

LADF

LOS ANGELES DEVELOPMENT FUND

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

The Los Angeles Development Fund

and

LADF Management, Inc.

February 13, 2014

**MEETING of the
GOVERNING BOARD OF DIRECTORS of
THE LOS ANGELES DEVELOPMENT FUND and LADF MANAGEMENT, INC.
FEBRUARY 13, 2014**

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Tab 1

A G E N D A

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

**CITY HALL, ROOM 1050
200 N. SPRING STREET, LOS ANGELES, CA
Thursday, February 13, 2014 | 3:00pm – 4:30pm**

	AGENDA ITEM	PRESENTER	TAB
1	Welcome and Call to Order	Rushmore Cervantes	
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3	Approval of Minutes for Board Meeting(s) on: <ul style="list-style-type: none"> • May 31, 2013 – Governing Board Special Meeting • June 14, 2014 – Governing Board Special Meeting 	Rushmore Cervantes	Tab 2 Tab 3
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6	Request for Future Agenda Items	Rushmore Cervantes	
7	Next Meeting Date and Time of Governing Board <ul style="list-style-type: none"> • TBD 	Rushmore Cervantes	
8	Public Comment	Rushmore Cervantes	
9	Adjournment	Rushmore Cervantes	

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

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

Tab 2

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC
FRIDAY, MAY 31, 2013

LADF STAFF PRESENT:

Sandra Rahimi, Chris Chorebanian.

1. **WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Chairman Rushmore Cervantes called the meeting to order at 8:40am.

2. **ROLL CALL**

The following Governing Board directors were present:

Director Cervantes, Director Huber, Director Irish, Director Kalfayan, Director Montes.

3. **DISCUSSION ITEMS**

➤ **DISCUSSION ITEM 1 - LADF Pipeline Update and Investment Strategy**

- **Sandra Rahimi:** The first agenda item will be a discussion of the four projects and their status. The four projects under consideration are District Square, Wattstar, Lanzit and La Kretz. And in order to be equitable, as well as be efficient, I will make a short presentation about each project. Then each project will have five minutes to present its current status. Then the board will have hopefully five minutes or so of questions and answers for any clarification regarding that project. And then we'll move on to the next project. After all four projects have been presented, we'll have general public comments for about 15 or 20 minutes. And then we'll have the board discussion.
- The upcoming application hasn't been issued yet, but the general consensus in the industry is that it'll be due the beginning of September. In the past we have worked six weeks full time on the application in order to draft an application that is competitive. This year we will have to incorporate several changes from our previous year's application based on the changes in our management, so it might be even a little more time intensive. There will also be significant changes in our pipeline because, as you know we've thankfully started closing out our pipeline projects, so we need to build our pipeline for the application up as well. Management and pipeline are two very important parts of the application.
- So moving back in time, that would mean August 15 we would need to be prepared to be completely free to spend time on working on the application. And although there are consultants, and we do use consultants to help, there is a lot of staff time needed to gather the information. The consultants can't go through the city family and find out who does what and who is willing to be support for LADF. So that takes staff time.
- The CDFI Fund usually gives CDEs two months to work on the application. Closing all projects by August 15 should give us six weeks dedicated just to the application. And in this last round, CDEs that had allocation remaining, such as LADF, did not get a new award. So the goal should be to have all of our remaining \$20 million deployed by the time we're working on the application so that we can include in our application that we no longer have any allocation left.
- **Rushmore Cervantes:** And one further clarifying question. How much time does it take staff to actually prepare projects for funding with new market tax credits?
- **Sandra Rahimi:** Well, an eight week closing is aggressive. I've polled all of the potential partners in these deals saying that, if we go with your deal, we need to be closed by August 1, which would give us 2 weeks for unforeseen delays, and they've all said, "Well, that's an aggressive timeline, but we'll try and meet it." And the more complicated the deal is, the more documents are required to – you know inter creditor agreements and subordinations and things - so it's even more complex and time consuming to close complicated deals.
- **Rushmore Cervantes:** So tomorrow's June 1. So eight weeks that puts us at August 1. And you're saying that LADF could be fully deployed by August 1 and you need that much time?
- **Sandra Rahimi:** At minimum. Yes. And, you know, again, we're talking about closing two deals simultaneously. So that adds to the burden of potential delays.
- **Rushmore Cervantes:** For members of the audience I'd like to clarify that all four of these projects are equally as important to LADF and the City. What we're looking for today is the level of readiness. All of them are valid projects but due to the timeframe just outlined, LADF must focus on the projects that are most ready to go.
- So when Sandy goes through her presentation, she's really talking about not what's necessarily wrong with a project but what the issues are relative to readiness. So please understand that what we're looking at today is a level of readiness.
- **Sandra Rahimi:** I also want to point out that LADF has policies in place that define readiness. And I've asked each of the projects to provide me their current status based on LADF criteria to determine readiness and to provide supporting documentation. That update is what's reflected in the table included at the end of board memo as well as what's reflected in the narrative.

