionally, LACHC, the Sponsor in the NMTC transaction, has secured $3.7 million in Measure HHH funds through the City of LA, which are being bridged with a portion of the loan funds from CIP and NFF. The Measure HHH funds to the NMTC component of the project are also at risk of being lost if the federal housing finance sources are lost on the affordable housing component due to tax reform.

Thus, SRHT needs to close on the financing for the affordable housing component in 2017 and US Bank's affordable housing finance credit committee requires assurance that the NMTC transaction on the Joshua House FQHC component will close in order to approve closing on its loan for the affordable housing component. As a compromise, US Bank's affordable housing finance group and the NMTC parties have agreed on the NMTC transaction finalizing all documents and placing them in escrow with certain conditions for closing, which must be met within 60 days of entering escrow. The primary conditions that must be met for closing the NMTC transaction include: 1) recording of the condominium map, 2) updating the financial projections produced by CohnReznick, 3) geocoding the project site to ensure NMTC eligibility at the time of closing, and 4) escape provisions if there are any material changes in the environmental condition of the subject property, the financial condition of the QALICB and Sponsor, or other material changes in conditions. If these conditions are not met within the required timeframe, then the CDE lenders, including LADF, may withdraw its commitment to provide allocation.

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037206300. The population within the Census tract is 5,514 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 **78.3%** of the greater Metro area (*greater than 20%*)

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 following qualifying measures:

- Poverty Rate of **78.3%** of the greater Metro area (*greater than 30%*)
- Unemployment Rate of 42.4%, or **5.37x** the National rate (*greater than 1.5x*)

QALICB Analysis

The Joshua House Health Center 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 Agreement[1], 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 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 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.

[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.

LADF 2015-2016 Allocation Agreements Compliance

This transaction will use $3.9 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 61.5% invested if closed in December 2017 (*assuming the Thai Town Marketplace transaction is also closed in December 2017*) and 81.5% invested if closed in January 2018 (*assuming the Thai Town Marketplace and Budokan L.A. transactions are also closed by January 2018*).

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 XVI, 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) – With this QEI, LADF will meet the 60% threshold prior to the Dec. 31, 2019 deadline
- §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)[1]."

LADF's QLICI notes bear interest rates of 1.33% and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF references a US Bank market rate lending terms letter dated June 29, 2017, which was provided to support the flexible terms of LADF QLICI notes. This letter states that US Bank's interest rates for similar transactions are between 1.0% and 3.5% over 30-day LIBOR plus a liquidity premium of 0.2% to 0.86% depending. Assuming an interest rate of 2.0% over 30-day LIBOR and a 0.5% liquidity premium (*within the US Bank market pricing guidelines*), and using the 30-day LIBOR as of November 29, 2017 of 1.29%, the market lending rate would be 3.79%. The LADF QLICI notes are 65% below this assumed market rate.

[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.

Reimbursement of Costs

As part of guidance published by the CDFI Fund in December 2015, 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, LACHC, prior to the 24-month period ending on the NMTC closing. Additionally, the QALICB and LACHC will execute a cost reimbursement certification agreement, for the benefit of the CDE lenders, certifying to that point.

For additional assurance, the CDEs have also required that the financial projections produced by CohnReznick provide a full accounting of prior costs incurred that are reimbursed by this transaction. To provide this schedule in the projections, CohnReznick obtained all invoices and proofs of payment from the Sponsor for project-related expenses incurred in the prior 24-month period. CohnReznick did not perform a full audit, but based on its review and representations made by the Sponsor, attests that the reimbursed amounts in the transaction are accurate.

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

The equity generated through the NMTC structure will provide an estimated $6.5 million in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the project, approximately 25.2% of the $25.9 million QEI in the transaction and 27.4% of the $23.8 million of total construction costs (*excluding financing costs*). The LADF Sub-CDE's portion of the total net subsidy is approximately $0.9 million.

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 Joshua House FQHC 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. $2.5 million*), using capital campaign funds and the unrestricted portion of its endowment, as well as secured $4.8 million in bridge financing for the project. Its ability to raise an additional $6.5 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 or by depleting funds needed for program funding.

COLLATERAL AND GUARANTEES

The LADF's QLICI loan, along with the QLICI loans from the CIP Sub-CDE, NFF Sub-CDE, and USBCDE Sub-CDE, will be secured *pari passu*, initially, by a senior Leasehold Deed of Trust on the QALICB's leasehold interest and, subsequently at time of obtaining TCO, by a senior Deed of Trust on the QALICB's fee simple interest in the Joshua House FQHC condominium within the subject property. Additional collateral for the QLICI loans will consist of guaranties from the QALICB, Sponsor, and Developer, and a security interest in the reserve accounts.

