

LADF

LOS ANGELES DEVELOPMENT FUND

**Meeting of the
Governing Board of Directors *and*
Advisory Board of Directors of
The Los Angeles Development Fund
and
LADF Management, Inc.**

December 9, 2021

**MEETING of the
GOVERNING BOARD OF DIRECTORS and ADVISORY BOARD OF DIRECTORS of
THE LOS ANGELES DEVELOPMENT FUND and LADF MANAGEMENT, INC.
DECEMBER 9, 2021**

Tab Table of Contents

- 1** Board Meeting Agenda
- 2** Materials regarding Approval of Minutes for Board Meetings, Item A:
 - October 14, 2021 – Governing Board Meeting Minutes
- 3** Materials regarding Approval of Minutes for Board Meetings, Item B:
 - October 26, 2021 – Governing Board Meeting Minutes
- 4** Materials regarding Discussion Item A:
 - LADF Pipeline Report
- 5** Materials regarding Action Item B:
 - BOARD MEMO regarding \$12,500,000 Sub-Allocation of New Markets Tax Credits for the Hollywood Arts Center project
- 6** Materials regarding Action Item D:
 - BOARD MEMO regarding Angeles House NMTC Transaction Modifications

Tab 1

A G E N D A

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

MEETING BY TELECONFERENCE (AUTHORIZED EXCEPTION TO THE BROWN ACT):
To join via telephone, dial this number: (669) 900-6833 US
Meeting ID: 821 6956 7367
Thursday, December 9, 2021 | 2:30pm – 4:00pm

AGENDA ITEM	PRESENTER	TAB
Welcome and Call to Order	Carolyn Hull	
Roll Call	Sandra Rahimi	
1 Approval of Minutes for Board Meeting(s) on:	Carolyn Hull	
a. October 14, 2021 – Governing Board Meeting		Tab 2
b. October 26, 2021 – Governing Board Meeting		Tab 3
2 Discussion Items		
a. LADF Pipeline Update	Sandra Rahimi	Tab 4
3 Action Items	Sandra Rahimi	
a. Request for Authorization of LADF staff to issue a revised Letter of Interest to the Vermont Manchester project for providing up to \$11 Million of New Markets Tax Credit Allocation (prior approved LOI was for \$10 Million). LADF will have option to rescind the Letter of Interest if the proposed transaction has not closed by March 30, 2022 .		
b. Request for Authorization for LADF President, or delegate, to execute documents to effectuate a \$12,500,000 Sub-Allocation of New Markets Tax Credits for the Hollywood Arts Center project.		Tab 5
c. Request for Authorization to Apply to the CDFI Fund for up to \$60 million in allocation in the CY 2021 Round New Markets Tax Credit Application and Request for Approval of LADF pipeline (as presented in Tab 4) to be incorporated into LADF's CY 2021 Round New Markets Tax Credit Application.		
d. Request for Authorization for LADF President, or delegate, to execute documents related to \$10 million additional NMTC Allocation invested by New Markets Community Capital CDE into the Angeles House project.		Tab 6
e. Request for Authorization to renew NMTC Coalition membership at a cost of \$750.		
4 Closed Session Items	Carolyn Hull	
a. LADF Staff Compensation		
Request for Future Agenda Items	Carolyn Hull	
Next Meeting Date and Time of Governing Board	Carolyn Hull	
• Thursday, January 13, 2022, 2:30pm – 4:00pm (via Zoom)		
Public Comment	Carolyn Hull	
<u>NOTE:</u> When it is time for public comment:		
1. If you joined by phone only. Please press *9 on your phone keypad to raise your hand to be acknowledged for Public Comment		
2. If you joined by clicking on the meeting link and have joined us online, please click the participant icon at the bottom of your screen. This will launch a participant panel, where you will see the "raise hand" icon on the far right side. Please click "raise hand" to be acknowledged for Public Comment.		
Adjournment	Carolyn Hull	

The LADF's Board Meetings are open to the public. Accommodations such as sign language interpretation and translation services can be provided upon 72 hours notice. Contact LADF @ (213) 808-8959.

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

Tab 2

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
MONDAY, OCTOBER 14, 2021

MEETING BY TELECONFERENCE (*AUTHORIZED EXCEPTION TO THE BROWN ACT*)

LADF STAFF PRESENT:

- Sandra Rahimi

WELCOME AND CALL TO ORDER – Los Angeles Development Fund (LADF) Director Hull called the meeting to order at **2:32pm**.

ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Hull (*Chairperson*)
- Director Chavez
- Director Kalfayan

A QUORUM WAS PRESENT

The following Advisory Board directors were present at the meeting:

- Director Williams (*Chairperson*) [joined 2:51pm]
- Director Volpert [joined 2:56pm]

A QUORUM WAS NOT PRESENT

Approval of Minutes for Board Meeting(s) on:

- a. July 8, 2021 – Governing Board Meeting
Moved by Director Kalfayan. Seconded by Director Chavez.
Roll Call: AYES: 3; NOS: 0; ABSENT: 2; ABSTAIN: 0; APPROVED.
- b. August 4, 2021 – Governing Board Meeting
Moved by Director Chavez. Seconded by Director Kalfayan.
Roll Call: AYES: 3; NOS: 0; ABSENT: 2; ABSTAIN: 0; APPROVED.

1. DISCUSSION ITEMS

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

- Sandra Rahimi presented an update and summary of pipeline projects.
- Governing and Advisory Board members participated in a general discussion of the pipeline projects

2. ACTION ITEMS

- **ACTION ITEM (A) – REQUEST FOR AUTHORIZATION TO EXTEND PURCHASE ORDER CONTRACT WITH JOSEPHINE DIAZ FOR ACCOUNTING SERVICES THROUGH SEPTEMBER 30, 2022 ON AS-NEEDED BASIS AT AN HOURLY RATE OF \$90.00**
 - Moved by Director Kalfayan. Seconded by Director Chavez.
 - Roll Call: AYES: 3; NOS: 0; ABSENT: 2; ABSTAIN: 0; APPROVED.
- **ACTION ITEM (B) – REQUEST FOR AUTHORIZATION TO EXTEND PURCHASE ORDER CONTRACT WITH CHRISTOPHER CHOREBANIAN FOR ASSET MANAGEMENT AND COMPLIANCE SERVICES THROUGH SEPTEMBER 30, 2022 ON AS-NEEDED BASIS AT AN HOURLY RATE OF \$120.00.**

- Moved by Director Chavez. Seconded by Director Kalfayan.
- Roll Call: AYES: 3; NOS: 0; ABSENT: 2; ABSTAIN: 0; APPROVED.

➤ **ACTION ITEM (C) – REQUEST FOR AUTHORIZATION OF THE PRESIDENT OF LADF AND LADF MANAGEMENT, INC. TO EXECUTE DOCUMENTS RELATED TO FORMING UP TO FIVE (5) NEW LIMITED LIABILITY CORPORATIONS IN THE STATE OF CALIFORNIA AND APPLYING FOR COMMUNITY DEVELOPMENT ENTITY CERTIFICATION FOR EACH OF THE ENTITIES WITH THE DEPT. OF TREASURY’S CDFI FUND.**

- Moved by Director Chavez. Seconded by Director Kalfayan.
- Roll Call: AYES: 3; NOS: 0; ABSENT: 2; ABSTAIN: 0; APPROVED.

➤ **ACTION ITEM (D) – REQUEST FOR AUTHORIZATION OF LADF STAFF TO RE-ISSUE A LETTER OF INTEREST TO THE HOLLYWOOD ARTS CENTER FOR PROVIDING UP TO \$15 MILLION OF NEW MARKETS TAX CREDIT ALLOCATION. LADF WILL HAVE OPTION TO RESCIND THE LETTER OF INTEREST IF THE PROPOSED TRANSACTION HAS NOT CLOSED BY DECEMBER 30, 2021.**

- Moved by Director Kalfayan. Seconded by Director Chavez.
- Roll Call: AYES: 3; NOS: 0; ABSENT: 2; ABSTAIN: 0; APPROVED.

3. CLOSED SESSION – UPDATE EMPLOYEE COMPENSATION

- No action taken.

REQUEST FOR FUTURE AGENDA ITEMS

- None

NEXT MEETING DATE AND TIME

- TBD

PUBLIC COMMENT

- None

ADJOURNMENT

- Meeting was adjourned at **3:32 pm.**

Tab 3

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
MONDAY, OCTOBER 26, 2021
MEETING BY TELECONFERENCE (*AUTHORIZED EXCEPTION TO THE BROWN ACT*)

LADF STAFF PRESENT:

- Sandra Rahimi

WELCOME AND CALL TO ORDER – Los Angeles Development Fund (LADF) Director Hull called the meeting to order at **1:00pm**.

ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Hull (*Chairperson*)
- Director Chavez
- Director Esparza [joined 1:05pm]
- Director Kalfayan
- Director Sewill

A QUORUM WAS PRESENT

1. DISCUSSION ITEMS

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

- Sandra Rahimi presented an update and summary of pipeline projects.