- **Joe Montes:** I would like to add that in addition to considering readiness we will also consider ability to execute. And ability to execute can be determined from a sponsor's past performance on deals.
- **Sandra Rahimi:** I also want to add that whatever LADF decides to do with its tax credits, all of these projects need more than just the \$10 million that we're contemplating. Each of them needs additional allocation and an investor willing to buy the tax credits to make it a valid investment.

DISTRICT SQUARE

- **Sandra Rahimi:** District Square is a project that the city and LADF have been looking at for quite a while. LADF staff has participated on closing calls for several months.
- District Square is an approximately 300,000 square foot shopping center located at Crenshaw and Rodeo. The total project cost is almost \$69 million. The sponsor has all of the funding lined up and an LOI from Wells as the investor for the tax credits as well as providing allocation.
- The challenge with this project is that it is not in a qualifying census track, which means that it has to qualify via targeted population regulations. Those regulations require 50% of the income of the project to come from QALICBs. And in this case it's a retail project so that means 50% of the tenants, which includes the five major tenants of the center, must agree to be QALICBs. And to be QALICBs those corporate tenants must keep separate books and records for their operations at this site. And they all need to agree to certain hiring practices so that 40% of their employees qualify as low income and are documented as low income individuals. As a cushion, Wells, as the investor, wants to see 60% of the site income coming from QALICBs for whom 50% of the employees are low income.
- This requires the five major tenants - Target, Ross, Marshall's, Burlington and Smart and Final - to agree to certain procedures for their hiring practices. And that has been the delay on closing the NMTC financing. The sponsor is negotiating with Target first as the largest tenant. And we have not yet been able to get Target to agree to a tenant operating policy agreement that will work for new market tax credits. And the problem is that we won't even know if we have a qualifying project until we have that document signed by all five of the tenants.
- So if we continue to wait on that project and then, as an example, three weeks from now Target says no or one of the other tenants says no, then we don't have a qualifying project and we have to scramble to find a new project.
- **Joe Montes:** On a scale of one to five, five being ready to go, where is this project?
- **Sandra Rahimi:** Well, as I said, it has all the other pieces in place. But it doesn't have that one key piece. No one will buy our tax credits if we don't have a qualifying project.
- **Joe Montes:** Is that a four or a three?
- **Sandra Rahimi:** Three and a half.
- **Joe Montes:** Okay.
- **Sandra Rahimi:** As I said, I mean it's a key component that's missing. All the other pieces are there. And that key component is a yes or a no. It's not just a timing issue; It's like there's certain things they have to agree to, and if they don't agree to it, we don't have a deal.
- **Patty Huber:** And the problem is that tenants have to have a process in place and the documentation to support it because otherwise the tax credits could be invalidated by the IRS. So, it could be a deal breaker.
- **Sandra Rahimi:** And because of the potential loss of the tax credits, no investor will buy.
- **Rushmore Cervantes:** I know there have been several amendments to the Target lease. Where we do we stand relative to the various amendments that have been signed?
- **Sandra Rahimi:** The amendments mostly address CDD and CRA hiring issues. The targeted population information is not in the lease but must be commemorated in a separate tenant operating policy agreement. That document is being negotiated by Wells' attorney and the borrower's attorney. Because both of these attorneys have to sign a legal opinion saying that the borrower is a QALICB and this is a QLICI and they will remain a QALICB and QLICI for seven years. Without this TOP Agreement, neither attorney is comfortable.
- **Karen Kalfayan:** And we need all five of the tenants?
- **Sandra Rahimi:** Yes. All five major tenants need to sign a TOP Agreement.
- **Karen Kalfayan:** How close to completion is the document with Target. Because obviously it would provide the model for the other four.
- **Sandra Rahimi:** Right. That's the idea.
- **Karen Kalfayan:** How close is it to finalization?
- **Sandra Rahimi:** Well, basically the document currently says that Target will make its best efforts to remain a QALICB, but that there's no penalty to them if they don't. And they don't really have to do it. So obviously, a prudent attorney is not going to accept that as any kind of constraint on the tenants.
- **Joe Montes:** The four tenants waiting for Target's TOP to be final? And then the other four companies will sign?
- **Sandra Rahimi:** LADF is not having direct conversations with the tenants, but that's what we've told.
- **Karen Kalfayan:** So how close is the Target to finalizing the document?
- **Sandra Rahimi:** I'm not sure because I am not involved in the conversations with Target, but I do know the documentation that I've seen is not where we need it to be.
- So if there are no other questions I'll call Ron Holley up to represent District Square.