The QALICB and Sponsor will provide an indemnity to the CDE lenders, including LADF XVI, 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 guaranty of payment for all construction work, 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 guaranty of completion of all construction work for the Project. Additionally, the Developer will provide the CDE lenders a guaranty of completion of all construction work for the entire development, including the Joshua House FQHC and the affordable housing component.

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 third in the waterfall (*after CIP Sub-CDE and NFF Sub-CDE*) and would receive a return of capital only after **$20.5 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.

RISK: NOT CLOSING IN 2017

The risk of placing finalized and fully-negotiated NMTC transaction documents into escrow in 2017, if closing needs to be delayed until 2018, is mitigated by the fact that a QEI will not be funded. If the QALICB does not meet the conditions for escrow to close within the required timeframe of 60 days, then LADF may withdraw its commitment of NMTC allocation to the project and identify another project within the City of LA to invest the allocation into. Additionally, by not funding the QEI, this soft closing will NOT 1) initiate the 12-month timeline for investing the QEI into a project as a QLICI, nor 2) in case of an unwind, limit LADF to identifying an alternative investment with the investor in this transaction.

The economic and real estate risks of the project will be borne by the QALICB, Sponsor, and Developer 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 and Developer have 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 $78,640*). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $3.9 million of 2015-2016 Allocation
  - This equates to $206,430 (*annual installments of $29,490 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 estimated CDE Expense Reimbursements for the entire Compliance Period, which total approximately $310,430, will be placed in a separate, controlled reserve account at close of the transaction.

POLICY EXCEPTIONS

None.

