

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.**

March 21, 2023

MEETING of the
GOVERNING BOARD OF DIRECTORS and ADVISORY BOARD OF
DIRECTORS of
THE LOS ANGELES DEVELOPMENT FUND and LADF MANAGEMENT, INC.
March 21, 2023

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BOARD MEMO regarding Request for Approval of \$10.0 Million Suballocation of New Markets Tax Credits for the California Science Center Project

Tab 1

AGENDA

**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: 872 8755 7412

Tuesday, March 21, 2023 | 11:30am – 1:30pm

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Carolyn Hull	
	Roll Call	Sandra Rahimi	
	Findings to Continue Teleconference Meetings Pursuant to AB 361	Carolyn Hull	
	<p>The Governing Board of the Los Angeles Development Fund and of LADF Management, Inc. to consider a determination in accordance with AB 361 Section 3(e)(3) that, while the state of emergency due to the Covid-19 pandemic, as originally proclaimed by the Governor on March 4, 2020, remains active until Jan 01,2024 and/or state or local officials have imposed or recommended measures to promote social distancing, this legislative body has reconsidered the circumstances of the state of emergency and that the state of emergency continues to directly impact the ability of the members of these Boards, and the ability of the members of all of these Boards' advisory bodies, including, but not limited to, the Advisory Board of the Los Angeles Development Fund, as well as the public who might attend these meetings, to meet safely in person and/or state or local officials continue to impose or recommend measures to promote social distancing.</p>		
1	Special Action Item(s):	Carolyn Hull	
	a. That the Governing Board of the Los Angeles Development Fund and of LADF Management, Inc. here determine, in accordance with AB 361 Section 3(e)(3)(effective until Jan1,2024), that this legislative body has reconsidered the circumstances of the state of emergency and that the state of emergency continues to directly impact the ability of the members to meet safely in person, and / or state or local officials continue to impose or recommend measures to promote social distancing.		
2	Approval of minutes for Board Meeting(s) on:	Sandra Rahimi	Tab 2
	a. January 12, 2022		
3	Discussion Item(s):		
	a. Pipeline Project Presentation: Jessie Lord Bakery	Project Rep.	
4	Action Item(s):	Carolyn Hull	Tab 3
	a. Request for Authorization for LADF President, or his or her delegate, to execute documents to effectuate a \$10,000,000 Sub-Allocation of New Markets Tax Credits for the California Science Center Project.		
5	Closed Session Item(s):	Sandra Rahimi	
	a. LADF Staff Benefit - Insurance		
6	Request for Future Agenda Items		
	Next Meeting Date and Time of Governing Board	Carolyn Hull	
	a. Thursday, April 13, 2023, 2:30pm – 4:00pm (via Zoom)		
	Public Comment	Carolyn Hull	
	<u>NOTE:</u> When it is time for public comment: If you joined by phone only. Please press *9 on your phone keypad to raise your hand to be acknowledged for Public Comment. 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 “raises 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 GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
THURSDAY JANUARY 12, 2023

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

LADF STAFF PRESENT:

- Sandra Rahimi
- Jiaqi Wu

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

ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Chavez
- Director Esparza [*acting Chairperson*]
- Director Kalfayan

A QUORUM WAS PRESENT

1. Findings to Continue Teleconference Meetings Pursuant to AB 361

The Governing Board of the Los Angeles Development Fund and of LADF Management, Inc. to consider a determination in accordance with AB 361 Section 3(e)(3) that, while the state of emergency due to the Covid-19 pandemic, as originally proclaimed by the Governor on March 4, 2020, remains active and/or state or local officials have imposed or recommended measures to promote social distancing, this legislative body has reconsidered the circumstances of the state of emergency and that the state of emergency continues to directly impact the ability of the members of these Boards, and the ability of the members of all of these Boards' advisory bodies, including, but not limited to, the Advisory Board of the Los Angeles Development Fund, as well as the public who might attend these meetings, to meet safely in person and/or state or local officials continue to impose or recommend measures to promote social distancing.

Special Action Item(s): That the Governing Board of the Los Angeles Development Fund and of LADF Management, Inc. here determine, in accordance with AB 361 Section 3(e)(3), that this legislative body has reconsidered the circumstances of the state of emergency and that the state of emergency continues to directly impact the ability of the members to meet safely in person, and/or state or local officials continue to impose or recommend measures to promote social distancing.

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

2. Approval of Minutes for Board Meeting(s) on:

a. December 08, 2022

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

NEXT MEETING DATE AND TIME

- Feb 9, 2023 at 2:30pm

PUBLIC COMMENT

- None.

ADJOURNMENT

- Meeting was adjourned at **2:36pm**.

Tab 3

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO: LADF Board of Directors
 FROM: Sandra Rahimi, Secretary
 DATE: March 21, 2023
 SUBJECT: Request to Approve a **\$10,000,000** New Markets Tax Credits Allocation to The California Science Center ("**QALICB**") for the California Science Center ("**Project**")

SUMMARY

Project Name: California Science Center ("**Project**")

Location: South Los Angeles; South of USC (CD 9 – Councilmember Curren D. Price, Jr.)

Project Description: Exhibit Fabrication / Building Modification / 200,000SF Educational Facility

Sponsor / Developer: The California Science Center Foundation. ("**Sponsor**" or "**Foundation**")

Ownership:

- The California Science Center is on State-owned land (Exposition Park).
- The Foundation has a (rent-free) site lease for the Phase III construction.

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

Total Project Cost: \$ 55,147,731 (*plus Sponsor will directly contract for \$27.0 million in exhibit costs*)

Total Allocation / QEI: \$ 29,000,000

LADF Allocation / QEI: \$ 10,000,000 (*2020 Allocation*)

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

Job Creation (Direct): **127** New Permanent Jobs; **350** FTE Construction Jobs (including **150** Exhibit Related FTE); Retaining **338** Permanent Jobs (295 FTEs)

Site Eligibility Criteria: 2011-2015 ACS Census Tract No. 06037231220

- **NMTC Eligible** and **Targeted Distressed Community** (*per 2020 Alloc Agmts*):
- 42.6% Poverty Rate (*greater than 20% and 30%*) – Section 3.2(h)(ii)
- 42.81% AMI Households (*less than 80% and 60%*) – Section 3.2(h)(ii)

Community Benefits:

- Adding **200,000 SF** of new museum space; adding 5 additional permanent education stations resulting in **50,000 additional** guest interactions annually
- **25%** increase in Field Trip Visit for Youth; Expect to serve 450,000 students/year
- **25 %** Increased Afterschool Science Programming for Low-income students.