- **Ron Holley:** Mr. Chairman, members of the board, good morning. Thank you for allowing us to speak on this project. We've been at it for about seven years now. And as Sandy indicated, our major tenants are Target, Burlington Coat, Marshall's, Ross and Smart and Final. We are literally one sentence away from being ready to go. We are under construction. Well, we're under demolition, if you will. We've canceled all the leases on 88,000 square feet. We've started demolition of the Rite Aid building. We've started demolition of the former cleaners. We've also started remediation of the contamination costs by the cleaners. We have our building permit in hand. We have our financing in place. And as I mentioned, we are literally one sentence away from Target signing off on the tenant operating policy agreement.
- Target has agreed to all of the other conditions of the targeted population requirements. They've agreed to the OPA. We have a fully executed lease with Target. The only remaining contingency item is this issue. We talked to Target last night. Our attorney, Eugene Cowen of Bocarsley, has sent them some revised language. We haven't really heard back yet if they have any issues with that language. We're hoping that they'll say, "That's good. We're ready to go." And as the board has already kind of worked through, the leases with the other tenants are ready to go but for this issue. And as you indicated, once Target signs, the rest of the tenants have already said if it's good with Target, it's good with us.
- So right now our expectation is that we should be able to resolve this final little nut and bolt issue with Target within literally the next few days. Unfortunately, they're a big company. Well, fortunately and unfortunately. I mean it's good because they're one of the best retailers in the country. And on the other side, they have 2,000 units and they like to operate them all the same. And we're telling them you have to operate this one differently.
- We've hired the Work Source Center, Gloria Moore, to basically handle the issues involving labor compliance. The tenants, Target and all the others, basically their good faith compliance is to use the Work Source Center. If they do that, by definition, they have complied. They have made a good faith effort. If they don't do that, they have liability for the reversal of the tax benefits from the new market tax credits. So they have every incentive to use the Work Source Center. Work Source Center is not free. But it is very reasonably priced. And this is also an enterprise zone, so all the tenants get tremendous benefits from the state for every employee that they hire.
- So we are ready to go. I mean it's been frustrating for us and it's been frustrating for Sandy because she's heard me on the conference calls for the last few months basically telling of the progress that we've had. We had issues with Ralph's cancellation of their lease. That lease is now canceled. We get possession of their building today. We will be fencing off the project and we will be demolishing that building as well within the next couple of weeks.
- **Joe Montes:** Who's your counsel on the new markets part?
- **Ron Holley:** Eugene Cowen from Bocarsley.
- **Male 1:** And he's the lawyer in communications with Target's counsel?
- **Ron Holley:** Yes. And Target's attorney is Danielle Casell. She's in Chicago.
- **Male 1:** Okay. And on a scale of one to five, five meaning Tuesday this would get signed by Target, where are you?
- **Ron Holley:** Four point nine.
- **Male 1:** You're that close.
- **Ron Holley:** Yes, sir.
- **Patricia Huber:** Have we seen this new language?
- **Sandra Rahimi:** No, we have not seen the new language.
- **Ron Holley:** Well, I didn't see a point of that until it's approved by Target so as not to bog Sandy down with the back and forth.
- **Patricia Huber:** Oh, just, no, I understand. Just more wanting to know where things are. That's all.
- **Rushmore Cervantes:** And what about the other four retailers. You mentioned Target, of course, and you're 4.9 away from getting it signed. What about the other four tenants? What kind of conversations have taken place with them?
- **Ron Holley:** All the other tenants are teed up and they've been kept in the loop with this discussion with Target. So as far as we're concerned, they should be ready to sign. Now Ross told us when we asked them to sign a couple of weeks ago, they said, "Look, it's gonna take us two weeks to sign. The chairman is here. The president's there." It takes some time to get their people just to literally sign even approved projects. So it's gonna take us a week or two to get all the rest of those leases signed. But once the log jam with Target is resolved, it should all just fall right into place.
- **Ron Holley:** Questions?
- **Sandra Rahimi:** I have one question. Do you have an update on the status of Wells as a investor and as a partner CDE?
- **Ron Holley:** Wells, like LADF, is anxious about the project going forward and so forth. And we've explained to them our state of readiness as well. And they're hanging with us. I mean they've basically given us one ultimatum after another and we've kind of passed through those with the explanation of what's going on. And Wells is being patient, if you will. They have the same problem with allocation. They didn't get an allocation either. The loan commitment from Wells Fargo is in place for \$29 million. They are ready to fund. And their commitment for an \$8 million allocation on new markets is still in place. And they're hanging with us.
- **Patricia Huber:** And they're okay with the recent change in the lease language?
- **Ron Holley:** Yes.