2. ACTION ITEMS

➤ **ACTION ITEM (A) – REQUEST FOR AUTHORIZATION OF LADF STAFF TO ENGAGE NOVOGRADAC TO ASSIST WITH DRAFTING LADF’S 2021 NMTC APPLICATION. MAXIMUM ESTIMATED CONTRACT COST IS \$50,000.**

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

➤ **ACTION ITEM (B) – REQUEST FOR AUTHORIZATION OF LADF STAFF TO ISSUE A LETTER OF INTEREST TO THE VERMONT MANCHESTER PROJECT FOR PROVIDING UP TO \$10 MILLION OF NEW MARKETS TAX CREDIT ALLOCATION. LADF WILL HAVE OPTION TO RESCIND THE LETTER OF INTEREST IF THE PROPOSED TRANSACTION HAS NOT CLOSED BY MARCH 30, 2022.**

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

REQUEST FOR FUTURE AGENDA ITEMS

- Renew meetings of the Strategy Working Group

NEXT MEETING DATE AND TIME

- Thursday, December 9, 2021, 2:30pm – 4:00pm (via Zoom)

PUBLIC COMMENT

- Laura Vandeweghe spoke in support of Vermont Manchester project and provided update on Brine,

ADJOURNMENT

- Meeting was adjourned at **1:35 pm**.

Tab 4

LADF

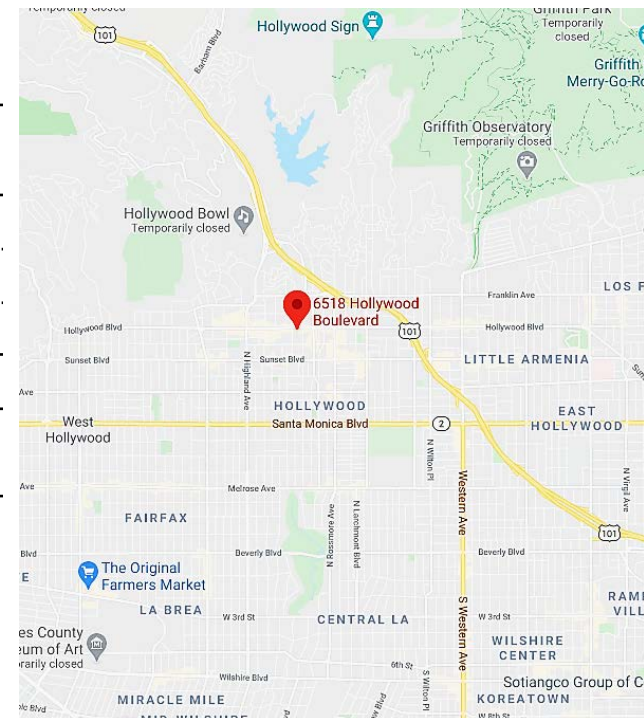
LOS ANGELES DEVELOPMENT FUND

PIPELINE PROFILES

LADF Board Meeting
December 9, 2021

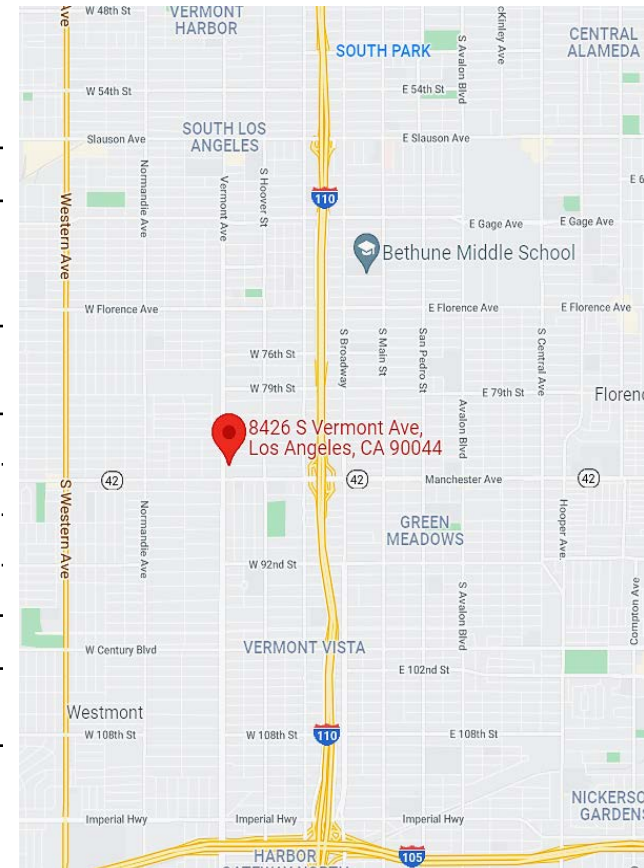
HOLLYWOOD ARTS CENTER

Developer:	Thomas Safran & Associates (TSA) and The Actors Fund		
Project Type:	Live Theater/Arts Facility, Substantial Rehabilitation		
Description:	<p>The project will rehabilitate an existing two-story, 19,200 SF building along Hollywood Boulevard. The project will include:</p> <ul style="list-style-type: none"> • 5,200 SF for The Actors Fund Training & Career Center • 1,300 SF of co-working office space for small arts non-profits • 8,300 SF of gallery, exhibit, performance, and rehearsal space for tenants and area arts organizations, including social justice exhibitions • 4,400 SF / 64-seat black box theater for tenant presentations/shows, youth engagement activities, and community meetings 		
Location:	6518-6552 Hollywood Blvd., Los Angeles, CA 90028 (CD 13)		
Census Tract Eligibility (2015-16):	<p>➤ 26.3% Poverty Rate (<i>greater than 20%</i>)</p> <p>➤ 73.9% of Metro/State Median Income (<i>less than 80%</i>)</p> <p>➤ Federal-Designated Promise Zone</p>		
Estimated TDC & NMTC Allocation:	<p>Budget: \$ 23,900,000</p> <p>Excluding contributed land value</p>	<p>Total QEI: \$ 23,900,000</p> <p>LADF QEI: \$ 12,500,000</p>	
Potential Sources of Funds:	Sponsor Fundraising:	\$ 7,500,000	Lev. Loan Eligible
	Term Loan:	\$ 9,400,000	Lev. Loan Eligible
	NMTC Equity (\$0.75 / NMTC):	\$ 7,000,000	
Projected Closing:	December 2021		
Current Status:	<p>➤ Design is complete and permits expected in January 2022</p> <p>➤ LIHTC for supportive housing units is secured and construction started</p>		
Community Benefits/Impact:	<p>➤ Job Creation: 45 Permanent (42 ret. / 3 new), exc. non-profit tenants (est. 30-60 additional jobs) – 60 Construction</p> <p>➤ Project will provide 5,000 individuals per year with career and social services – 75% Low-Income Persons / 40% Minority</p> <p>➤ 25-75% below-market rents provided to non-profit tenants</p> <p>➤ Arts programming: 75 events reaching 7,400 individuals per year</p> <p>➤ Theater will provide arts programming for underserved youth</p>		



VERMONT MANCHESTER

Developer:	Primestor Development, Inc.		
Project Type:	Retail and Office, New Construction		
Description:	Development of a 63,653 SF retail and pre-leased office development with a grocery store-anchored retail component (47,740 SF), new job training and innovation center to be sub-leased by Metro (15,913 SF), and public plaza and transit hub. Project is part of a transformative 160,000 SF mixed-use development on 4.2 acres of urban infill land with \$300 million total project cost. Project will transform and activate a blighted vacant lot in an area of South Los Angeles that has experienced chronic under-investment over the last 30 years. The other components of the master plan development include 180 units of affordable and senior housing by BRIDGE Housing (<i>not financed by NMTCs</i>) and the SEED School of Los Angeles County (<i>financed with NMTCs in 2021 including \$5.3 million NMTC Allocation invested by LADF</i>).		
Location:	8426 S Vermont Ave, Los Angeles, CA 90044 (CD 8)		
Census Tract Eligibility (2015-16):	<p>➤ 47.2% Poverty Rate (<i>greater than 20% and 30%</i>)</p> <p>➤ 43.3% of Metro/State Median Income (<i>less than 80% and 60%</i>)</p> <p>➤ Two adjacent Census Tracts are USDA-designated Food Deserts</p>		
Estimated TDC & NMTC Allocation:	Budget:	\$ 58,700,000	Total QEI: \$ 40,000,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	Section 108 Loan:	\$ 7,500,000	Lev. Loan Eligible
	Public Grant Funding Sources:	\$ 22,500,000	Lev. Loan Eligible
	Sponsor Equity:	\$ 17,500,000	Lev. Loan Eligible
	NMTC Equity (\$0.72 / NMTC):	\$ 11,200,000	
Projected Closing:	February 2022		
Current Status:	➤ Genesis LA is committing NMTC Allocation to the Project. Sponsor is working to secure remaining Allocation needed to fill the funding gap		
Community Benefits/Impact:	<p>➤ Job Creation: 145 Permanent – 730 Construction</p> <p>➤ Project will require 30% local hiring by commercial tenants</p> <p>➤ Sponsor expects to have incubator retail spaces for local businesses with rents 75% subsidized relative to market rate.</p>		