Key Compliance Criteria under the 2020 Allocation Agreement:

<input checked="" type="checkbox"/> Sect. 3.2(a): Investments in, or loans to, QALICBs	<input checked="" type="checkbox"/> Sect. 3.2(b): Located within Service Area
<input checked="" type="checkbox"/> Sect. 3.2(c): Approved/Certified Sub-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: \$ 2,998,500

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SITE ANALYSIS

The project site is in Exposition Park in South Los Angeles. The site is under the jurisdiction of the 9th District of the City of Los Angeles, represented by Councilmember Curren D. Price, Jr. The site is located at the following address:

- 700 Exposition Park Drive, Los Angeles, CA 90037

Exposition Park enjoys a rich history. It was created in 1872 as an agricultural park, and 148 acres were set aside for the Southern District Agricultural Society. In 1913, it was renamed Exposition Park according to the “City Beautiful” movement with 4 anchor tenants: Exposition Building (which after WWII was renamed the California Museum of Science and Industry), National Armory, Domed National History Museum, and the Sunken Garden (which in 1928 was later renamed the Rose Garden).

The project is part of the construction of The Samuel Oschin Air and Space Center (“**Oschin Center**”), a new 200,000 SF building that will hold the space shuttle Endeavor and 150 hands-on educational exhibits. Construction began in June 2022 and the Oschin Center is expected to open to the public in late Summer 2025.

Site Control

The California Science Center (“**CSC**”), a department of the State of California under the Natural Resources Agency, is located in Exposition Park, which is primarily owned by the State of California, with portions owned or leased by the City of Los Angeles, the County of Los Angeles, and the Coliseum Commission (a joint powers authority of the State of California, Los Angeles County, and the City of Los Angeles).

The California Science Center Foundation (“**Sponsor**”, or “**Foundation**”) has a (rent-free) lease with the State for the buildings housing the Center’s operations, including the subject construction site. The Foundation will construct and own the subject building. The State will then lease the new building from the Foundation for 30 years, paying \$202,500 per month, at the end of which lease ownership will revert to the State.

The P3 Exhibits Corporation (“**QALICB**” or “**P3**”), formed as a supporting organization of the Foundation, will (i) own, restore, fabricate, and construct certain artifacts, exhibits, and a space shuttle vertical display for the Air and Space Gallery, (ii) lease various exhibits and artifacts to the Foundation and (iii) lease the vertical display materials and exhibits for the Space Shuttle Endeavor to the Foundation.

CSC dates to 1912. Its predecessor, the State Exposition Building, displayed simple, agriculturally based natural resources and industrial products from across the state. After World War II, technology-based businesses began to grow so the building, which was renamed the California Museum of Science and Industry, was remodeled to show guests the role of science and technology in everyday life.

In 1988 CSC’s leadership changed its orientation from a science and industry museum to a hands-on Science Education Facility and developed a three-phase, 25-year master plan, of which this project is a part. Phase I was completed in 1998 with the opening of a 245,000 square-foot complex, which consisted of two permanent hands-on science learning galleries - the World of Life and the Creative World, a special exhibits gallery, a conference center, and an IMAX Theater. Phase II was completed in 2010 with the opening of Ecosystems, a permanent exhibition wing featuring more than 200 live plant and animal species and hands-on science exhibits in 11 immersive environments. Phase III consists of the subject construction of a permanent home and exhibits for the space shuttle Endeavour.

PROJECT DESCRIPTION



The QALICB will use the NMTC financing to fund 100% of the construction of the vertical display for the space shuttle Endeavour in the new Oschin Center and the fabrication of a portion of the related exhibits (“Project”). The Foundation has already completed \$20.7 million work related to the vertical display and exhibits, which it will contribute to the QALICB at NMTC closing. The Foundation will also contribute \$16.9 million to the NMTC leverage structure as a portion of its leverage loan, and the total \$29 million NMTC dollars are expected to be fully deployed by August 2024. Once NMTC dollars are fully deployed the Foundation will contribute an additional \$8.7 million directly to the QALICB to

complete fabrication of the QALICB’s exhibits. In addition to this work completed and to-be-completed by the QALICB, the Foundation will directly complete and own (outside the NMTC financing structure) an additional \$27 million in costs associated with the exhibits that the Foundation is funding outside of the NMTC financing structure. Based on the Foundation’s record of fundraising and its cash-on-hand (see section entitled “Development Team”), the risk associated with this post-closing equity infusion is considered to be minimal. Construction of the Oschin Center is expected to be completed by June 2025.

The Oschin Center represents a major expansion of CSC operations and adds a 200,000 SF building dedicated to aviation and space exploration adjacent to the existing CSC building, which currently has 2 million visitors per year all of whom visit for free. The Oschin Center will feature the space shuttle Endeavour, which was acquired by CSC from NASA in 2012. All exhibits and the vertical support for the space shuttle will be permanently installed, NMTC-eligible, and have a useful life of at least 10 years.

CSC is an educational resource and family destination with the mission “To stimulate curiosity and inspire science learning in everyone by creating fun, memorable experiences; because we value science as an indispensable tool for understanding our world, accessibility, and inclusiveness, and enrich people's lives.”

This project directly contributes to that mission by (1) using the excitement around the space shuttle Endeavour to pull in a larger audience for scientific and engineering learning; (2) creating new exhibits for the museum that are interactive and inspiring; (3) creating new curriculum around engineering that can be shared with educators; and (4) increasing the museum’s educational programming by 25 %. When CSC opened the temporary Samuel Oschin Space Shuttle Endeavour Pavilion in 2012, attendance at the museum doubled almost overnight and stayed elevated (before the COVID-19 pandemic). The subject Project creates a permanent home for Endeavour along with comprehensive, dynamic programming focused on aeronautics and space exploration.

Specifically, the Oschin Center will include three distinct galleries:
Air Gallery:



Space Gallery



Shuttle Gallery:



The Oschin Center will feature:

- 150 hands-on educational exhibits which will provide free-choice learning experiences for guests of all ages to learn basic scientific principles through experimentation and discovery.
- 100 authentic artifacts, such as planes, satellites, and rockets, as well as 7 flight simulators.

- Space shuttle Endeavour displayed vertically, in launch position, complete with a pair of real solid rocket boosters and the only remaining space shuttle external tank (ET-94).
- A concourse which will be a dynamic, central gathering space for presentations and announcements of breaking news; it will be equipped with large-scale, state-of-the-art video projection; a reconfigurable stage; and flexible seating for special events as well as large-scale demonstrations and experiments.
- A new Special Exhibits and Events Center.

As stated above, the NMTC financing will fund the construction of the vertical display and a portion of the exhibits. The Foundation will directly contract with vendors for the exhibits not funded by NMTCs. These additional exhibits are projected to cost \$27.0 million which the Foundation will fund with equity. The construction and fabrication of all these exhibits are critical to the overall project and impact the portion funded by NMTCs. The Foundation will be required to provide progress updates for these exhibits as well.