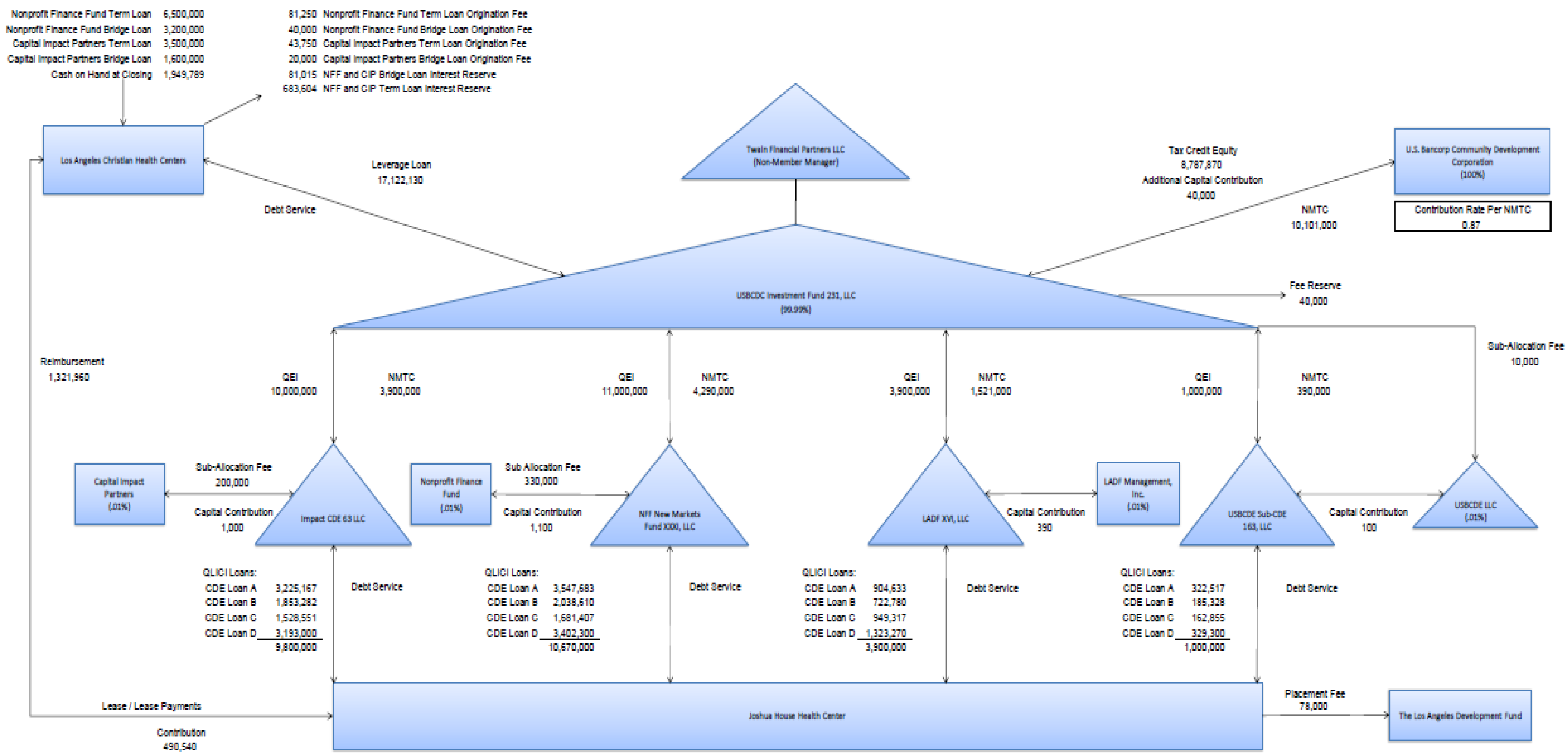
RECOMMENDATION

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

ATTACHMENTS

EXHIBIT A: Joshua House Flow of Funds (*as of December 1, 2017,* Final Projections Pending)

EXHIBIT A: Joshua House Flow of Funds (*as of December 1, 2017*, Final Projections Pending)



Tab 5

MEMORANDUM

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, LADF Secretary
DATE:	December 7, 2017
SUBJECT:	Asset Management and Compliance Services Contract Authority

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Board of Directors authorize the President, or designee, to award a contract to Christopher Chorebanian to provide asset management and compliance services for a six-month period and an amount not to exceed $31,200 for the six-month period.

SUMMARY

In October 2011, LADF engaged Christopher Chorebanian through an employment agency (*CoreStaff Services*) for a full-time position, with responsibilities primarily including asset management, loan servicing, compliance, and underwriting. Then in February 2013, LADF hired Mr. Chorebanian directly as a full-time employee. Since October 2011, Mr. Chorebanian has been working full-time at LADF in support of its NMTC program and manager Sandra Rahimi.

In November 2017, Mr. Chorebanian notified LADF that he will be terminating his employment with LADF as of the end of December 2017. Mr. Chorebanian offered to enter into a contract with LADF for asset management, loan servicing, and compliance services for up to 6 months, beginning after the termination of his employment. At its meeting on November 9, 2017, the LADF Governing Board directed LADF staff to prepare a draft contract for LADF to engage Mr. Chorebanian in this capacity, for consideration at LADF's next board meeting. Additionally, the LADF Governing Board gave direction to LADF staff to prepare a draft job bulletin for a new position at LADF to replace Mr. Chorebanian after his departure.

Attached to this memo is the draft purchase order contract to engage Mr. Chorebanian, with the following contract terms:

- Mr. Chorebanian will provide asset management, loan servicing, and compliance services
- Services may be provided one day per week as requested by LADF
- Contract term will be for 6 months
- Compensation will be $120 per hour and a maximum of $31,200 for the 6-month term

For purposes of aiding LADF in this transition as it looks to fill the new position, staff recommends that LADF engage Christopher Chorebanian as the contractor for this scope of services. Sufficient funds are budgeted by LADF in its 2018 annual budget to cover anticipated costs related to this purchase order contract.

ATTACHMENTS

Purchase Order Contract 17-0003 [*draft*]

LADF
LOS ANGELES DEVELOPMENT FUND

PURCHASE ORDER

<table>
<tr><td colspan="2">Purchase Order No.:</td><td colspan="3">LADF 17-0003</td></tr>
<tr><td colspan="2">Date of Issue:</td><td colspan="3">December 7, 2017</td></tr>
<tr><td colspan="2">Start Date:</td><td colspan="3">January 2, 2018</td></tr>
<tr><td colspan="2">Completion Date:</td><td colspan="3">June 29, 2018</td></tr>
<tr><td rowspan="6">Vendor Information</td><td>Company Name:</td><td>Christopher Chorebanian</td><td colspan="2" rowspan="3">Bill To:
Sandra Rahimi
Los Angeles Development Fund
1200 W. 7th Street
8th Floor
Los Angeles, CA 90017</td></tr>
<tr><td>Mailing Address:</td><td>159 Cumberland Road
Glendale, CA 91202</td></tr>
<tr><td>Primary Contact:</td><td>Christopher Chorebanian</td></tr>
<tr><td>Phone:</td><td>m: (213) 973-2404</td><td>Contract No.:</td><td>N/A</td></tr>
<tr><td>Email:</td><td>chris.ladf@gmail.com</td><td>Project/RFP No.:</td><td>N/A</td></tr>
<tr><td>Vendor No.:</td><td>LADF-21</td><td>Purchase Order Total:</td><td>$ 31,200 (max.)</td></tr>
<tr><td colspan="2">Fiscal Year(s):</td><td colspan="3">FY 2017, FY 2018</td></tr>
<tr><td colspan="2">Payment Terms:</td><td colspan="3">NET 30 after receipt of invoice</td></tr>
<tr><td colspan="2">For questions about this Purchase Order please contact:</td><td colspan="3">Sandra Rahimi – (213) 808-8959 – Sandra.Rahimi@lacity.org</td></tr>
</table>