- **Rushmore Cervantes:** Any other questions? Thank you very much for your time.
- **Ron Holley:** Thank you.

WATTSTAR

- **Sandra Rahimi:** The next project under consideration is Wattstar Cinema. The project is construction of a 4-screen movie theater as well as 10,000 square feet of classroom space that will be used to provide training for low income and disadvantaged youth and individuals and prepare them for entertainment jobs. The sponsor has been working with Warner Brothers, who has agreed to provide 50 intern positions for students from this program. This, again, is a project that's been in LADF's pipeline for a while.
- **Joe Montes:** When you say a while, how long is that? The other project's been working on it for seven years. How long have they been working on this one?
- **Sandra Rahimi:** They've probably been working on it for that long or longer. It's been in LADF's pipeline for the past four years. LADF was actually prepared to go to closing last year on this project. The project involves a transfer of land from the CRA to the sponsor and the transfer happened, unfortunately, right before CRA was dissolved. They couldn't get clean title. So they had to work through that with the title company, which required approval from the new CRA oversight board and the governing board. And in the interim, the partner CDE had other timelines that they had to meet, so they pulled their allocation. This project needs approximately \$26 million in allocation. So LADF's \$10 million is not sufficient to close. It wasn't sufficient then, and it's still not sufficient to close.
- This project is also completely ready to close from a real estate perspective. It has its permits and controls the site. The one stumbling block is the allocation. Citi Bank CDE was interested in providing the necessary allocation, but we heard from them yesterday that they have a restriction on the allocation and they did not know if the developer could live with it. And it may take time for the developer to decide if it can to meet Citi's requirements. And, LADF's \$10 million is not sufficient to close. And if the project can't get the additional \$15 million now, we can't meet our timeline if we choose to move forward with this project.
- **Joe Montes:** And in terms of your team's assessment of this project, from one to five, how would you rate this in terms of readiness to close?
- **Sandra Rahimi:** I would say this is much like District Square. It is all or nothing. It's completely ready, but if they don't get other allocation, it can't close. So, again, I'd say 3.5. And, there's very little allocation available for the City of LA.
- **Patricia Huber:** Do they have any other CDEs besides the one lined up?
- **Sandra Rahimi:** There were two that I knew of that they were talking to. And both of them are not moving forward with the project right now. I have not heard of other CDEs contemplating an investment in this project.
- **Patricia Huber:** If we committed would other CDEs commit? Or is it not now it works?
- **Sandra Rahimi:** Well, there are not any other CDEs out there looking at it to my knowledge. I mean I think that's something the developer has to address.
- **Rushmore Cervantes:** Why don't we have the representatives come up now?
- **Sandra Rahimi:** Okay. Wendy Jacquemin for Wattstar.
- **Wendy Jacquemin:** Thank you very much for allowing me to represent Wattstar today.. I'm a Vice President at City National Bank in their community reinvestment department. I've been with City National for fifteen years. I've been on WattStar's finance committee since the beginning.
- Citibank came back with a couple of questions and we feel we've addressed them. And we're expecting that WattStar will be presented at Citibank's Tuesday committee meeting.
- We have another possible CDE, one that works with other CDFI banks. And so we're going to be looking at that. However, we can close this deal. We can close this with \$20 million in allocation. We can start. If we have the \$10 million from LADF and we get the Citi Bank allocation, we're ready to go. And we are, as Sandy said, completely ready. We've been poised to do this and had it not been for the RDA going down, we would actually be closed at this point in time.
- **Joe Montes:** Who's in communication with Citi? You personally?
- **Wendy Jacquemin:** No. It's Tony Smith. He's with SB Freedman. He's our consultant. And he also is working with Sandy.
- **Sandra Rahimi:** I spoke to Citi yesterday. That's how I knew that there was this issue.
- **Wendy Jacquemin:** Right. Tony feels that he's cleared that issue and he's waiting to hear from them on the Tuesday committee process. And so basically it looks like two weeks. We need about two weeks to –
- **Male 1:** From Tuesday.
- **Wendy Jacquemin:** Right. As soon as we know, yes. We need about two weeks to get that resolved. And basically once that is done, then we're ready to close. And we have a rather simple closing process. Our investor, our leverage lender are the same entity, Northern Trust. We've also sent documents to LADF prior to this meeting. These are documents you would normally not probably provide until closing. We've put our checklist together and we provided those documents.
- **Sandra Rahimi:** Those documents actually are for the CRA because there's some subordination and assignments that need to be addressed with CRA.
- **Wendy Jacquemin:** Okay.