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

COMMUNITY AND ECONOMIC BENEFITS

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

Job Creation/Retention:

- Creating: 127 Permanent Jobs (112 FTEs); 350 Construction Jobs (including 150 exhibit-related FTEs)
- Retaining: Retain at least 338 permanent jobs (295 FTEs)

Quality Jobs:

- **100%** of the construction jobs will provide prevailing wage, and **90%** are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance.
- **58%** of the permanent jobs will be paid a living wage and/or receive benefits.

Accessible Jobs:

- Construction: Approximately 75% of construction jobs will not require a college degree. (The general contractor will conduct community outreach to fill these jobs)
- Permanent Jobs: Of the permanent jobs on-site, approximately 72% will be accessible to people with an associate degree, trade apprenticeship, or other certificates.

Community Goods or Services to Low-income Communities

- The project will add 200,000 SF of new museum space focused on air and space innovation.
- In 2018-2019, there were over 800,000 guest interactions at the existing education stations at CSC. With this project, there will be 5 additional permanent education stations that are expected to generate at least 50,000 additional guest interactions annually.
- Currently 360,000 youth visit the California Science Center with their school classes. Field trip visits are expected to grow to 450,000 annually.
- Additionally, this project will create a new “big lab” program for air and space experiments.

- CSC offers professional development opportunities for TK-5 (transitional kindergarten through 5th grade) teachers and schools to support the transition to and implementation of the Next Generation Science Standards. Rather than signing up teachers individually, CSC works with entire schools so that all students at each school can experience high-quality science learning for the duration of their time at the school. Pre-pandemic, 35-40 schools (85% Title I schools) with a total of 1,000 teachers were served per year. Approximately 20,000 students were associated with these teachers and administrators. This project includes large education spaces that will be used to host additional professional development sessions. As a result, the number of teachers and schools served will grow by 25%
- Afterschool Youth Engagement Programs (Middle and High School) – CSC has the Young Curators Program for middle school age youth who are falling behind in science. Through the program, CSC partners with local community-based organizations such as Para Los Ninos, Brotherhood Crusade, and Heart of Los Angeles, to provide 8-12 on-site science sessions to each organization. Youth participating in the program also receive 2 weeks of free summer science camp. The program currently serves 100 students/year who are low-income and live within a 3-5-mile radius of the museum. With completion of the subject construction, this program is expected to grow by approximately 25%.
- Community Teen Program (grades 9-12) provides up to 18 low-income high school students with paid, year-round science-based internships and college readiness instruction. In order to identify youth for these programs, CSC maintains relationships with local high schools such as Verbum Dei, Manual Arts, Foshay Learning Center, and others. This program is expected to grow by approximately 25% with this completion of this project.
- The Hands-On Science Camp program: CSC offers weeklong summer camp sessions for children (Pre-K through 8th grade). Courses explore physics, chemistry, biology, space and Earth sciences, and are taught by educators who have degrees in science and/or education. For pre-pandemic, in-person camp, the program served 4,500 campers across eight weeks. Scholarships funded 25% of in-person attendees, resulting in 1,125 campers from low-income families who attended free of charge. With completion of this project, in addition to current programing, CSC will create a new science camp curriculum focused on air and space. Approximately 25-30% of all attendees will be low-income and will receive scholarships.

Environmentally Sustainable Outcomes

- Green Building: The project will be built to a LEED Silver standard.

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 negotiation, LADF staffs will inform the LADF Governing Board of such changes and seek reaffirmation of approval.

DEVELOPMENT TEAM

Non-Real Estate QALICB: P3 Exhibits Corporation, a California Nonprofit Public Benefit Corporation (“P3 Exhibits”)

P3 Exhibits Corporation was formed on January 20, 2023, as a California Nonprofit Corporation that is affiliated with and established by the Foundation for the sole purpose of owning exhibits, artifacts, and the vertical display. This entity will serve as the Qualified Active Low Income Community Business (“QALICB”) for NMTC transaction purposes.

Since this is a newly formed company, there are no produced financial statements to review. The company will be the beneficiary of the NMTC and other direct project financing sources, which the Foundation has obtained.

Because the QALICB and sponsor are mission-oriented nonprofits, an AUP¹ (“Agreed Upon Procedures”) to ensure that it is a QALICB in the transaction and that it maintains QALICB status during the compliance period will not be required.

Sponsor/ Leverage Lender/ Indemnitor: The California Science Center Foundation (“Foundation “)

The Foundation is a California Nonprofit Corporation found in 1945, with a mission “To stimulate curiosity and inspire science learning in everyone by creating fun and memorable experiences; because we value science as an indispensable tool for understanding our world, accessibility, inclusiveness, and enriching people's lives.” It operates all the programming for California Science Center. It owns the space Shuttle Endeavour, exhibits, artifacts, and the IMAX theater. It leases the existing building and ground leases the subject construction site from the State of California.

The Foundation develops the community-focused education programs offered at the CSC like the Afterschool Youth Engagement programs, the Hands-on Science Camp, and the Professional Development program. The Foundation has a dedicated Education Department that develops and provides science-related activities and curriculums to museum guests, community members, and schools. With this project, the Foundation will grow its educational programming and budget by 25%.

Governance and Leadership:

As a department of the State of California, under the Natural Resources Agency, the California Science Center is administered by a nine-member Board of Directors appointed by the Governor. The Foundation is overseen by an elected Board of Trustees who provide leadership, guidance, and support for their mission.

Jeffrey Rudolph is the President and CEO of the California Science Center and the President of the California Science Center Foundation. He provided the leadership for the planning, design, fundraising, and implementation of the CSC Master Plan. Before becoming President and CEO of the California Science Center, he served as its Executive Director and Deputy Director, as the Executive Director of the State of

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.

California's Intergovernmental Personnel Act Advisory Board, and as a Program Analyst for the Legislative Budget Committee of the California Legislature. Rudolph serves as a member of the California Council on Science and Technology, and on the Board of the EXPO Center. Rudolph is often a featured speaker at Science Center and Museum Conferences worldwide and frequently conducts accreditation reviews and assessments for the American Association of Museums and the Association of Science-Technology Centers.

California Science Foundation's fundraising activities are led by Allyson Goodall, Senior Vice President, and Chief Advancement Officer of the Foundation. Goodall has worked with the Foundation since 2002 and leads the fundraising and marketing efforts to support the educational exhibits, programs, operations, and the CSC Master Plan expansion of the Science Center. She is responsible for a comprehensive fundraising strategy; membership and individual giving; corporate giving and sponsorship; foundation grant development; an annual benefit gala; and the \$400 million "EndeavourLA" Campaign to support the development of the subject Oschin Center and ongoing Foundation programs and operations. Goodall earned her B.A. in Communications at the University of Nebraska-Lincoln and continues her professional development as a member of the Association of Fundraising Professionals. Before joining the Foundation, she worked for a children's mental health services agency that also served the community surrounding Exposition Park, Los Angeles. Goodall was honored by Los Angeles City Councilman Curren D. Price, Jr. as "SHEro" for demonstrating remarkable leadership, pride, volunteerism, and commitment to her community.