SCOPE / DESCRIPTION OF SERVICES

As directed by Los Angeles Development Fund (LADF) Representative, Sandra Rahimi, or designee, Vendor shall provide asset management, loan servicing, and NMTC compliance services for LADF's NMTC Program.

TIME OF PERFORMANCE

Vendor shall provide services to LADF, when requested by LADF, upon execution of this purchase order starting January 2, 2018 through June 29, 2018, unless otherwise provided by written Purchase Order Change hereto.

COMPENSATION

Vendor shall be compensated in accordance with the following terms:

Hourly Rate: Vendor shall be compensated at the rate of $120.00 per hour.
Mileage: Not applicable.
Other Expenses: Expenses not specifically set forth herein which are incurred by the Vendor may be reimbursed, provided that such expense(s) are documented and approved by the LADF Representative as being necessary,

reasonable, and in proper conduct of LADF business.
Receipts: Receipts are required for all expenses.
Compensation Limits: Maximum compensation for satisfactory services performed, including allowable reimbursable expenses, shall not exceed $31,200.00 in the 6-month period.

METHOD OF PAYMENT

Vendor shall submit an electronic invoice to the LADF Representative which shall contain the following:

A. General description of services performed including date(s) of performance.
B. Purchase Order No. LADF 17-0003
C. Total Amount Due
D. Current Date

Terms/Conditions:

Vendor shall comply with the LADF Terms and Conditions attached hereto as “Exhibit A” and by this reference incorporated herein, except:

(1) that Article 3 (“*Insurance*”) in the attached Terms and Conditions is not applicable and is hereby replaced with the following:

“3. Hold Harmless Provision

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

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

and

(2) that Article 5 (“*City of Los Angeles Business Tax Registration Certificate (Business License)*”) of the LADF Terms and Conditions is waived.

PURCHASE ORDER

LADF President

Authorized Vendor Representative

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

Tab 6

Los Angeles Development Fund
Budget (In Full Dollars)
Fiscal Year Ending 12/31/18

Budget Items		PROJECTED **2018** **Annual Totals**		PROJECTED 2017 Annual Totals
Revenues				
Placement Fees (*2015-2016 Allocation*)	1	385,000		686,190
SubCDE Asset Mgmt Fees (*2015-2016 Allocation*)	1	347,490		98,910
SubCDE Asset Mgmt Fees (*Prior Allocations*)		321,350		375,000
Fund Mgmt Fees (*Prior Allocations*)		36,000		36,000
Expense Reimbursement		168,500		131,800
Interest Income (*Thai CDC Loan*)		3,470		0
Interest Income (*Savings Accounts*)		30		50
Investment Income		200		150
TOTAL REVENUES		**1,262,040**		1,328,100
Expenses				
Reimburseable Expenses:				
-Audit /Tax Services (*SubCDEs, IFs*)		118,500		94,500
-Other Reimburseable Expense		50,000		37,270
Audit /Tax Services (*LADF*)		15,000		15,000
Capital Contributions (*Due to Affiliates*)		925		4,075
Consultant - Compliance (*Ariel Ventures*)		12,000		12,000
Consultant - Accounting (*J Diaz*)		50,000		38,000
Consultant - AM / Compliance (*C Chorebanian*)		31,200		0
Consultants - NMTC Application		30,000		8,100
Corp Taxes and Fees		7,245		10,500
Insurance - D&O		4,520		4,520
Insurance - Workers comp		2,200		2,200
Lease Expense (*EWDD*)		9,760	2	0
Legal - Organizational Counsel		5,000		10,730
Marketing Expense (*Conferences*)		10,000		5,470
Marketing Expense (*Website, Social Media*)		84,000	3	32,500
Other Administrative Expense		2,500		2,360
Payroll Expenses (*inc payroll tax*)		232,270		357,270
TOTAL EXPENSES		**665,120**		634,495
Budget Surplus / (Deficit)		**596,920**		693,605
Actual Cash as of Jan. 1, 2017		**$1,169,958**		
Projected Cash as of Jan. 1, 2018		**$1,625,000**		
Projected Cash as of Jan. 1, 2019		**$2,221,920**		