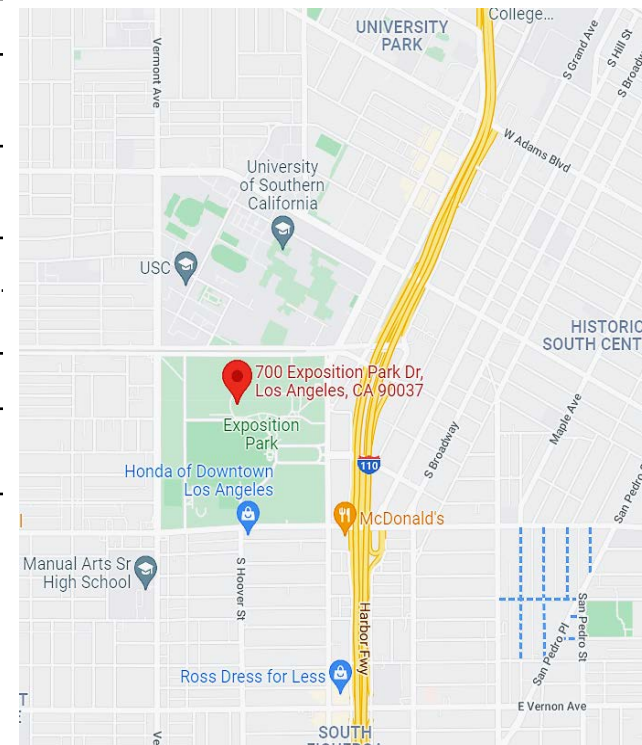
THE BRINE PROJECT

Developer:	Decro Corporation		
Project Type:	Mixed-Use, Primarily New Construction		
Description:	Construction of a new mixed-use project on the site of a former pickle factory in the Lincoln Heights neighborhood of Los Angeles. The project will include the following uses: (1) 28,000 SF community retail including a food court and (2) 4,000 SF pediatric mental health clinic operated by Violence Intervention Program (VIP) to serve 180 children (100% <i>Low-Income Persons</i> from the foster care system) per year. Additionally, project adds 97 affordable housing units, of which 49 will be permanent supportive housing for seniors, veterans, single-parent families, and transitional-aged youth (<i>NOT financed by NMTCs</i>).		
Location:	3000 N. Main Street, Los Angeles, CA 90031 (CD 15)		
Census Tract Eligibility (2015-16):	<p>➤ <u>36.6%</u> Poverty Rate (<i>greater than 20% and 30%</i>)</p> <p>➤ <u>42.4%</u> of Metro/State Median Income (<i>less than 80% and 60%</i>)</p>		
Estimated TDC & NMTC Allocation:	Budget:	\$ 15,000,000	Total QEI: \$ 15,000,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	Leverage Loan:	\$ 9,900,000	Lev. Loan Eligible
	Sponsor Equity:	\$ 800,000	Lev. Loan Eligible
	NMTC Equity (\$0.74 / NMTC):	\$ 4,300,000	
Projected Closing:	March 2022		
Current Status:	<p>➤ Design is complete and plans submitted for permit review</p> <p>➤ Sponsor expects to close LIHTC funding for supportive housing units by October 2021</p>		
Community Benefits/Impact:	<p>➤ Job Creation: 48 Permanent – 430 Construction</p> <p>➤ Health center in a Medically Underserved Area</p>		



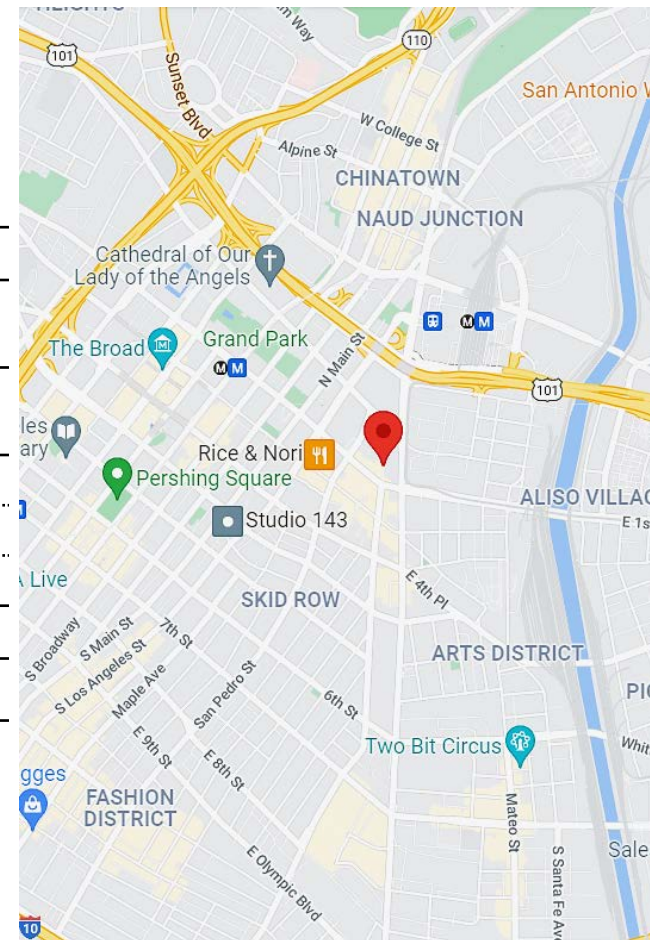
SAMUEL OSCHIN AIR & SPACE CENTER

Developer:	California Science Center		
Project Type:	Museum/Education Center, New Construction		
Description:	The project will add a 200,000 SF aviation and space wing to the world class California Science Center, which is located in LA's historic Exposition Park. The museum will feature space shuttle Endeavour, which was acquired from NASA in 2012. The Center will include: 3 distinct galleries (air gallery, space gallery and shuttle gallery), 150 hands-on educational exhibits, 100 authentic artifacts (such as planes, satellites, and rockets, and 7 flight simulators), space shuttle Endeavour displayed vertically in launch position, The Concourse (a dynamic, central gathering space for special events as well as large-scale demonstrations and experiments), and a new Special Exhibits and Events Center that will host special exhibitions and events.		
Location:	700 Exposition Park Drive, Los Angeles, CA 90037 (CD 9)		
Census Tract Eligibility (2015-16):	➤ <u>42.6%</u> Poverty Rate (<i>greater than 20% and 30%</i>) ➤ <u>42.8%</u> of Metro/State Median Income (<i>less than 80% and 60%</i>)		
Estimated TDC & NMTC Allocation:	Budget:	\$ 350,000,000	Total QEI: \$ 30,000,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	Capital Campaign:	\$ 21,225,000	Lev. Loan Eligible
	NMTC Equity (\$0.75 / NMTC):	\$ 8,775,000	
Projected Closing:	Q1 2023		
Current Status:	➤ Design is complete and plans submitted for review – approvals expected in early 2022		
Community Benefits/Impact:	➤ Job Creation: 127 Permanent – 500 Construction ➤ Free admission for 2 million visitors per year ➤ 450,000 student visits per year, 43% from Title I schools ➤ STEM training for 1,250 educators annually; impacting 20,000 students; 85% from Title I schools ➤ Afterschool programs for middle and high school students – 100% are from Low Income Communities and 90% BIPOC		



GO FOR BROKE

Developer:	Little Tokyo Service Center		
Project Type:	Community Facility/Retail, New Construction		
Description:	The project is the construction of the commercial component of the Go for Broke Apartments project, providing 40,000 SF for legacy small businesses and nonprofit community organizations in the Little Tokyo neighborhood of Los Angeles. The project will include 30,000 SF of ground floor commercial/retail and community organization space and 10,000 SF ground floor space for a permanent space for the Go for Broke National Education Center (“GFBNEC”). GFBNEC is a nonprofit organization that provides educational programs about the history of the Japanese American veterans of World War II. The overall development plan also includes 248 affordable housing units, with supportive housing set-asides for homeless veterans (financed separately, not part of the NMTC project). The development will also include 20,000 SF of urban green spaces.		
Location:	200 North Central Avenue, Los Angeles, CA 90012 (CD 14)		
Census Tract Eligibility (2015-16):	➤ 45.2% Poverty Rate (<i>greater than 20% and 30%</i>) ➤ 38.3% of Metro/State Median Income (<i>less than 80% and 60%</i>)		
Estimated TDC & NMTC Allocation:	Budget:	\$ 26,200,000	Total QEI: \$ 24,000,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	Term Loan:	\$ 17,000,000	Lev. Loan Eligible
	Sponsor Equity:	\$ 2,200,000	Lev. Loan Eligible
	NMTC Equity (\$0.75 / NMTC):	\$ 7,000,000	
Projected Closing:	2023		
Current Status:	➤ Design development is ongoing		
Community Benefits/Impact:	➤ Job Creation: <i>Projected job creation not yet available</i> ➤ Bring community and retail space to this low-income community that will support Little Tokyo legacy small businesses and nonprofits ➤ Project will add arts and cultural spaces ➤ Sponsor and all tenants confirmed to date are minority-owned or minority-controlled businesses		