Financial Statement Analysis:

Since the QALICB is newly formed and has no financial reports, LADF has reviewed the audited financial statements of the Sponsor and Guarantor, the Foundation, for the fiscal years ending June 30, 2019, June 30, 2020, and June 30, 2021. This revealed that the Foundation's fundraising efforts are increasing from year to year. The following are the reported amounts for "Contributions and Planned Gift Receivables" from June 30, 2018, through June 30, 2021:

- 2018: \$ 7,556,129
- 2019: \$ 9,374,471
- 2020: \$ 11,164,262
- 2021: \$ 14,640,876

The Foundation continues to raise funds for fabrication of exhibits and construction of the Oschin Center. They have approximately \$100MM more to raise. EXHIBIT A is a document from Goodall that summarizes reasonably anticipated gifts of \$1 million and above that are in active cultivation and solicitation and that total approximately \$80 million. The fundraising balance will be comprised of more gifts from a wide array of donors below \$1 million raised through a broader campaign effort throughout the construction period.

Since a portion of the QLICI proceeds will be used to reimburse costs incurred by the Sponsor prior to the 24-month period ending on the NMTC closing, an AUP ("Agreed Upon Procedures") about reimbursement will be provided by CohnReznick, the project accountant firm who also produced the financial projections for the NMTC transaction.

Developer/ General Contractor: Matt Construction Corporation

Matt Construction ("GC") is responsible for the construction of Oschin Center, both the building construction (not financed by NMTCs) and the space shuttle Endeavour's vertical display (financed by NMTCs). Foundation and GC entered a contract on November 01, 2021, for the construction of Samuel

Oschin Air and Space Center. The total contract amount with Matt Construction is approximately \$249 million for the construction of the building and the vertical display.

Matt Construction established in 1991, has 268 employees nationwide. It is headquartered in Santa Fe Springs, CA. In 2010 and 2017, they received the AIA Presidential Awards for “Contributions and commitment which have enriched the practice of architecture and the built environment... through partnership and collaboration with the architects.” The AIA also award the GC’s building team of the year for “excellence in design collaboration” for two consecutive years. The firm has worked on many relevant projects, including 20 museum projects in California, such as Getty Villa, Natural History Museum of Los Angeles County, BCAM at LACMA, The Broad, Academy Museum of Motion Picture, etc.

The bonding companies that provide GC with this bonding capacity are Liberty Mutual Insurance Company. Liberty Mutual has been providing surety bonding to GC since 2004 and is in good standing. Liberty Mutual covers GC for \$300,000,000 per single project and an aggregate bonded and unbonded work coverage in excess of \$750,000,000.00.

Vertical Display Designer: Dennis R. Jenkins

Dennis R. Jenkins worked as a contractor to NASA for 33 years, mostly on the Space Shuttle Program in a variety of engineering and management roles. After supporting the first few spaces shuttle launches at the Kennedy Space Center (KSC), he spent five years activating the Vandenberg Launch Site in California before the facility was closed following the Challenger accident. Returning to KSC, he supported recovering from the accident and a variety of special projects. He is also the author of *Space Shuttle: The History of the National Space Transportation System*. He also won the NASA Public Service Medal in 2003.

Jenkins joined California Science Center Foundation in March 2012 as a project director and engineer in charge. He manages the design, construction, and implementation of the Oschin Center. He also managed the architects and engineers designing the build and fabricating hardware for the space shuttle stack, transporting the orbiter, external tank (ET), and solid rocket boosters (SRB) to Los Angeles, and developing processes and procedures to assemble the full vertical stack of Endeavour, ET-94, and a set of SRBs.

Exhibits Designer: Evidence Design

Evidence Design (“Designer”) is an award-winning studio specializing in spatial communication and learning, it was established in 2000 and is headquartered in New York Designer was co-founded by Jack Pascarosa and Shari Berman.

Pascarosa’s primary role is as project leader and director of architectural and three-dimensional design. He earned a master’s degree in architecture from Columbia University and a bachelor’s degree in architecture, magna cum laude, from Virginia Polytechnic Institute, where he also pursued his interest in the history of science and astronomy. Notable projects include Science Storms, which received a THEA Outstanding Achievement Award and a Gold Medal for Best Museum Environment from Event Design; The Corning Museum of Glass (while at RAA), which earned a Bronze Design of the Decade award from the Industrial Designers Society of America; and the Holocaust Museum Houston (also for RAA), which was featured in Architecture and World Architecture magazines and received an Award of Excellence from Communication Arts, a Bronze IDEA Award from the Industrial Designers Society of America, and a Merit Award from the Art Directors Club of New York.

Berman is a seasoned exhibit planner, graphic art director, and storyteller skilled in designing and executing complex exhibit graphics spanning science, technology, and history. After several years executing environmental graphics programs for corporate brands, Berman found her passion for spatial storytelling

when she joined Ralph Applebaum Associates as an exhibit designer for the United States Holocaust Memorial Museum. She continued as graphic design director for the Halls of Biodiversity, Planet Earth, and the Universe at the American Museum of Natural History and again as an exhibit designer for the Holocaust Museum Houston.

Foundation entered into an Exhibit Concept Design Agreement with Designer on June 18, 2012 for exhibit design services in connection with the Oschin Center.

Exhibits Fabricators

The QALICB will be soliciting bids from exhibit fabricators, many of whom the Foundation has used in the past for exhibits. Depending upon the bid award, the QALICB could work with up to five fabricators for mechanical and electro-mechanical exhibits and two fabricators for audiovisual (AV) productions. The fabricators will be chosen post-closing. The exhibits fabricators will enter into a contract with the QALICB for those exhibits funded from NMTCs. Fabrication oversight will be the responsibility of the Foundation's curatorial team. The Designer (bio above) may also oversee the process with Foundation's team.

To select fabricators, the Foundation will create a bid package of exhibit drawings and specs that will be released in an RFP. The Foundation and the Designer would review the bids received and interview leading candidates, then collaborate to reach a decision. Fabricators are selected based upon: (1) Foundation's prior experience with their work; (2) the fabricator's ability to respond and provide accurate cost estimates based upon detailed engineering drawings that were provided for the preparation of their bids; (3) Foundation's approval of any subcontractors that will support the fabricator's work; and (4) Foundation's knowledge of the fabricator's in-house production capacity to assure that they can deliver the required volume of work on schedule.