- **Sandra Rahimi:** I've spoken to CRA and they have hired outside counsel in order to expedite the documents and get those issues resolved.
- **Wendy Jacquemin:** Those documents though are not per say issues. They're fairly normal documents. We just provided them in advance of the close. Normally those documents wouldn't have been provided prior to your closing checklist. We've been very proactive in getting everything we possibly can on the table beforehand so the process would be simple.
- **Joe Montes:** Who are some of your partners in this? I see Northern Trust.
- **Wendy Jacquemin:** Annenberg Foundation has funded a million dollars in predevelopment. They're also providing a full guarantee on the leveraged loan. We actually have a representative from Annenberg here today.
- **Male 1:** Okay. And is their million dollars contingent upon you getting the new market tax credit?
- **Wendy Jacquemin:** No. That money was predevelopment. That's already in the project.
- **Rushmore Cervantes:** Any other questions? No? Thank you very much for your presentation.
- **Wendy Jacquemin:** Thank you.

LANZIT INDUSTRIAL CENTER

- **Sandra Rahimi:** The next project is Lanzit Industrial Park. The total project is construction of 150,000 square feet of industrial space divided between three buildings in Watts. They recently closed the HUD 108 loan to start building one of the buildings. And they have used CDBG money to get that one building ready to go. It's going into plan check. There are a few outstanding issues; however, many of these issues are business decisions of the CDE and Investor rather than issues related to financing or New Markets Tax Credit regulations. I've spoken to Wells, the proposed investor, and they feel comfortable with having things such as permits and the lease be post closing. It's not uncommon. We've closed several transactions with the permits post closing. And unlike District Square, Lanzit doesn't need the lease to close to qualify for New Markets Tax Credits because it qualifies because of the location. So that can be post closing. They do have an LOI from the tenant.
- The history of the site has made it difficult for the developer to get a lease prior to beginning construction because people don't believe that it's going to happen. So the developer has an LOI from a company that's very interested in actually leasing both of the buildings. The new market tax credit money would be used to leverage the HUD 108 money to fund construction of the second building, because the HUD 108 money can build one building. But with our money they can add another 30,000 square feet or so, which would, without adding additional debt burden, allow more square footage to be leased to service the HUD 108 money.
- **Sandra Rahimi:** Wells is also the investor on this project. They're putting in allocation to round out LADF's \$10 million, so it would be just LADF and Wells. We have closed a deal with Wells in the past, so we have documents ready to go.
- **Joe Montes:** And it's the same deal team at Wells that's working on the other project?
- **Sandra Rahimi:** Yes.
- **Sandra Rahimi:** I'd like to call Albert Lemus to come up. He's representing Lanzit.
- **Albert Lemus:** Good morning. My name is Albert Lemus. I'm with Lowe Enterprises based in Los Angeles. We are representing Lanzit as their new market tax credit consultants. I think Sandy has done a very good job of presenting where the project is at. I have just a couple of comments. Lowe is also a CDE that's very active in the new markets community. We've closed approximately \$250 million in transactions over the last 2 ½ years, including one with LADF. I think we at Lowe are very good at knowing which projects are ready and which ones are not
- **Albert Lemus:** When the HUD 108 and CBG funds originally were contemplated I think they were always envisioned to be leveraged through a New Markets structure, with the goal being to bring targeted employment to this community. We have identified a tenant who's prepared to take down the buildings two and three on the project, approximately 78,000 square feet.
- One of the questions that we've been asked is if it possible for this tenant to move forward with only building three or the first phase of what's currently financed with the HUD 108 funds. The challenge for the tenant, and Mr. Moon is here today from the tenant, is that that space is insufficient for their needs. If they don't have the 78,000 square feet available to them they will have to find another venue for their manufacturing facility because the 45,000 will not meet their current needs.
- They anticipate that about 200 permanent jobs will be created on this site. I know it's represented here to be 90, and that's the initial amount. They are going to be importing raw materials and on site will be a series of presses that will actually bend the materials into doorframes. So they'll actually be doing real manufacturing on site. It is contemplated that all the positions will be full-time employment, with benefits.
- As a CDE, we know that all jobs are not created equal. Again, not to disparage any particular type of employment, but we do know that the CDFI Fund has a particular preference for using New Market Tax Credits to finance manufacturing, if it can be done. So that's one of the things I would ask you to please consider as you're evaluating all the different investment options in front of you.
- **Sandra Rahimi:** The type of project we invest in would factor into our upcoming application for additional tax credits.
- **Albert Lemus:** I think I've already touched a little bit on the activities that are planned on the site. Again, the firm Naerock International, the proposed tenant, has received awards from the mayor's office. They have offices in Los Angeles, but they're really looking for a manufacturing facility to build the next phase of their business.