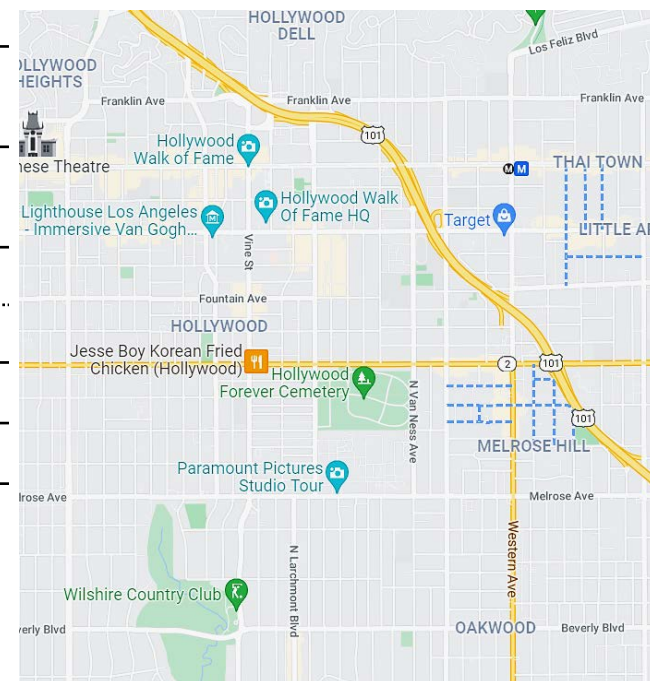


MY FRIEND'S PLACE

Developer:	My Friend’s Place		
Project Type:	Community Facility/HQ Office, Substantial Rehabilitation		
Description:	<p>The mission of My Friend’s Place is to assist and inspire youth experiencing homelessness to build self-sufficient lives. The project includes the purchase and substantial rehabilitation of four adjacent buildings in Hollywood for expansion of the Sponsor’s services as well as making their services available 7 days a week (currently only open on weekdays) and adding a transitional age group in mid-20s to the population they serve.</p> <p>The Sponsor’s current facility is 8,000 SF and is failing to accommodate the growing demand for their services. The new project facility will provide 30,000 SF, allowing the Sponsor to increase its capacity to meet this demand from homeless youth.</p>		
Location:	In the <i>Hollywood</i> community on Santa Monica Blvd. (CD 13)		
Census Tract Eligibility (2015-16):	<p>➤ <u>32.1%</u> Poverty Rate (<i>greater than 20% and 30%</i>)</p> <p>➤ <u>45.1%</u> of Metro/State Median Income (<i>less than 80% and 60%</i>)</p>		
Estimated TDC & NMTC Allocation:	Budget:	\$ 30,000,000	Total QEI: \$ 30,000,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	Capital Campaign:	\$ 21,250,000	Lev. Loan Eligible
	NMTC Equity (\$0.75 / NMTC):	\$ 8,750,000	
Projected Closing:	TBD		
Current Status:	➤ Sponsor is negotiating LOI terms with the Seller to secure the site		
Community Benefits/Impact:	<p>➤ Job Creation: <i>Projected job creation not yet available</i></p> <p>➤ Provide daytime shelter and drop-in services to more than 1,000 homeless youth (ages 12 to 25) each year</p> <p>➤ Provide youth with employment readiness services, education support, creative arts programming and skill-building opportunities</p>		

When asked what
My Friend's Place
means to them,
the youth say...

SAFETY
SUPPORT
COMMUNITY
LEARNING
CLARITY
HOME



Tab 5

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO: LADF Board of Directors
FROM: Sandra Rahimi, Secretary
DATE: December 9, 2021
SUBJECT: Request to Approve a **\$12,500,000** New Markets Tax Credits Allocation to Hollywood Arts Building QALICB ("**QALICB**") for the Hollywood Arts Collective and Career Center ("**Project**")

SUMMARY

Project Name: Hollywood Arts Collective and Career Center ("**Project**")

Location: Hollywood Community Plan Area (CD 13 – Mitch O’Farrell)

Project Description: 19,200 SF / Substantial Rehabilitation / Community Facility

Sponsor / Developer: The Actors’ Fund of America ("**Sponsor**", or "**TAF**")

Ownership:

- Sponsor will ground lease the property from the City of Los Angeles
- QALICB will sub-lease the property from the Sponsor

NMTC Investor: Chase Community Equity ("**Investor**")

Total Project Cost: \$ 30,697,500

Total Allocation / QEI: \$ 23,900,000

LADF Allocation / QEI: \$ 12,500,000

- LADF XXV, LLC (*Certified Sub-Allocatee*)

Job Creation (Direct): **45** Permanent Jobs (*created and retained*), **60** Construction Jobs

Site Eligibility Criteria: 2011-2015 ACS Census Tract No. 06037190700

- NMTC Eligible and Targeted Distressed Community (*per 2020 Alloc. Agmt*):
- 26.3% Poverty Rate (*greater than 20% and 25%*) – Section 3.2(h)(vi)(a)
- 73.9% AMI Households (*less than 80%*)
- Located in a Federally designated Promise Zone – Section 3.2(h)(xiv)

Community Benefits:

- Provide 5,500 individuals annually with career & social services (*40% Minority / 75% Low Income*)
- Create 40 art events annually reaching approximately 7,000 individuals
- Theater will create art programming for 300 underserved low-income youth annually

Key Compliance Criteria under the 2020 Allocation Agreements:

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

Projected Residual Value of LADF QLICI that may be obtained by the QALICB: \$ 3,656,250

CONTENTS

SUMMARY	1
SITE ANALYSIS	3
PROJECT DESCRIPTION	3
COMMUNITY AND ECONOMIC BENEFITS	5
DEVELOPMENT TEAM.....	5
PROJECT FEASIBILITY.....	7
FINANCING PARTNERS	11
FINANCING STRUCTURE.....	12
PROJECT READINESS.....	13
NMTC ELIGIBILITY AND COMPLIANCE	13
DEMONSTRATED NEED FOR NMTC FINANCING (“BUT FOR” TEST).....	15
COLLATERAL AND GUARANTEES	16
LOAN REPAYMENT ANALYSIS/EXIT STRATEGY	16
RISKS AND MITIGANTS.....	16
LADF FEE LOAD AND RESERVES	17
POLICY EXCEPTIONS.....	17
RECOMMENDATION	17
ATTACHMENTS	18
EXHIBIT A: Hollywood Arts CCC Flow of Funds (<i>as of November 23, 2021</i> , Final Projections Pending)	19

SITE ANALYSIS

The project site is approximately 47,600 square feet and is located in Central Hollywood at the following contiguous address locations:

- 6518-6552 Hollywood Boulevard, Los Angeles, CA 90028

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:* Los Angeles Promise Zone

There are two existing buildings consisting of approximately 41,700 square feet of gross building area. NMTCs will finance the substantial rehabilitation of one of the existing buildings which is 19,200 SF.

Site Control

The Actors' Fund of America ("**Sponsor**", or "**TAF**"), in partnership with affordable housing developer Thomas Safran & Associates ("**TSA**"), secured the ground lease of the site through a competitive RFP issued by the Los Angeles Department of Transportation ("**DOT**") in 2016. The ground lease will be executed between the City of Los Angeles and a special purpose entity established for the overall project, Hollywood Arts Building, LLC, which is the partnership entity between TAF and TSA. For purposes of the New Markets Tax Credits ("**NMTC**") financing, this entity will sub-lease the property to TAF's affiliated entity, Hollywood Arts Building QALICB ("**QALICB**"), at NMTC closing.

This Project is part of a larger development which includes this Project, an existing structure, and new affordable housing financed by LIHTC on a now-vacant surface parking lot located immediately behind the site. Both this building and the parking lot were awarded to TAF and TSA (as co-sponsors) through DOT's RFP in 2016. The overall plan includes:

- Hollywood Arts Collective & Career Center (this Project)
- 152 housing units, 151 of which will be affordable (30-80% AMI), targeted to artists; the housing space will also include a small amphitheater that will be used to host free arts performances for the community
- 240 parking spaces, 149 of which will be provided to DOT

The housing and parking will be financed separately from this Project and will not use NMTCs. The housing portion of the larger development broke ground in January 2021 and is anticipated to complete in April-May 2023.

PROJECT DESCRIPTION

TAF will use the NMTC financing to fund the substantial rehabilitation of the Hollywood Arts Collective and Career Center ("**Project**"). Construction is expected to begin in January 2022 and be completed in December 2022.

The Project will rehabilitate an existing two-story, 19,200 SF building along Hollywood Boulevard and will include:

- 5,200 SF for The Actors Fund Training & Career Center
- 1,300 SF of co-working office space for small arts non-profits



- 8,300 SF of gallery, exhibit, performance, and rehearsal space for tenants and area arts organizations, including social justice exhibitions
- 4,400 SF / 64-seat black box theater for tenant presentations/shows, youth engagement activities, and community meetings

This facility will allow TAF to provide permanent, affordable space for non-profit arts organizations in Hollywood. The Project will provide programming space for TAF and two other primary tenants that provide economic and social support for those working in the creative industries. There will also be performance spaces for those in the arts. One of the two tenants will be LACE (organizational background described further below). TAF is in negotiations with other organizations vying to lease the third space.

These organizations not only provide arts programming for the surrounding community, but also support for artists or those serving the arts, many of whom are low-income. 19.7% of the jobs in LA County are in the creative economy, which includes the arts and entertainment. The tenuous nature of jobs in the entertainment industry means that many of those pursuing careers in this area are low-income. The Project will also maintain a dynamic space for arts organizations in an area that experienced high gentrification immediately prior to the Covid-19 pandemic.