Each contract will include language indemnifying the Foundation and QALICB. Fabricators will also be required to carry insurance against injuries and liabilities associated with their work. Also, because the fabrication of the exhibits will be done off-site, the fabricator will be required to carry insurance to cover the materials paid for by the QALICB but stored at the fabricator during the construction of the exhibit.

Cinnabar

- Co-designed and fabricated the Eco Challenge exhibit at DSC Orange County, which is nationally recognized and won awards for innovative design and educational content.
- Builds exhibits for other museums such as the CA Academy of Sciences, Los Angeles Natural History Museum (Dinosaur exhibit), and NASA's Jet Propulsion Laboratory.
- Builds attractions for theme parks such as Sea World. Designed the TV show set for "American Idol".

Lexington

- Fabricated the Dino Quest exhibit at DSC Orange County, the first electronic scavenger hunt exhibit ever built.
- Built exhibits for museums such as Kennedy Space Center, Nixon Presidential Library, and Chicago Museum of Science and Industry.
- Built attractions for theme parks such as Disney, Universal Studios, and Legoland.

Nassal

- Specializes in creating awe-inspiring environments and building memories.

- Skillful designers, builders, and craftsmen who take ideas from the drawing board to groundbreaking, creating fantastic castles, exotic habitats, and faraway places that become reality.
- With over 35 years of continuous innovation and a passion for their work, Nassal has built lasting relationships with world-class clients including Universal, Disney, Georgia Aquarium, Columbus Zoo, and Tampa Bay Buccaneers.

Ravenwood Studio

- Specializes in custom fabrication for exhibits, sets, and scenery for a variety of industries including museums, corporations, theater, television, and film.
- Over 30 years of experience and reputation as one of the most talented builders in the nation.
- Committed to creativity, attention to detail, meeting deadlines, and being budget conscious; providing clients with the perfect match to bring their vision to life.

Construction Manager: Perry Roth-Johnson

Perry Roth Johnson is the curator developing new exhibits for the Oschin Center. He is an aerospace engineer with expertise in aerodynamics and structures. Graduated from the University of California, Berkeley with a Mechanical Engineering bachelor's degree, he also received a master's and Ph.D. degree from the University of California, Los Angeles in Aerospace Engineering. He has fifteen years of experience in research and project management and seventeen years of experience in informal science education.

He led the development of content for 60 aerodynamics exhibits to be housed at the Oschin Center. He managed the collection of 20 large aircraft, including the Boeing 747 exhibit in partnership with Korean Air. He also managed a team of three to restore external tank ET-94 and prepared it for vertical display with Space Shuttle. He piloted weekly drone flights to survey construction progress and produced updated maps of Exposition Park. Johnson joined the foundation in 2014 as an exhibit researcher and worked as an assistant curator in Aerospace Science from 2018-2022. He was appointed as the curator for Science and Technology from June 2022.

Architect: Zimmer Gunsul Frasca Architects LLP

Zimmer Gunsul Frasca Architects LLP ("**Architect**", or "**ZGF**") is the architect of record to provide architectural and engineering design services for the construction of the Oschin Center building. ZGF was originally established in 1942, based in Portland, Oregon, with seven offices in the United States and Canada. ZGF was honored with the American Institute of Architects' Architecture Firm Award. ZGF has a diverse portfolio including healthcare facilities, mixed-use developments, corporate campuses, and museums.

Design/ Fabrication Monitor: Frank Weigand of TWT, INC

Frank Weigand is a themed entertainment and exhibit design engineer who spent many years at Walt Disney Imagineering in Glendale, and who understands every facet of the exhibit design and fabrication process. Weigand has played a lead design and/or Owner's Representing role on many notable projects including Caesars *High Roller Wheel* in Las Vegas, Apple Flag Ship Stores, Royal Caribbean Cruise Lines *North Star* attraction, *Science Storms* at the Museum of Science and Industry in Chicago, and the Kennedy Space Center *Shuttle Lift Off Experience*.

The CDEs and Chase are engaging Frank Weigand of TWT, Inc. (a third-party exhibit review firm) to perform reviews related to draws for exhibit fabrication. Weigand will perform these reviews at payment hurdles - 25%, 50%, 75%, and 100% completion. His reviews will continue only until the QLICs are fully disbursed.

PROJECT FEASIBILITY

Property Valuation

CohnReznick will be providing a report that confirms the reasonableness of lease rates and the Foundation will be providing an estimated value of the exhibits. The valuation of the exhibits was considered reasonable by all parties due to the specialized nature of what is being funded and the foundation's expertise and long operation history in the area.

Environmental Inspections

Because the QLICIs will not be secured by real estate, an environmental report was not deemed necessary.

Construction Feasibility

The Foundation has executed the GMP contract with the GC that includes the construction of the vertical display to be funded from NMTCs. The QALICB will enter into a Development Agreement with the Foundation to build the vertical display.

A monthly construction report for the vertical display will be provided to the CDEs while QLICI funds are being disbursed. Dennis Jenkins, the vertical display designer (see bio above) will provide a report on each draw that includes funding for elements of the vertical display. Jenkins is also providing the CDEs with a cost review of the vertical display construction. Because of the highly specialized nature of this construction, the CDEs determined that Jenkins would be the most qualified to provide this report. Should the costing analysis conclude a higher construction cost than what is budgeted, then the NMTC lenders will assess the reasonableness of the variance in projected costs and require the QALICB to secure the capital needed to fill any anticipated gap in the budget before NMTC Closing.

While QLICIs are being disbursed, the CDEs will approve the expenditures for the exhibits. The CDEs and Chase are engaging Frank Weigand of TWT, Inc. (a third-party exhibit review firm) to perform reviews related to exhibit fabrication. Weigand will perform these reviews at payment hurdles - 25%, 50%, 75%, and 100% completion. His reviews will continue only until the QLICIs are fully disbursed.

After QLICI proceeds are fully utilized, the CDEs will not have approval rights for expenditures. However, the CDEs will be provided with reports showing progress on construction of the building and the additional exhibits. Perry Roth-Johnson (a CSCF/State of CA employee responsible for evaluating exhibits during construction on behalf of the Foundation and the CSC Board of Directors, SEE bio above) will conduct exhibit reviews prior to payments and provide the CDEs and Chase with milestone reports when the fabrication of the exhibit funded by the Foundation after QLICIs are fully disbursed.

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 CDEs and Chase Bank as NMTC Investor. The CDEs will have full approval rights over each draw from the QLICI disbursement account. The full draw package submitted by the QALICB will require also that the CDEs lenders receive lien waivers from the GC and all substantial subcontractors.

Probable Maximum Loss Report

A Probable Maximum Loss (PML) will not be required because the project is new construction. The design will reflect the most current seismic design standards which could be reasonably expected to result in a PML of 20% or less.