- **Greg Irish:** Sandy, in your narrative you state that the subject investment will be Phase One of Lanzit?
- **Sandra Rahimi:** Well, because the site is entitled for 150,000 square feet which the plan expect to divide among three buildings. So this funding would basically build out half the site. And so ideally when people actually see activity at the site, the sponsor will be able to lease out the other building and begin construction perhaps in a second new market tax credit funding, which is not that unusual, or some other financing to have the site fully built out.
- **Greg Irish:** So phase one is fully funded?
- **Sandra Rahimi:** No. I mean the HUD 108 money can build one of the buildings.
- **Greg Irish:** Phase one.
- **Sandra Rahimi:** Well, if you do just one of the building then the project would be built in three phases because it's three buildings. With just HUD money, they can build one building. And then LADF's money could be leveraged to build two buildings at once.
- **Greg Irish:** So the first building is totally funded.
- **Sandra Rahimi:** That's my understanding. Yes. The HUD money is sufficient to build one building.
- **Patricia Huber:** But if they don't have the money for the second building they lose this tenant?
- **Sandra Rahimi:** Right.
- **Patricia Huber:** Okay.
- **Greg Irish:** Has the tenant agreement been submitted to CDD?
- **Rodney Shepard:** No, it has not. We only have an LOI, which we've submitted.
- **Greg Irish:** When can we expect to see the tenant agreement?
- **Rodney Shepard:** Well, again, the tenant wants 75,000 square feet, and right now with the 108 funding, we only have 45,000 square feet. So as soon as we get the funding to be able to complete the entire phase one and two, then we can submit the LOI to the CDE.
- **Greg Irish:** But even the tenant on Phase One is subject to the approval of CDD. I haven't seen it yet.
- **Rodney Shepard:** Of course. Any tenants will have to be approved by CDD.
- **Greg Irish:** Thank you.
- **Albert Lemus:** I did want to make one more comment related to the impact of the potential new market financing on the project. Trying to find tenants to lease the site and to do manufacturing onsite has not been easy. Mr. Shepherd has engaged a broker to pursue the leasing, but the site has a number of challenges. Having the new market tax credits to construct buildings two and three is a substantial benefit. And it benefits not just building two, which is the building we could add on with tax credits, but building three as well. Again, there's already a \$6 million commitment of HUD 108 funds to construct building three, but with NMTCs adding square footage without adding significantly to the debt service burden, building three can also offer the possibility of reduced rents to attract and entice manufacturing to the site. I think that's a very important point that I wanted to make sure that you were all made aware of.
- **Rushmore Cervantes:** Sandy, how does the lack of a tenant agreement in place right now because of insufficient space factor into your calculation of readiness?
- **Sandra Rahimi:** Well, closing this transaction without a lease in place is a business choice. The site qualifies for new markets tax credits. And Wells feels comfortable with closing without a lease. They've looked at the tenant information and they feel comfortable with them. I think the tenant's presence here at our meeting shows their commitment to the site. But as Rodney mentioned, if he don't have the financing to build the space the tenant needs, then the tenant obviously can't execute a lease for that space. And so if we require an execute lease to get the financing for that space then we have a chicken and an egg situation.
- **Joe Montes:** But on a scale of one to five in terms of execution, based on the facts that are presented, where are we?
- **Sandra Rahimi:** I would say this one is probably 4 ½. And that's based on the fact that they've already begun discussions with the mayor's office to help expedite the permits. And they seem to have a committed tenant who would be willing to execute the lease once they have the ability to confirm that developer will be able to deliver the space they need. As I've said, Wells is comfortable with closing like that. Closing does require CDD to approve using their HUD 108 funds as a leveraged loan. That will require negotiation, so that is the unknown factor.
- **Patricia Huber:** And I guess just in terms of this project, they only need our allocation to finish? Or do they need other CDEs to come in?
- **Sandra Rahimi:** Wells has committed to provide the remainder of the allocation they need.
- **Greg Irish:** But the tenant agreement has to be done.
- **Sandra Rahimi:** Wells is not requiring it to close.
- **Greg Irish:** But for CDD there has to be a tenant agreement that's approved by the department. So as was said, this project is in the same spot as the other projects that we've discussed thus far.
- **Sandra Rahimi:** Well, again, it's the chicken and the egg on this one. If they don't have enough space, they can't get a lease. And if you require a lease to close the financing, they can't build enough space.

LA KRETZ INNOVATION CAMPUS

- **Sandra Rahimi:** The final project under consideration is La Kretz Innovation Campus. Again, this is one that the board is familiar with because we've been looking at it for a while. The sponsor has been working diligently to get all

the elements in place in order to close a new market transaction. DWP is the sponsor. It will have some DWP exhibition space in it, as well as some incubator space for Clean Tech companies to begin and develop with the idea that since it's near the Clean Tech corridor when the companies are ready they would expand into space in the area and create synergy, a hub for developing the industry.