This Project will allow TAF to increase its programming by 5-10% in a permanent location close to the population it serves. With the Project's completion, TAF expects to serve 3,000 persons per year on-site, as well as provide its social services to 2,500 persons in the adjacent residential building. TAF's programming includes:

1. Career Services/Job Placement – TAF helps industry professionals find strategic ways to supplement their income in between sporadic arts engagements. TAF works with clients to find “portfolio careers” – or part-time positions that use their arts skills. Sample portfolio careers include: teaching assistant positions in schools for actors, grant writing for writers, gym management positions for dancers, etc. TAF also provides classes on resumes, entrepreneurship, and job searching. It partners with employers and helps to place clients in well-paying positions.
2. Financial Wellness – The Actors Fund provides money management trainings that range from single sessions to 6-week workshops focused on budgeting, balancing multiple sources of income, planning for dry spells, managing debt, and saving.
3. Health Insurance – The Actors Fund provides trainings to help artists understand and then enroll in health insurance.
4. Affordable Housing Workshops – The Actors Fund provides seminars on how to navigate the affordable housing system, with a goal of finding housing.

For details about the proposed community benefits provided at the Project, please refer to the section entitled “COMMUNITY AND ECONOMIC BENEFITS”.

Tenant Profile: Los Angeles Contemporary Exhibitions (“LACE”)

LACE has been on-site since 1993 and has exhibit space along Hollywood Boulevard that it uses to host exhibitions for emerging artists. It also operates programs for aspiring arts administrators and curators. At Hollywood Arts Collective & Career Center, LACE will have approximately 2,700 SF of exhibit space along Hollywood Boulevard and 870 SF of office space on the second floor that it will use for itself and to lease out to small arts non-profits. Today, LACE hosts approximately 45-50 free events (workshops, performances, etc.) on-site annually that bring approximately 7,400 people a year to the site. Without the proposed Project, LACE will have to leave Hollywood. It is unclear if the organization could survive such a move.

COMMUNITY AND ECONOMIC BENEFITS

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

<i>Job Creation/Retention:</i>	<ul style="list-style-type: none"> Creating: 3 Permanent Jobs and 60 Construction Jobs Retaining: 42 Permanent Jos
<i>Quality Jobs:</i>	<ul style="list-style-type: none"> 100% of Construction Jobs will pay Prevailing Wages 80% of Permanent Jobs will pay Living Wages with benefits
<i>Accessible Jobs:</i>	<ul style="list-style-type: none"> 10% of permanent jobs to be accessible to people without a college degree and/or low-income persons
<i>Community Goods/Services to Low-Inc. Communities:</i>	<ul style="list-style-type: none"> Increase Sponsor capacity to serve 5,500 primarily low-income persons with career and social services, approximately 10% more than today Of those receiving TAF's services, over 75% are low-income persons (at or below 50% AMI) and 40% are minorities Provide 300 low-income youth with free afterschool arts programs on-site Host 40 art events annually with arts exhibitions and workshops on-site reaching approximate 7,000 visitors
<i>Flexible Lease Rates</i>	<ul style="list-style-type: none"> Rents will range from 25-75% below market; allows one legacy non-profit, LACE, which has been on-site for 30 years to remain in place and in operation Sponsor will not pay rent and will, instead, reinvest the \$275,000+/year currently spent on rent (at another location) in its programs that benefit low-income entertainment professionals in LA Black box theatre will be offered to artists and arts organizations at low to no cost

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 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: Hollywood Arts Building QALICB ("**QALICB**")

Hollywood Arts Building QALICB is a 509(a)(3) California nonprofit public benefit corporation formed on October 18, 2021, and a supporting organization of the Sponsor. 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 owning and managing the real estate interests in the project, including land, building, and improvements.

Pursuant to a successful RFP, Hollywood Arts Building, LLC (a special purpose entity comprising The Actors' Fund and Thomas Safran & Associates as members) executed a ground lease with the City of Los

Angeles. At the NMTC closing, the QALICB will execute a sub-lease agreement for the improvements with Hollywood Arts Building, LLC as lessor. This sublease will incorporate the same terms as the ground lease agreement executed between Hollywood Arts Building, LLC and the City of Los Angeles. The QALICB will in turn master lease the premises back to The Actors' Fund at NMTC Closing. The Actors' Fund will operate its programming onsite and rent space to other nonprofit tenants.

The QALICB 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. The joint Sponsor and QALICB management team will carry out the development of the project and be responsible for management and maintenance of the subject property.

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

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 the Sponsor originally solicited.

Developer/Sponsor: The Actors' Fund of America ("Sponsor", or "TAF")

The Actors' Fund of America is a 501(c)(3) nonprofit public benefit corporation founded on June 8, 1882 and supports people working in the entertainment industry. The organization helps low-income artists and others in the entertainment industry to become more economically and socially stable by providing career, money management, health insurance, and social service programs. TAF serves performers as well as anyone who supports the entertainment industry. This includes actors, singers, dancers, writers, camera operators, stagehands, wardrobe specialists, directors, instructors, choreographers, publicists, set workers, stunt people, grips, carpenters, freelance artists, ticket sales workers, and others. In 2018, TAF served 17,350 artists nationally, of which nearly 5,500 were in the Los Angeles region.

With regards to this NMTC transaction, TAF 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 TAF for the fiscal years ending December 31, 2018, December 31, 2019, and December 31, 2020. The company had a total of \$32.2 million in cash and \$142.7 million in total assets as of December 31, 2020. Additionally, the company had \$76.7 million in net assets, of which \$48.1 million are unrestricted net assets. As of October 2021, the organization has raised \$20.6 million (2021 year-to-date) from 28,000 gifts across the country to fund its various programs (not including funds raised for the Project and not including grants and other revenue sources that support its operations). In conjunction with financing this Project, the Sponsor has raised \$11.2 million in total pledges through a capital campaign since its official launch in February 2020.

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.

General Contractor: HITT Contracting Inc.

HITT Contracting Inc. (“GC”) is the general contractor selected for the Project. Founded in 1937, HITT provides a wide range of construction services, from core and shell building and renovations to interior fit-outs and service work. HITT has grown to be ranked among today's 100 Largest General Contractors nationwide, with offices in Washington, DC, Atlanta, Baltimore, Charleston, Denver and South Florida. Company-wide, HITT maintains more than 700 employees with teams specializing in corporate base building and interiors, government, healthcare, hospitality, institutional, law firms, major projects, paint, and service and technology.

LADF has reviewed the audited summary financial statements for HITT for the fiscal years ending December 31, 2018, December 31, 2019, and December 31, 2020. The company had a total of \$239.4 million in cash, \$855.6 million in total assets and \$2.5 billion in annual contract revenue as of December 31, 2020.

The GC will provide a Guaranteed Maximum Price contract, which is expected to be executed by December 2021, prior to NMTC closing. The GC will also provide a Performance and Payment Bond to insure performance of the construction work and payment to laborers and subcontractors.

Architects: HGA Architects (core and TI design) and Withee Malcolm Architects (shell schematics)

The Project has engaged two architects with separate design scopes of work. HGA Architects (“HGA”) was hired to complete the design of the core and tenant improvements. Withee Malcolm Architects (“Withee”) was hired to develop the shell schematics and produce construction documents.

HGA is an architecture, engineering, and planning firm that was founded in 1953 in Minnesota. The company began work designing K-12 school buildings then later expanded into other areas, such as healthcare, corporate environments and higher education. They are currently one of the largest firms in Minnesota. HGA has expanded into eleven national offices; Minneapolis and Rochester, MN; Los Angeles, Sacramento, San Jose and San Francisco, CA; Milwaukee and Madison, WI; Boston, MA; Alexandria, VA and Washington, D.C.

Withee is a 40+ professional design team located in Los Angeles South Bay and works in tandem with BSB Design's (parent company) 10 other offices nationally. The firm provides planning, architecture and interior assignments in projects located in Southern and Northern California. The firm is primarily focused on urban infill housing, commercial, industrial and, most recently, food and hospitality-focused markets.

PROJECT FEASIBILITY

Property Valuation

A broker opinion of value letter is in draft form and will be provided in final and executed form to the NMTC lenders by Cushman & Wakefield of California. The draft form of the letter indicates a market value of the leasehold interest after project completion ranging from \$870 to \$1,000 per square foot. This equates to a market value for the Project ranging from \$16.0 million to \$18.4 million. The total QLICI loans of \$23.6 million over the broker's opinion of value derives a Loan-to-Value ratio ranging from 128% to 147%, which is significantly higher than the market LTV ratio used by lenders for a similar project. It is common for NMTC projects, located in Low-Income Communities, to have a significant shortfall between project cost and project valuation. This is one of the more common criteria under which a project meets the “but for” test for NMTC financing.

Additionally, the broker opinion of value letter indicated the property could attract tenants at a monthly lease rate ranging from \$4.90 to \$5.75 per square foot, or ranging from \$58.80 to \$69.00 per square foot annually, on a triple net basis. The QALICB will master lease the property to the Sponsor at an initial rate of \$12.93 in years 2023 through 2028, and an annual 4.00% rent escalation thereafter. Given that the NMTC structure will be self-leveraged, the rental payments only need to be enough to cover the below-market interest on the QLICs at the lower tier and the same below-market interest on the Sponsor leverage loan at the upper tier.

Environmental Inspections

A Phase I environmental report of the subject property was produced by California Environmental Geologists & Engineers, Inc. dated November 2021. The report concluded that the assessment revealed no evidence of recognized environmental conditions (RECs), historical recognized environmental conditions (HRECs), or controlled recognized environmental conditions (CRECs) in connection with the subject property.