Financial Feasibility

SOURCES	USES
<u>Investment Fund Level (NMTC)</u>	<u>Construction Uses</u>
- Sponsor LL (<i>Pre-Inc Cost, Chase 1-Day Ln</i>): 3,380,138	- Pre-Incurred Cost (<i>Vertical Display</i>): 9,862,803
- Sponsor LL (<i>Cash on Hand</i>): 16,924,662	- Pre-Incurred Costs (<i>Exhibits</i>): 9,265,708
Leverage Loan Sources \$20,304,800	- Pre-Incurred Costs (<i>Soft Costs</i>): 1,611,855
- NMTC Equity (LADF QEI): 3,003,000	- Vertical Display construction: 19,054,730
- NMTC Equity (Genesis LA QEI): 4,504,500	- Vertical Display contingency (5%): 952,736
- NMTC Equity (Chase QEI): 1,201,200	- Exhibits construction: 9,639,348
NMTC Investor Equity \$8,708,700	- Soft Costs: 1,612,820
	Sub-Total \$52,000,000
<u>Project Level (Direct Sources)</u>	<u>Financing-Related Uses</u>
- Sponsor Contrib. (<i>Pre-Incurred Costs</i>): 17,360,228	- Interest Exp. (<i>net of reserves</i>): 377,731
- Sponsor Contrib. (<i>Cash on Hand</i>): 8,774,003	<u>NMTC Closing Costs</u>
Direct Sources \$26,134,231	- Legal/Acctg. /Consulting Fees: 660,400
	- LADF CDE Placement Fee: 200,000
	- Other CDE Upfront Fees: 463,000
	<u>NMTC Reserves</u>
	- LADF Asset Mgmt. Fee Reserve: 525,000
	- LADF Expense Reserve: 48,000
	- Other CDE Fees/Exp. Reserves: 860,100
	- Investment Fund Reserves: 13,500
	Sub-Total \$3,147,731
Total Project Sources \$55,147,731	Total Project Uses \$55,147,731

Development Pro Forma

The total cost of construction of the vertical display is approximately \$29 million and total cost of the fabrication of exhibits to be owned and financed by the QALICB total approximately \$19 million for a total of \$48 million in hard costs. The remaining \$7.1 million in project costs is attributed to costs associated with consultants, fundraising, and NMTC costs. To-date the Foundation has paid approximately \$21 million towards these cost, of which only \$3.4 million will be reimbursed. Outside of the QALICB, the Foundation will be funding fabrication of an additional \$28 million in exhibits to be owned by the Foundation directly. The total cost of vertical display and new exhibits for the Oschin Center is \$82 million.

Of the total \$55.1 million in project costs, \$29.0 million will be leveraged through the NMTC structure to make \$28.6 million in Qualified Low-Income Community Investment (“QLICI”) loans to the Project.

The \$28.6 million QLICI proceeds will be disbursed as follows:

- \$3.4 million – Reimbursement of pre-closing development costs incurred within the last 24 months
- \$1.3 million - Pay NMTC and Other Closing Costs
- \$1.5 million - Fund the CDE-Controlled Fee and Expense Reserve Accounts
- \$22.4 million - Fund the CDE-Controlled Construction Disbursement Account

Upon expending all NMTC proceeds in the construction disbursement account, \$8.7 million will be contributed from the Foundation to the QALICB (*projected to occur in August 2024*) to cover the remaining project costs.

NMTC-related reserves held by the QALICB will total \$1.5 million 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 for the entire NMTC Compliance Period be held in separate reserve accounts, including \$573,000 held in an account pledged to LADF for LADF's fees and expense reimbursements.

Operating Pro Forma

The project's operating revenues will consist of rental payments made to the QALICB by the Foundation under its lease of the vertical display and exhibits owned by the QALICB. After accounting for operating expenses, the QALICB's debt service coverage for the Project is estimated at 1.05x (*per the current financial projections dated February 16, 2023*).

The Foundation's schedules for operating income and cash flow starting in 2023 through the end of the NMTC compliance period are attached (see [Exhibit C](#)). The Foundation's operating revenues will consist of charitable contributions plus revenue from the retail stores and food sales and the IMAX theatre. Total revenues are expected to grow from \$40.55 million in 2023 to \$54.06 million in 2038. Given the Foundation's fundraising capabilities, the project's revenues are expected to remain stable during the NMTC compliance period and support the lease payments made by the Foundation to the QALICB. The building's operating expenses were estimated by the Foundation's longstanding history of operating its similar facility.

Project Timeline

The following list represents the project milestones and the project's actual or expected completion dates (Estimated Timeframe, Updated in March 2023)

- Sep 2021 Drawings and specifications submitted
- Nov 2021 Enter into contract with Matt Construction
- Jun 2022 Construction Broke Ground
- Late April 2023: **NMTC Transaction Close**
- Fall 2023 Assembly of the shuttle stack begins
- June 2025 Construction Completion (*approx. 36-month construction schedule*)
- Summer 2025 Open for public

As of March 16, 2023, the major construction stages of environmental abatement, demolition, mass excavation and the installation of more than 450 structural piles have been completed, along with the excavation of the shuttle isolator pit. The GC is now in the process of pouring concrete for the pile caps, spread footings and other foundations, and the vertical concrete walls. The next significant project milestone will be in Fall 2023 when assembly of the shuttle stack begins in preparation of the shuttle Endeavour's move and lift to vertical position in the new building.

FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans and the Sponsor's direct contributions. 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 the Subsidiary CDEs (“**Sub-CDEs**”) at the lower tier. Additionally, the leverage loan at the upper tier will be sourced from the Sponsor’s equity and bridge loan from the NMTC Investor.

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 twelve previous transactions with Chase as Investor. The transactions were for the YWCA Urban Campus Development (December 2009), Food4Less (December 2010), Anderson Munger YMCA (August 2012), Dream Center (August 2018), Orthopedic Institute for Children (April 2017), Thai Town Marketplace (January 2018), Jordan Downs Retail Center (April 2018), Vallarta Van Nuys Supermarket (January 2020), Debbie Allen Dance Academy (June 2020), SEED LA Charter School projects (April 2021), Hollywood Art Building (February 2022), and Vermont Manchester (June 2022).

Chase will also invest NMTC allocation in the Project through its CDE, Chase New Markets Corporation, as indicated in the sub-section entitled “CDE Lenders”.

