

FREQUENTLY ASKED QUESTIONS

What is the Los Angeles Development Fund?

The Los Angeles Development Fund (LADF) is a California non-profit corporation established by the City of Los Angeles in September 2006 with the purpose of managing a New Markets Tax Credit (NMTC) program. The LADF is certified by the U.S. Treasury Department's Community Development Financial Institutions Fund (CDFI Fund) as a Community Development Entity, as defined under New Markets Tax Credit regulations.

What is the LADF Mission?

The primary mission of the LADF is to serve, or provide investment capital for, low-income communities or “low-income persons” (as defined in the laws and regulations governing the NMTC Program). At least 75% of the products and services of the LADF are directed toward low-income communities or low-income persons. The LADF's activities target communities within the City of Los Angeles experiencing greater economic distress.

How Does the LADF Work?

If the LADF receives an allocation of NMTCs, the LADF selects projects in low income communities within the City which LADF determines will benefit the community and require a subsidy in order to be developed. The LADF then allocates a portion of its NMTCs to that project. Those NMTCs are sold to an investor, and the proceeds from the sale are used by LADF to make an equity investment in that project.

What is a Typical LADF NMTC Funding Project Size?

Minimum \$5 million; Maximum \$15 million. The Governing Board may approve allocation amounts above \$15 million.

What Kind of Business Can Be Funded with NMTCs?

The LADF is committed to financing non-residential projects, with a particular focus on projects that create maximum community and economic benefits (i.e. jobs, sales taxes, business license taxes, property tax increment). The LADF indicated that it would target its allocation to the following project types:

- Industrial rehabilitation or expansion projects
- Retail projects in under-served neighborhoods
- Mixed-use projects

At the Governing Board's discretion, LADF can finance other types of projects eligible under the NMTC program such as community facilities, charter schools and for-sale housing.

Are There Any Limitations on Where My Business Can Be Located?

To receive NMTC-funding, a business must be located in a federally-defined low-income census tract.

What Type of Funding is Available Through the NMTC Program?

The majority of NMTC financing is delivered as debt, though equity or equity-equivalent financing may be available in special circumstances.

What is the Benefit of NMTC-Financing to My Business?

Most NMTC-funded businesses receive financing that involves more favorable terms and conditions than those the market typically offers and may include some of the following:

- Below market interest rates
- A longer than standard period of interest only loan payments
- Higher than standard loan to value ratio
- A longer than standard amortization period
- More flexible borrower credit standards
- Nontraditional forms of collateral
- Lower than standard debt service coverage ratio
- Subordination
- NMTC equity can provide 20-25% of equity like gap financing.