The Phase I report did recommend that, due to the age of the construction of the building in 1916, an asbestos and lead survey be conducted by a certified asbestos and lead consultant prior to renovation or demolition of the subject building. An asbestos and lead survey of the property was completed in November 2020, which identified no lead-based paint on wall and painted surface materials. However, the report identified asbestos-containing materials on the premises. The Sponsor subsequently completed abatement work to remove the asbestos in January 2021. Pacific Environmental issued an Asbestos Abatement Monitoring Report dated January 15, 2021, concluding that all of the specified asbestos-containing materials have been removed and the areas are deemed clear and safe for demolition.

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

Construction Feasibility

The QALICB will be responsible for developing the project and will enter into the GMP contract with the GC.

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 the Sub-CDE lenders.

The project's disbursement process will be coordinated by Chase Bank in its role as the disbursement servicer. Chase Bank's role will include obtaining a full draw package from the QALICB, monthly inspection report, and subsequent approvals from the Sub-CDE lenders and Chase Bank as NMTC Investor. The LADF Sub-CDE will have full approval rights over each draw. The full draw package submitted by the QALICB will be required to include date down endorsements from the title company and lien waivers from the GC.

PROBABLE MAXIMUM LOSS REPORT

A Probable Maximum Loss (PML) study is required by the Sub-CDE lenders for the Project. It is expected that the design and scope of the rehabilitation will reflect the most current seismic design standards and thus result in an acceptably low PML.

The PML report is provided by an engineer and is based on predictions of the largest seismic event that will occur within a given period for a given location. Most PMLs are modeled to the 475-year event; the 475-year event has a 10% likelihood of occurring in 50 years. The PML is also called the “damage ratio” and expresses the ratio of the building's expected damage as a percentage of the building's replacement cost.

The PML report ultimately predicts the damage in dollars that a structure will experience when “the big one” occurs. Historically, lenders have treated damage ratios (or PMLs) above 20% as high-risk properties requiring mitigation via insurance or seismic retrofit.

The Sponsor engaged ImageCat, Inc. (an engineering consulting firm that provides structural reviews and earthquake risk assessments) which completed and issued a PML report dated December 6, 2021. The PML report concluded that the building, in its current condition (pre-retrofit), would have an expected loss of 20% with an upper loss of 30%. However, after the construction rehabilitation work is completed (post-retrofit), the building will have an expected loss of 9% with an upper loss of 14%. The probable loss, which relates loss directly to probability considering the full range of expected future ground motions and accounts for the uncertainty in building performance, is 22% pre-retrofit and 11% post-retrofit. Based on the retrofit work to be financed by the NMTCs, LADF will not be requiring earthquake insurance.

Financial Feasibility

SOURCES		USES	
Investment Fund Level (NMTC)		Construction Uses	
- Sponsor LL (Source-TD Bank Loan):	9,404,138	- Contributed Land Value:	6,785,000
- Sponsor LL (Source-One Day Loan):	1,231,202	- Pre-Incurred Costs (reimb to TAF):	1,231,202
- Sponsor LL (Source-Cash on Hand):	6,286,410	- Pre-Incurred Costs (reimb to TSA):	163,055
Leverage Loan Sources	\$16,921,750	- Hard Costs:	16,233,539
- NMTC Equity (LADF QEI):	3,656,250	- Soft Costs:	958,750
- NMTC Equity (Genesis LA QEI):	3,334,500	- Developer Fee:	1,200,000
NMTC Investor Equity	\$6,990,750	- Owner Contingency:	1,444,193
		Sub-Total	\$28,015,739
Project Level (Direct Sources)		Financing-Related Uses	
- Sponsor Contrib. (land value):	6,785,000	- Interest Expense (net of reserves):	176,921
Direct Sources	\$6,785,000	NMTC Closing Costs	
		- Legal/Acctg./Consulting Fees:	630,000
		- LADF CDE Placement Fee:	250,000
		- LADF CDE Upfront AM Fees/Exp.:	12,000
		- Other CDE Upfront Fees/Exp.:	445,783
		NMTC Reserves	
		- LADF Asset Mgmt. Fee Reserve:	656,250
		- LADF Expense Reserve:	0
		- Other CDE Fees/Exp. Reserves:	498,307
		- Investment Fund Reserves:	12,500
		Sub-Total	\$2,681,761
Total Project Sources	\$ 30,697,500	Total Project Uses	\$ 30,697,500

DEVELOPMENT PRO FORMA

The total project cost is estimated to be \$30.7 million, \$23.9 million of which will be leveraged through the NMTC structure to make \$23.6 million in Qualified Low-Income Community Investment (“QLICI”) loans to the Project. The QLICI funds will be disbursed as follows at closing:

- \$1.4 million – Reimbursement of pre-closing development costs incurred within the last 24 months

- \$1.3 million – Pay NMTC and Other Closing Costs
- \$1.2 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts
- \$19.7 million – Fund the CDE-Controlled Construction Disbursement Account

NMTC-related reserves held by the QALICB will total \$1.2 million and be held for the payment of asset management fees to the Sub-CDEs. The Sub-CDEs will require that their ongoing fees for the entire NMTC Compliance Period be held in separate reserve accounts, including \$656,250 held in an account pledged to LADF for LADF's fees. For purposes of complying with the Non-Qualified Financial Property ("NQFP") test¹, the Sub-CDEs have agreed to waive the required reserve for expense reimbursements for the NMTC Compliance Period. Expense reimbursements to the Sub-CDEs will be paid out of the QALICB's operating revenues, which are sufficient to cover the cost.

The total project cost is funded by \$7.0 million in total NMTC equity, \$16.9 million Sponsor self-leverage loan, and \$6.8 million contribution of ground lease land value². The Sponsor's \$16.9 million self-leverage loan will be funded from the following sources:

- \$9.4 million bridge loan from TD Bank to bridge capital campaign funds pledged
- \$1.2 million one-day loan from Chase to capitalize the Project's costs incurred within the prior 24 months (*CohnReznick will be providing an AUP report to the CDEs confirming the eligibility of these costs, as discussed in the section entitled "NMTC ELIGIBILITY AND COMPLIANCE"*)
- \$6.3 million Sponsor cash-on-hand from capital campaign funds received

OPERATING PRO FORMA

The project's operating revenues will consist of rental payments made to the QALICB by the Sponsor under its master lease of the building. After accounting for operating expenses, the QALICB's debt service coverage for the Project is estimated at 1.1x (*per the current financial projections dated November 23, 2020*).

The Sponsor's financial projections reflect that the Sponsor's revenues are predominantly generated through fundraising. Given the Sponsor's track record of fundraising, the risk of the Sponsor being unable to make its rent payments is minimal. The Sponsor will also use rent payments received from third-party sub-tenants, such as LACE, to fund the rent payments it makes to the QALICB. The QALICB will in turn pay debt service on the QLICB loans using the rental payments received from the Sponsor and release of NMTC reserves.

Project Timeline

The following list represents the milestone items and the project's completion and expected completion dates (*as of December 2, 2021*):

- December 2021: **NMTC Transaction Close**
- December 2021: Building Permit approval (shell permits) and GC Contract execution
- January 2022: Construction Commencement
- May 2022: Building Permit approval (core and tenant improvement permits)
- December 2022: Construction Completion (*approx. 12-month construction schedule*)

NMTC Closing is targeted for December 2021, prior to the City of LA's Department of Building and Safety issuing final building permits for the Project. The Sponsor has received the last set of comments from the

¹ 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.

² The \$6.8 million "as Is" leased fee value estimate of the property was provided from an appraisal report prepared by Michael Frauenthal & Associates, Inc. dated May 31, 2018.

City, and is in the process of resolving these comments with the plan checker. The NMTC financing parties have reasonable expectations that the Project will receive ready-to-issue permits within one month after NMTC Closing. Documents will require that plans be delivered within 60 days of closing.

FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans and the Sponsor direct contribution dollars (*Sponsor will use equity and debt sources to fund its direct contributions to the project*). The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as LADF as the NMTC allocatee, or Community Development Entity (“CDE”), making the QLICI loan to the project through its Subsidiary CDE (“**Sub-CDE**”) at the lower tier. Additionally, the leverage loan at the upper tier will be sourced from the Sponsor (*Sponsor will use capital campaign funds raised, which will partially be bridged with a loan for funds committed but not collected, and its own cash reserves to fund the leverage loan*).

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 ten previous transactions with Chase as Investor. The transactions were for the YWCA Urban Campus Development, Food4Less, Anderson Munger YMCA, Dream Center, Orthopaedic Institute for Children, Thai Town Marketplace, Jordan Downs Retail Center, Vallarta Van Nuys Supermarket, Debbie Allen Dance Academy, and SEED LA Charter School projects, which closed in December 2009, December 2010, August 2012, August 2012, April 2017, January 2018, June 2018, January 2020, June 2020, and April 2021 respectively.