CDE Lenders

The 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 XXVII, LLC, a California limited liability company	\$10,000,000
Genesis LA CDE LLC	GLA Sub-CDE XXXI, LLC, a Delaware limited liability company	\$15,000,000
Chase New Markets Corporation	CNMC Sub-CDE 213, LLC, a Delaware limited liability company	\$4,000,000
Total NMTC Allocation		\$29,000,000

Genesis LA CDE LLC

Genesis LA CDE LLC (“Genesis”) is a certified CDE located in Los Angeles, California, and has received nine NMTC allocations totaling \$375 million: 2005-\$80mm, 2006-\$50mm, 2009-\$40mm, 2013-\$20mm, 2014-\$30mm, 2015-2016-\$45mm, 2018-\$55mm, 2020-\$55mm, and 2021-\$50mm. Genesis was established in 1998 to advance economic opportunity in Los Angeles County. The organization uses allocation to invest in community facilities, commercial and mixed-use real estate projects that deliver programs, goods, services, and quality jobs to the county’s low-income communities. Genesis has \$77.6 million in NMTC allocation remaining, \$27.6 million from its 2020 allocation and \$50.0 million from its 2021 allocation, with a local service area covering Los Angeles County, California. This will be the eighth 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 (December 2011), Anita May Rosenstein Campus / LGBT Center community facility project (June 2017), Jordan Downs (June 2018), Children’s Institute Watts Campus project (January 2020), URM Angeles House (March 2020), Hollywood Arts Collective and Career Center (February 2022), and Vermont Manchester (June 2022).

Chase New Markets Corporation

Chase New Markets Corporation (“Chase CDE”) was created to invest in projects that provide employment opportunities and increase access to critical goods and services for low-income people (LIP). Chase CDE is a wholly owned subsidiary of JPMorgan Chase Bank, N.A. (that entity and its affiliates are collectively referred to as JPMC), which is Chase CDE’s Controlling Entity. JPMC has invested over \$8.3 billion of QEIs in projects across the United States. Chase CDE is an experienced NMTC allocatee having received \$865MM from 13 allocations since 2005. Chase has received \$55MM in 2021 round, \$65MM in 2020 and 2019, \$80MM in 2016, \$60MM in 2014 and 2013, etc. Chase has \$79.6 million in NMTC allocation remaining, \$5.1 million from its 2019 allocation, \$21.5 million from its 2020 allocation, and \$53.0 million from its 2021 allocation. LADF co-invested NMTC allocation with Chase CDE in the Munger YMCA (August 2012), Dream Center (August 2012), Orthopedic Institute for Children (April 2017), Jordan Downs (June 2018), SEED LA Charter School (April 2021), and Vermont Manchester (June 2022).

Leverage Lenders

The NMTC Transaction will leverage funds provided by the Sponsor using \$16.9 million from its capital campaign contributions as well as \$3.4 million in short-term loan from Chase. The short-term loan represents the reimbursements for a portion of the pre-incurred costs and will be repaid from QLIC proceeds at closing. . For discussion about the Sponsor, refer to the section entitled “DEVELOPMENT TEAM”.

Sponsor Self-Leverage Loan Sources	Amount
Chase Short Term Bridge Loan*	\$3,380,138
California Science Center Direct Contribution	\$16,924,662
Total	\$20,304,800

* The Bridge loan is to reimburse for costs spent to date and will be verified by CohnReznick in an AUP agreement and funded upon close from the QLICs.

FINANCING STRUCTURE

The project’s total development cost will be funded by the \$29.0 million QEI generated through the NMTC leverage structure, and the following project sources outside the NMTC structure: (1) \$17.4 million Sponsor net contribution of pre-incurred development costs to the QALICB (these pre-incurred development costs will not be reimbursed in the NMTC financing) and (2) \$8.8 million Sponsor contribution of equity to the QALICB in August 2024. The Sponsor’s \$20.3 million for the NMTC leverage loan will be fully advanced prior to, or at, closing of the NMTC transaction. Please see the section “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 \$8.7 million. In exchange, Chase Bank will receive \$11.3 million in tax credits that will be

generated through the Fund (39% of the total \$29.0 million QEI). This exchange of equity for tax credits reflects a pricing of \$0.77 per tax credit dollar for QEIs associated with Sub-CDE's allocations.

The \$20.3 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 1.036%. After the end of the interest-only period, the self-leverage loan will amortize over the following 17 years.

Chase Bank's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with \$29 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a \$15 million QEI to the Genesis LA Sub-CDE, \$10 million QEI to the LADF Sub-CDE, \$4 million QEI to the Chase Sub-CDE, and pay \$13,500 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 combined QLICIs to the QALICB totaling \$28.55 million after \$0.45 million in upfront fees charged by Genesis LA.

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 a 0.01% share in the LADF Sub-CDE. LADF will earn \$75,000 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 sources of the leveraged loan (“**A note**”), and the second with the NMTC equity component (“**B note**”). All notes will bear interest rates of 1.0% and interest-only payments for the first seven years during the NMTC compliance period. All notes will have terms of 30 years and 10 months.

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. Genesis LA Sub-CDE – first \$14.55 million of capital redeployment
2. LADF Sub-CDE – next \$10 million of capital redeployment
3. Chase Sub-CDE – last \$4 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 a managing member of LADF XXVII, 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 on or at the end of April 2023. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site:* Completed
- *Entitlement Process:* Completed

- *Design/Pre-Development:* Completed
- *Working Drawings:* Completed
- *Value Engineering:* Completed
- *Permits:* Completed
- *GMP Construction Contract:* Completed
- *Vertical Construction Contract* Post-Closing
- *Fabricator Contracts* Post-Closing
- *Financing Commitments:* Post-Closing
- *Outstanding 3rd Party Issues:* Not Applicable

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2010 Census Tract 06037231220. The population within the Census tract is 4,416 individuals per the 2011-2015 American Community Survey. Based on the CDFI Fund's GeoCode Report for the site, LADF has determined that the site is in a Qualified Census Tract based on the following qualifying criteria:

- Poverty Rate of **42.6%** of the greater Metro area (*greater than 20%*)
- Median Family Income of **42.81%** of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2020 Allocation Agreements as a Targeted Distressed Community based on the following qualifying criteria:

- Poverty Rate of **42.6%** of the greater Metro area (*greater than 30%*)
- Median Family Income of **42.81%** of the greater Metro area (*less than 60%*)

Non-Real Estate QALICB Analysis

The QALICB, P3 Exhibits Corporation, as a Non-Real Estate QALICB will satisfy the requirements for QALICBs.

The QALICB will meet the Non-Qualified Financial Property ("NQFP") Test since 100% of the QLICI proceeds will be expended for the development of the project within 12 months of closing.

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 the \$10 million LADF's 2020 Allocation Award from the CDFI Fund. With the closing of this transaction, the 2020 Allocation award will be 45.9% invested.

The LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2020 Allocation Agreements, 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) – The project is located in the County of Los Angeles
- §3.2(c) – LADF XXVII, 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(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 Agreements.