- **Joe Montes:** DWP is providing the real estate or they're providing financing or both?
- **Sandra Rahimi:** Both. Closing the transaction is subject to DWP final approval. But, without our approval DWP staff can't go to their board for final approval which requires them to represent that they've got all their financing in place. They need that last \$10 million from LADF. It's approximately \$43 million QEI. They have all the other allocation identified and committed and all the financing is in place. Conceptually DWP has agreed to NMTC financing; they've already set up a QALICB. They hired a new market tax credit consultant. They have a new market tax credit attorney. So there's no reason to think DWP wouldn't move forward with a new market tax credit financing.
- **Sandra Rahimi:** So Director Montes, in terms of your question, this one is a five. If it had our allocation, it would close by LADF's deadline.
- **Sandra Rahimi:** So I'd like to call up Kelli Bernard, who is with DWP.
- **Kelli Bernard:** Good morning. I'm Kelli Barnard, Director of Development for Los Angeles Department of Water and Power. Last year we hired a new market tax credit consultant, UFA. DWP and the city were very anxious to apply for new market tax credits last year in the round but we were told that we were not quite ready. So we decided to wait and go for allocation this year. And so I'm glad that we took the advice of our consulting team, because today I sit before you saying, but for this decision today we are ready go to. My board is scheduled on Tuesday, June 4, to approve our financing package. I went to my LADWP board on December 4, 2103. And at that time it was decided to allow the Bureau of Engineering, who is going manage the project for DWP, to issue the RFP for the general contractor. That has been done. As I mentioned, we are going to our board on June 4. Board of Public Works is going to hear it on June 5. In the document it says June 7 but they've already rescheduled it to go on June 5 so that they will select the contractor. We are ready to go.
- As Sandy mentioned, this is a very large project. We went to the market asking for \$43 million in allocation and with our partner, US Bank, who was very successful in this last round of allocation, we have secured all of that funding, including allocation from national allocatees. With the help of US Bank we have received commitments from Clearinghouse CDI, Urban Research Park and Consortium. They all went to their advisory boards last week and approved allocation, so we are ready to go.
- DWP will be a tenant in this facility along with the Los Angeles Clean Tech Incubator at 30,000 square feet. We will have a Work Force component there to provide Clean Tech training.
- **Joe Montes:** In here, Kelli, it shows that your projected job creation is 600 direct and then 1,080 indirect. Are the 600 direct jobs just DWP employees moving from one place to another?
- **Kelli Bernard:** No. We have done two studies and the bulk of the direct jobs that are being created by this project are from the incubator, which is going to be the primary tenant. So the incubator's currently in 3,500 square feet in their temporary location one block north of the site. They're going to move in to the subject site and expand to 30,000 square feet. So the bulk of the jobs will come from them. DWP will have a presence there and we will have our energy efficiency innovation center and our customer service on the site. But the bulk of the jobs will be from these companies that we are going to be incubating and then growing.
- **Joe Montes:** And what's the location?
- **Kelli Bernard:** It's downtown, literally a block from the Urth Cafe. In addition to the build out of the subject property, a portion of the site is going to be public park that is financed separately from this.
- **Joe Montes:** So you're less than a sentence away from closing. You're a vote away.
- **Kelli Bernard:** We're a vote away. And, again, I received confirmation this morning from our general manager that this item is on the agenda.
- **Joe Montes:** Who's the general manager of DWP?
- **Kelli Bernard:** Ron Nichols.
- **Joe Montes:** And he's actively involved in this project?
- **Kelli Bernard:** Yes, he's actively involved in this project. The board in December authorized him to sign and execute all of the new market tax credit documents. So the board understands that once we get into the transaction, we won't have time to go back to the board for approval. And so they gave him authorization to execute all of the documents. So he's reviewing the terms sheet that US Bank has already provided. Along with our lawyers at Kutak, the outside counsel we have hired.
- **Rushmore Cervantes:** Thank you, Kelli.
- **Kelli Bernard:** Thank you.
- **Rushmore Cervantes:** I know we have a number of speaker cards. So why don't we have members of the public come forward now before the board discussion?

6. PUBLIC COMMENTS

- **Sandra Rahimi:** And I'd just like remind everyone that in the interest of time they will be limited to two minutes.