CDE Lenders

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

CDE Allocatee	Sub-CDE	Sub-Allocation Amount
Los Angeles Development Fund	LADF XXV, LLC	\$12,500,000
Genesis LA CDE LLC	GLA Sub-CDE XXIX, LLC	\$11,400,000
Total NMTC Allocation		\$23,900,000

GENESIS LA CDE LLC

Genesis LA CDE LLC (“**Genesis**”) is a certified CDE located in Los Angeles, California, and has received seven NMTC allocations totaling \$375 million: 2005-\$80mm, 2006-\$50mm, 2009-\$40mm, 2013-\$20mm, 2014-\$30mm, 2015-2016-\$45mm, 2018-\$55mm, and 2020-\$55mm. Genesis was established in 1998 to advance economic opportunity in Los Angeles County. The organization uses allocation to invest in community facilities and commercial and mixed-use real estate projects that deliver programs, goods, services, and quality jobs to the county’s low-income communities. Genesis has \$55.0 million in NMTC

allocation remaining from its 2020 allocation, with a local service area covering Los Angeles County, California. This will be the fourth transaction that LADF has closed with Genesis as a partner CDE. LADF co-invested NMTC allocation with Genesis in the One Santa Fe retail and office project (*closed in December 2011*), the Anita May Rosenstein Campus / LGBT Center community facility project (*closed in June 2017*), the Children's Institute Watts Campus project (*closed in January 2020*), and the URM Angeles House (*closed in March 2020*). Additionally, in 2014, LADF invested NMTC allocation in the L.A. Prep food production facility, which Genesis also participated in as leverage lender using its CDFI program funds.

Leverage Lenders

The NMTC Transaction will be self-leveraged by the Sponsor, which has sourced \$2.2 million from capital campaign contributions received, \$4.1 million cash reserves, \$1.2 million one-day loan to capitalize pre-incurred costs, and a \$9.4 million 5-year term loan to bridge capital campaign funds pledged. For discussion about the Sponsor, refer to the section entitled "DEVELOPMENT TEAM".

FINANCING STRUCTURE

The project's total development cost will be funded by the \$23.9 million QEI generated through the NMTC leverage structure and \$6.8 million Sponsor net contribution of land to the QALICB outside the NMTC structure. For a full diagram showing the flow of funds at closing, please refer to [Exhibit A](#).

The Sponsor \$16.9 million for the NMTC leverage loan will be fully advanced prior to, or at, closing of the NMTC transaction. Please see the section entitled "DEVELOPMENT TEAM" for further discussion about the financial capacity of the Sponsor.

NMTC Financing

There will be one investment fund established for the NMTC transaction. Chase Bank will be the NMTC Investor Member and own 100% of the investment fund. The equity contribution at the upper tier by Chase Bank will total \$7.0 million. In exchange, Chase Bank will receive \$9.3 million in tax credits that will be generated through the Fund (*39% of the total \$23.9 million QEI*). This exchange of equity for tax credits reflects a pricing of \$0.75 per tax credit dollar for QEIs associated with SubCDE's allocations.

The \$16.9 million leverage loan provided to the investment fund by the Sponsor as the Leverage Lender will be interest-only for seven years during the NMTC compliance period and bear an interest rate of 1.0%. After the end of the interest-only period, the self-leverage loan will amortize over the following 25.5 years.

Chase Bank's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with \$23.9 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a \$12.5 million QEI to the LADF Sub-CDE and a \$11.4 million QEI to the Genesis Sub-CDE.

In exchange for its contribution, the investment fund will receive a 99.99% membership share in the Sub-CDEs. The Sub-CDEs will use the contributed capital to make QLICs to the QALICB totaling \$23.6 million, with \$342,000 in fees charged at the Sub-CDE tier by Genesis Sub-CDE.

With regards to LADF's Sub-CDE, LADF Management, Inc. (*LADF's subsidiary entity*) will contribute \$1,250 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn \$93,750 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 the leverage loan (“**A note**”) and the other with the NMTC equity component (“**B note**”). The A notes will have interest rates of 1.117% and 34.5-year terms with interest-only payments for the first seven years during NMTC compliance period. The B notes will have the same loan terms as the A notes.

For both the first and second phase transactions for the Project, if there should be a return of capital during the seven-year NMTC compliance period, the order of capital redeployment will be as follow:

1. Genesis Sub-CDE – first \$11.1 million of capital redeployment
2. LADF Sub-CDE – next \$12.5 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 Chase Bank to identify for reinvestment a project within the City of Los Angeles that is acceptable to both entities; thereafter Chase Bank can remove LADF Management, Inc. as managing member of LADF XXV, LLC and choose an investment without LADF’s input. However, it must still be within Los Angeles County per LADF’s 2020 Allocation Agreement. With Chase Bank’s strong presence in the City of Los Angeles, and LADF’s close relations with City partners, it is expected that nine months should be sufficient time to identify an alternative investment acceptable to both.

PROJECT READINESS

The project is expected to be ready for NMTC closing by the end of December 2021. Pursuant to LADF’s policies and procedures, the readiness of the project is determined as follows:

- *Control of Site:* Ground lease with the City of Los Angeles will be executed prior to NMTC closing
- *Entitlement Process:* N/A – this is a rehabilitation project
- *Design/Pre-Development:* Completed – May 12, 2021
- *Working Drawings:* Completed – November 2, 2021
- *Value Engineering:* Completed – October 15, 2021
- *Permits:* Shell permits expected 12/31/21, Core & TI permits May 2022
- *Tenant Leases:* Lease with LACE execution expected by December 20, 2021. Additionally, there is 2,000 SF available space that the Sponsor is working diligently to lease to another nonprofit tenant.
- *GMP Construction Contract:* GC contract execution expected by December 15, 2021
- *Financing Commitments:* LOI has been issued by Chase Bank (*as NMTC Investor*) and Genesis LA (*as NMTC Allocatee*). The Sponsor has committed capital campaign funds and cash reserves and has secured a term loan from TD Bank to bridge additional fundraising for the Leverage Loan.
- *Outstanding 3rd Party Issues:* None.

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037190700. The population within the Census tract is 3,330 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 both qualifying measures:

- Poverty Rate of 26.3% (*greater than 20%*)

- Median Family Income of 73.9% of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2020 Allocation Agreement as a Targeted Distressed Community based on the two qualifying measures listed:

- Poverty Rate of 26.3% (*greater than 25%*)
- Located in a Federally designate *Promise Zone*

QALICB Analysis

The Hollywood Arts Building QALICB 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 2020 Allocation Agreement¹, 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 2020 Allocation Agreements Compliance

This transaction will use \$12.5 million in allocation from LADF's 2020 Allocation award from the CDFI Fund. With the closing of this transaction, the 2020 Allocation award will be 25.0% invested, allowing LADF to meet the required threshold for the 2021 round NMTC Application.

LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2020 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 XXV, LLC is a listed Subsidiary Allocatee in Schedule I of the Allocation Agreement
- §3.2(d) – QALICB is controlled 100% by persons unrelated to LADF
- §3.2(e) – LADF needs to invest an additional \$17.5 million of its 2020 Allocation to meet the 60% threshold for its 2020 Allocation by Dec. 31, 2024
- §3.2(f) – LADF's QLICI provides flexible terms (*discussed below*)
- §3.2(h) – The subject site is located in a Targeted Distressed Community (*discussed above*)
- §3.2(j) – 100% of QEI will be passed down as a QLICI

Section 3.2(g) (*Non-Metropolitan Counties*), 3.2(i) (*Loan Purchases Reinvestment*), and Section 3.2(l) (*Innovative Investments*) are marked "Not Applicable" in LADF's 2020 Allocation Agreement.

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.

Section 3.2(k) (*Affordable Housing*) is marked “Applicable” in LADF’s 2020 Allocation Agreement. However, the Project does not include any housing units, so LADF will maintain compliance with Section 3.2(k).

As the transaction relates to Section 3.2(f) (*Flexible Products*) of the Allocation Agreements, 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 QLIC notes bear interest rates of 1.117% and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF will rely on a better rates and terms letter provided by the Sponsor. This letter is expected to indicate that the market interest rate for the transaction is at least two-times greater than LADF’s QLIC interest rate.

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 QLIC in a QALICB where such QLIC 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 QLIC 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 QLIC closing date; or
- (ii) no more than **5%** of the total QLIC 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 QLIC will comply with Section 3.3(j)(i) since none of the QLIC proceeds will be used to reimburse any costs incurred by the Sponsor prior to the 24-month period ending on the NMTC closing. An AUP will be provided by CohnReznick, the accounting firm also producing the financial projections for the NMTC transaction, to confirm this.

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

The equity generated through the NMTC structure will provide an estimated \$4.3 million in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the Project, approximately 18.0% of the \$23.9 million QEI in the transaction and 14.0% of the \$30.7 million of total project costs. The LADF Sub-CDE’s portion of the total net subsidy is approximately \$2.5 million.

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.

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 Hollywood Arts Collective and Career Center historically have relied on public funding sources and capital campaigns to provide funds for development costs. The Sponsor already has raised and committed to raising a significant amount of equity for the project, and its ability to raise an additional \$4.3 million for this project is highly unlikely and would take a substantial amount of time. The Project could not move forward without the NMTC equity injection.

COLLATERAL AND GUARANTEES

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

- First Deed of Trust on the QALICB's leasehold interest in the subject property;
- Security interest in the construction disbursement and reserve accounts (*totaling \$20.8 million at NMTC Closing*); and
- Additional security for the QLICI loans will consist of guaranties from the Sponsor.

The QALICB and Sponsor will provide an indemnity to the CDE lenders 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 loan, and fees and expenses due to the CDE and the Fund during the seven-year Compliance Period and (2) a guaranty of completion of all construction work for the Project.