[1] Projections for Placement Fees and SubCDE Asset Management Fees assume that $30.75mm of LADF's $50mm 2015-2016 allocation is invested in 2017, and the remaining $19.25mm 2015-2016 allocation is invested in 2018

[2] LADF's 2018 Budget assumes that the Lease Agreement with the City of LA's EWDD is executed at the start of the year. Lease expense reflects half of projected $9,757 annual rental expense, assuming that the EWDD Lease Agreement receives City Council approval and LADF Board approval by June 30, 2017 and LADF moves into the EWDD offices by July 1, 2017.

[3] LADF's 2018 Budget assumes that the social media and website consulting contract with Karen Brooks is executed at the start of the year. Marketing expense reflects the contract maximum of $7,000 per month for 12 months.

Los Angeles Development Fund

Projected Fee Revenue

Years 2016 through 2025

			2015-2016 Allocation		*2015-2016 Allocation*		*Prior Allocations*		*Prior Allocations*	
	FEE REV. TOTAL [1]		**PLACEMENT FEES** [2]		**SUB-CDE MGMT FEES** [3]		**SUB-CDE MGMT FEES**		**FUND MGMT FEES**	
Year	**Totals**	***% Change***	**Totals**	***% Change***	**Totals**	***% Change***	**Totals**	***% Change***	**Totals**	***% Change***
2016	**461,000**	-	0	-	0	-	425,000	-	36,000	-
2017 [4]	**1,196,100**	*159.5%*	686,190	-	98,910	-	375,000	*-11.8%*	36,000	*0.0%*
2018	**1,071,107**	*-10.5%*	385,000	*-43.9%*	347,490	*251.3%*	321,350	*-14.3%*	17,267	*-52.0%*
2019	**639,210**	*-40.3%*	0	*-100.0%*	364,830	*5.0%*	260,720	*-18.9%*	13,660	*-20.9%*
2020	**461,505**	*-27.8%*	0	-	364,830	*0.0%*	96,675	*-62.9%*	0	*-100.0%*
2021	**387,885**	*-16.0%*	0	-	364,830	*0.0%*	23,055	*-76.2%*	0	-
2022	**364,830**	*-5.9%*	0	-	364,830	*0.0%*	0	*-100.0%*	0	-
2023	**364,830**	*0.0%*	0	-	364,830	*0.0%*	0	-	0	-
2024	**265,920**	*-27.1%*	0	-	265,920	*-27.1%*	0	-	0	-
2025	**17,340**	*-93.5%*	0	-	17,340	*-93.5%*	0	-	0	-
TOTALS	**5,229,727**	*10-year*	1,071,190		2,553,810		1,501,800		102,927	
	522,973	*Avg / year*								

[1] This fee revenue schedule assumes that LADF is not awarded any additional NMTC Allocation after its 2015-2016 Allocation Award.

[2] Projected Placement Fees accrue and are paid at time of closing of each transaction. LADF charges 2% Placement Fees on its allocation. Except that LADF is charging a 3.75% Placement Fee the $4.068mm allocation invested in the Thai Town Marketplace transaction.

[3] Projected Sub-CDE Asset Management Fees accrue and are paid quarterly over the 7-year NMTC Compliance Period. LADF charges an annual rate of 0.75% on its allocation for Sub-CDE Asset Management Fees. Except that LADF is charging an annual Sub-CDE Asset Management Fee of 0.5% on its $4.068mm allocation invested in the Thai Town Marketplace transaction. Total Sub-CDE Asset Management Fees collected for the 7-year NMTC Compliance Period will equal 5.1% on its allocation (*averaging 0.73% x 7 years*).

[4] Projections for 2017-2018 assume LADF will close on its $50mm 2015-2016 Allocation Award as follows: $20mm-Q2 2017 (*closed*), $2.75mm-Q3 2017 (*closed*), $8mm-Q4 2017 (*anticipated*), $10mm-Q1 2018 (*anticipated*), and $9.25mm-Q2 2018 (*anticipated*).