As the transaction relates to Section 3.2(f) (*Flexible Products*) of the 2020 Allocation Agreements, LADF much 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 1.0% and satisfy part (b) of this paragraph. To support compliance with this provision, LADF will reference a better rates and terms letter provided by the Sponsor. This letter will be provided before closing, and it is expected that the market interest rate for the transaction is at least two times greater than LADF’s QLICI 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 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**² 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 all the QLICI proceeds used to reimburse any prior-incurred costs by the QALICB or Sponsor will have been incurred within the 24 months ending on the NMTC closing. Additionally, (1) CohnReznick will perform a reconciliation of all prior incurred expenses reimbursed through the NMTC financing and will provide an AUP to confirm this and (2) the QALICB and

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.

² To help mitigate the impacts of COVID-19, the CDFI Fund issued an Amendment (*dated May 2, 2022*) to all 2015-2016, 2017, 2018, 2019, and 2020 Allocation Agreements revising Section 3.3(j) from a 24-month to a 36-month look back for reimbursable project costs for QLICIs closed between June 1, 2020, and December 31, 2022. This amendment has now expired, and the reimbursement timeframe has now reverted back to 24 months.

Sponsor will execute a cost reimbursement certification agreement, for the benefit of the CDE lenders, certifying that these costs were incurred within the 24 months ending on the NMTC Closing.

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

The equity generated through the NMTC structure will provide an estimated \$6.0 million in subsidy (net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses) to the project. The LADF Sub-CDE’s portion of the total net subsidy is approximately \$2.42 million.

Construction costs for the museum have increased substantially given the current supply chain and labor issues affecting the post-COVID economy. This is directly impacting the exhibit's budget. Without NMTCs, some of the exhibits would be postponed indefinitely. The exhibits are central to the educational experience at the museum and bring to life core scientific principles for all audiences, especially young children, and young adults. Without the NMTC equity injection, the Project would need to be scaled back or could not move forward.

COLLATERAL AND GUARANTEES

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

- The QALICB assigns and grants to the Lender a security interest in exhibits, vertical displays, equipment, machinery, furniture, furnishings, signs, and other personal property used.

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 LADF also provides the investor with a guarantee related to Recapture Loss. 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 \$1000. If Chase Bank chooses not to exercise its put option, the Sponsor may exercise its call option. Upon exercising either the put or call option by the respective parties, the Sponsor would own all 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 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 the redemption of capital (i.e., a return of equity). While the 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 a return on equity and would be recognized as income. If there is a return of capital, LADF is second in the waterfall (*after Genesis Sub-CDE*) and would receive a return of capital only after **\$14.55 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 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 construction 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 this fee in a lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for \$10,000,000 of 2020 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 \$6000 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 audit and tax expenses.

All of LADF's CDE Servicing and Compliance Fees and CDE Expense Reimbursements for the entire Compliance Period, which totals approximately \$573,000, will be placed in a separate, controlled reserve account at the 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: California Science Center: EndeavourLA Campaign Prospect Summary

EXHIBIT B: California Science Center Flow of Funds (as of February 16, 2023, Final Projections Pending)

EXHIBIT C: California Science Center Foundation Schedules of Operating Income and Cash Flow

Exhibit A: California Science Center: EndeavourLA Campaign Prospect Summary

CONFIDENTIAL

EndeavourLA Campaign - Reasonably Anticipated \$1M+ Prospect Summary

As of 1/4/23

	Anticipated	Ask
<u>\$15,000,000 - \$24,999,999</u>		
<i>3 needed: 2 reported, 1 to go</i>		
Corporate/Individual	15,000,000	20,000,000
<u>\$10,000,000 - \$14,999,999</u>		
<i>3 needed: 2 reported, 1 to go</i>		
Foundation	10,000,000	25,000,000
Government	10,000,000	25,000,000
<u>\$5,000,000 - \$9,999,999</u>		
<i>8 needed: 2 reported, 6 to go</i>		
Foundation (add'l gift)	5,000,000	10,000,000
Individual/Foundation	5,000,000	10,000,000
Foundation (add'l gift)	5,000,000	10,000,000
Foundation	5,000,000	25,000,000
Foundation	5,000,000	5,000,000
<u>\$2,500,000 - \$4,999,999</u>		
<i>10 needed: 5 reported, 5 to go</i>		
Foundation (add'l gift)	2,500,000	2,500,000
Foundation (add'l gift)	3,000,000	3,000,000
<u>\$1,000,000 - \$2,499,999</u>		
<i>21 needed: 8 reported, 13 to go</i>		
Corporate	1,000,000	2,000,000
Individual (add'l gift)	1,000,000	1,500,000
Foundation (add'l gift)	1,000,000	1,000,000
Foundation (add'l gift)	1,000,000	1,000,000
Individual	1,000,000	1,000,000
Foundation (add'l gift)	1,000,000	3,000,000
Foundation (add'l gift)	1,000,000	1,000,000
Individual (add'l gift)	2,000,000	3,000,000
Foundation (add'l gift)	1,200,000	3,200,000
Corporate	1,000,000	2,000,000
Individual	1,000,000	5,000,000
Individual	1,000,000	5,000,000
Foundation (add'l gift)	1,500,000	2,500,000
	80,200,000	166,700,000

EXHIBIT C: California Science Center Foundation Schedules of Operating Income and Cash Flow

Year	Total Revenue	Campaign Contributions	Total Expenses	Net Operating Income
2023	\$40,555,633	\$15,000,000	(\$28,280,010)	\$12,275,623
2024	\$45,323,510	\$15,000,000	(\$27,524,852)	\$17,797,558
2025	\$46,060,823	\$15,000,000	(\$28,305,580)	\$17,755,243
2026	\$51,416,269	\$10,000,000	(\$33,250,665)	\$18,165,604
2027	\$48,405,709	\$6,000,000	(\$5,096,412)	\$14,429,753
2028	\$43,701,112	\$6,000,000	(\$33,975,978)	\$11,304,747

Year	Net Operating Income	Fundraising Revenue	Release of NMTC Reserves	LADF Reimbursements	Genesis Reimbursements	Total QLICI Debt Service	Cumulative Cash Balance
2023	\$12,275,623	\$324,947	\$6,000	n/a	n/a	n/a	\$567,000
2024	\$17,797,558	\$400,000	\$65,583	(\$59,583)	(\$77,458)	(\$59,583)	\$501,417
2025	\$17,755,243	\$400,000	\$81,000	(\$75,000)	(\$97,500)	(\$75,000)	\$420,417
2026	\$18,165,604	\$600,000	\$81,000	(\$75,000)	(\$97,500)	(\$285,500)	\$339,417
2027	\$14,429,753	\$600,000	\$81,000	(\$75,000)	(\$97,500)	(\$285,500)	\$258,417
2028	\$11,304,747	\$500,000	\$81,000	(\$75,000)	(\$97,500)	(\$285,500)	\$177,417

Note: These tables were produced from information CohnReznick and presented in the NMTC financial projections dated February 16, 2023.