LOAN REPAYMENT ANALYSIS/EXIT STRATEGY

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

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

RISKS AND MITIGANTS

There will be limited 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 engaged Ariel Ventures for compliance services and obtained a license for its specially designed compliance software to assure that all required reporting to the CDFI Fund is completed in a timely manner.

- No principal 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 QLICs during the 7-year NMTC compliance period.
- The transaction will be structured to ensure that up-streamed distributions of cash flow cannot be interpreted as redemption of capital (i.e. a return of equity). While return of equity to the NMTC Investor Member is not permitted, return on equity is permitted. Therefore, all cash flow up-streamed to the NMTC Investor would be structured as return on equity and would be recognized as income. If there is a return of capital, LADF is the only CDE lender in the waterfall and would receive a return of capital on any recapture.
- 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 \$250,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for \$12.5 million of 2020 Allocation
 - This equates to \$656,250 (quarterly installments of \$23,437.50 paid out of QLICI interest received for 7 years)
- CDE Expense Reimbursements – estimated at \$6,000 annually per CDE for 8 years (equates to \$48,000). QALICB will be responsible for paying all ongoing costs incurred by the Sub-CDE related to the transaction, which will consist primarily of administrative and tax expenses. Though it is typical for NMTC investors to require CDEs to provide annual audited financial statements of their Sub-CDEs, Chase Bank is waiving this requirement for this transaction.

All of LADF's CDE Servicing and Compliance Fees for the entire NMTC Compliance Period, which totals \$656,250, will be placed in a separate, controlled reserve account at close of the transaction. The QALICB will pay LADF's CDE Expense Reimbursements, estimated at \$6,000 annually, from its own operating revenues, which are deemed sufficient to cover these reimbursements.

POLICY EXCEPTIONS

None.

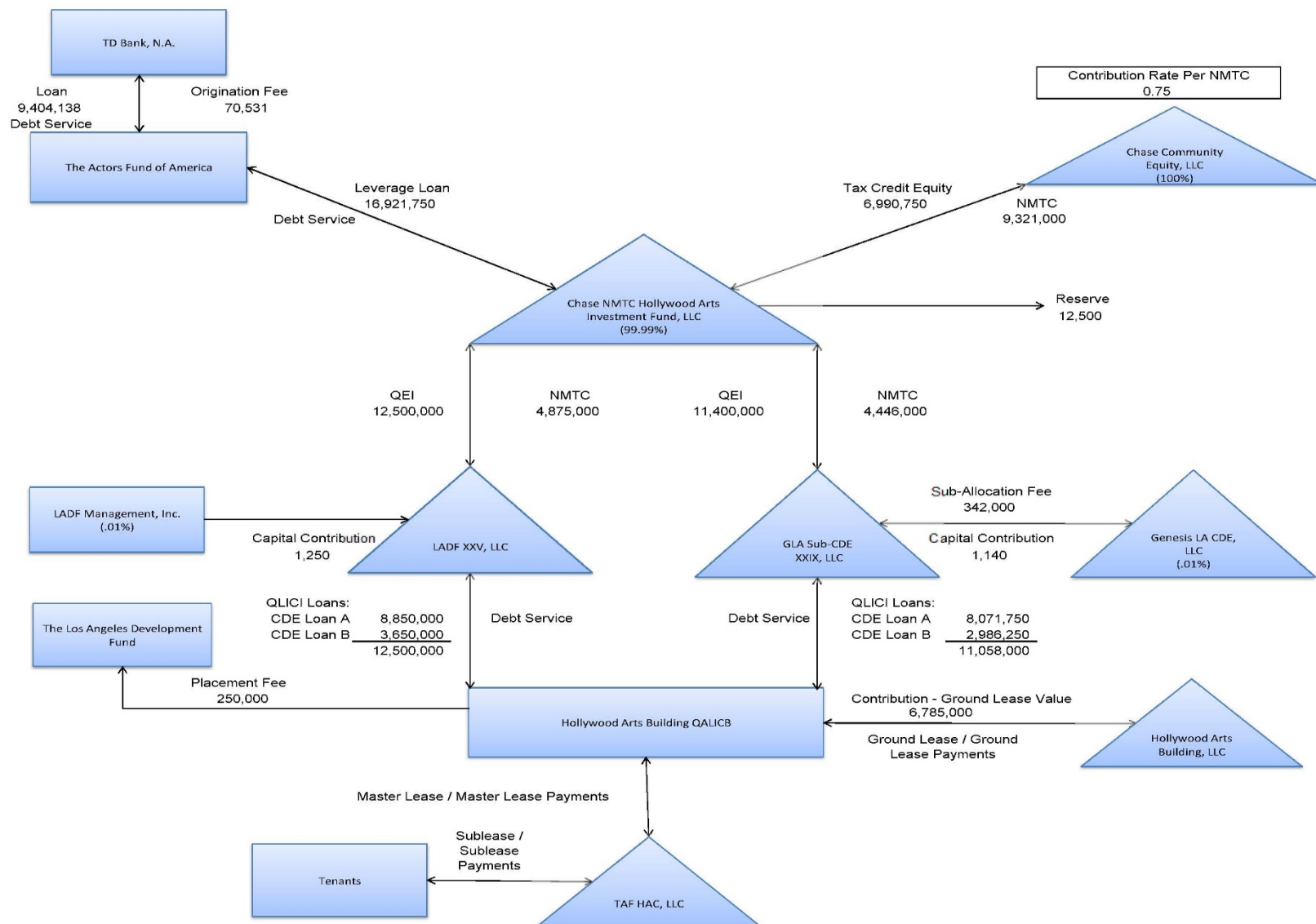
RECOMMENDATION

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

ATTACHMENTS

EXHIBIT A: Hollywood Arts CCC Flow of Funds (*as of November 23, 2021*, Final Projections Pending)

EXHIBIT A: Hollywood Arts CCC Flow of Funds (as of November 23, 2021, Final Projections Pending)



Tab 6

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: December 9, 2021
SUBJECT: Angeles House NMTC Transaction Modifications

RECOMMENDATION

That the Los Angeles Development Fund ("LADF") Governing Board of Directors authorizes the President of LADF and LADF Management, Inc. to execute documents related to \$10 million additional NMTC Allocation invested by New Markets Community Capital CDE into the Angeles House project.

SUMMARY AND BACKGROUND

On March 19, 2020, the LADF closed on \$15 million of NMTC Allocation for the Angeles House project in unincorporated Los Angeles County. Due to unforeseen cost overruns of \$3.0 million during construction, the Union Rescue Mission ("Sponsor") has been paying for construction costs out-of-pocket utilizing additional capital campaign funding since the NMTC proceeds were fully expended in 2021. The \$3.0 million of cost overruns are attributed to a \$1.4 million overrun in hard costs and \$1.6 million overrun in soft costs. Additionally, the current proposed second tranche NMTC closing will cost the QALICB \$800,000 in closing costs, ongoing CDE fees, and ongoing CDE expenses.

It is estimated that there will be three more months of construction work (*anticipated completion in March 2022*), during which the Sponsor would have to raise additional the funds to cover the remaining project costs. According to the Sponsor, the \$1.4 million hard cost overruns are primarily attributed to materials cost increases related to pandemic-induced shortages as well as construction delays also caused by the pandemic. The \$1.6 million soft cost overruns are attributed to several factors including design changes to the dental and medical clinic areas to account for COVID restrictions, Architect and Engineering fee increases due to extended development timeline (the traffic plan took 17 months and 10 revisions, the sewer plan took 20 months, in addition to other milestones that extended the estimated timeline), \$216,000 cost for Builder's Risk originally unaccounted for, \$150,000 school fee originally unaccounted for, as well as other minor increases to soft costs. Considering the delays to construction work that the COVID-19 pandemic has caused across the country, LADF staff have determined these to be reasonable cost overruns.

Raising the additional funds to cover these cost overruns has placed an excessive burden on the Sponsor organization, taking away resources that would have been used towards its operations and programming. To support its fundraising efforts, the Sponsor has attracted \$10 million in additional NMTC Allocation from TELACU's CDE, New Markets Community Capital ("NMCC"). This will be a second tranche NMTC closing in addition to the \$27 million NMTC Allocation, in aggregate, invested by LADF and Genesis LA in the first tranche closing on March 19, 2020. NMCC's NMTC Allocation investment will yield \$3.1 million in gross NMTC equity from Wells Fargo. After accounting for the \$800,000 in NMTC-related costs associated with the proposed second tranche NMTC closing, the net NMTC equity to the project will total \$2.3 million. This will cover approximately 77% of the \$3.0 million cost overruns, with the remainder being funded by the Sponsor utilizing cash-on-hand from its capital campaign.

As part of this second tranche NMTC Closing, Wells Fargo Bank (*as NMTC Investor*), LADF, and Genesis LA will have to provide their lender consents and execute certain documents admitting NMCC as a partner lender in the project, with certain rights to security and collateral. Primarily, LADF will have to execute an amended and restated intercreditor agreement.

The QALICB's tax counsel will issue a date-down opinion letter that reaffirms the tax opinions issued to LADF and Genesis LA on behalf of the QALICB for the closing of the loan on March 19, 2020. The QALICB has also engaged Novogradac to update the financial projections for the NMTC transaction.

ATTACHMENTS

None.