- The first speaker is Mark Calopy, speaking on behalf of Wattstar.
- **Mark Calopy:** Good morning. Mark Calopy. I'm with JGM Architects. I'm here in support of the Wattstar Project. The project currently has all of its building permits in place. We have a contract for a guaranteed maximum price with Ed Grush General Contractor. And we have done preliminary site work on the project. The permits are still in force. And we are literally ready to go. So I simply wanted to reinforce that comment here with the members of the board. And I thank you for your time.
- **Rushmore Cervantes:** Thank you.
- **Sandra Rahimi:** The next speaker is David Cunningham, Jr..
- **David Cunningham, Jr.:** Good morning members.
- **Rushmore Cervantes:** Good morning, David.
- **David Cunningham, Jr.:** It's my pleasure to join here with you this morning. I'm here to support the Wattstar Theater Project. First of all, I serve as the chair of the for-profit piece, the theater. The issue is getting the financing necessary to get the theater built.
- I'm supporting the Wattstar Theater because many years ago Tom Bradley and I used to provide theater opportunities to Watts because they'd lost their theater. That was even before I was a councilman. So that would be almost 40 some years ago.
- Before Tom Bradley passed away he asked me to assist Barbara Stanton in the Wattstar effort. So we've been at this now for many years. But I think it's extremely important for us to understand how far we have come. I know how tough it is to pick one project over another. I've been in that position before. I used to chair the Grants Housing Community Development Committee, and we made a lot of these decisions. But I would be hopeful that if you take a look at the numbers, the facts, the figures, I think that we are ready to go. And I would ask that you take a look at the concerns that are important for not only for the new market tax credits, but also for the message that you send to the rest of the community. Thank you.
- **Rushmore Cervantes:** Thank you.
- **Sandra Rahimi:** Next speaker is Barbara Stanton.
- **Barbara Stanton:** Good morning board members.
- **Joe Montes:** Good morning, ma'am.
- **Barbara Stanton:** I know that you are in a difficult position. You have decisions to make. And I'm here to appeal to your sense of fairness to the Wattstar project. We actually have been incorporated since 1995. And over that period of time we have worked to bring to this project to fruition with the legal assistance from Latham and Watkins. The dissolution of the CRA was a major obstacle that had us hung up. But we overcame that. We have the deed. We're fully entitled. And to be honest, when we paid the \$25,000.00 deposit to LADF we had all the hope of getting to where we are right now. And where we are right now is that we have loans fully approved with the guarantee from the Annenberg Foundation. We do not have a 108 loan. We've had to really hustle to bring our private funding and the guarantee to not just the project, but to the Watts' community.
- My mom lives around the corner from this site. It's a critical thing for that community. We need you to continue to bring our partner. You've been partners with us on this project through mayors, through council people that have come and gone, through congress people, through assembly people. And we're ready now. So the 1.4 million people in my five mile radius are all rooting that you guys will do the right thing. I need you to do the right thing. We've been here. The funds were allocated for us. And now that we're 60 days before closing, please don't pull that rug out from underneath us. And I appreciate you allowing me to share this with you. We only anticipated Wendy speaking. But it's a critical time. And so I thank you. And, again, please, do the right thing for the community.
- **Rushmore Cervantes:** Thank you very much.
- **Sandra Rahimi:** Next speaker is Charles Lidzbarski.
- **Charles Lidzbarski:** Good morning. I'm Charles Lidzbarski and I am speaking on behalf of Wattstar Theater. From what you've indicated today the level of readiness is one of the main focuses. But I would like to point out that if there is a tie as far as a possible tiebreaker a project like Wattstar offers a fairly unique situation. All the projects have merits. What makes Wattstar unique is that it's not just a one-time real estate project that affects a development company of 20 or 30 people. But it affects the entire south central community. And it's not just a theater project, but basically it provides the facility that is then going to enable all sorts of other programs. It acts as a catalyst, as an enabler of other projects, which will impact the entire south central community. Making available other programs that can then emanate and benefit the community. I think a good example is what's happened with LA Live in downtown LA which has impacted not just downtown LA, but the entire Los Angeles area. From being a set of facilities from which has emanated a whole bunch of other programs. And this is a similar situation for Watts. Thank you very much.
- **Joe Montes:** Thank you.
- **Sandra Rahimi:** Next is Reynold Blight.
- **Reynold Blight:** Good morning. I'm Reynold Blight. I'm a board member of the Wattstar Theater and speaking on behalf of the Wattstar. I wanted to point out a couple of things. All of these projects, and I've worked on three of the four of these over the years, they're all excellent. It's too bad that they can't all be funded. I do have to say that if you all had waived the \$10 million limit last year and had given the Wattstar the \$20 million that you're talking about now, we would have been under construction, the money would be well on its way and you would have been in a much better position to get a new allocation.

- And, frankly, my point here is that the Wattstar has been ready to go for a year. And while all these other projects are now right on the cusp ready to go, we've been ready to go for a long time. We've had the city's allocation and we have our deposit in. So as Barbara said, if you pull the rug out from under us it creates a real problem then for us getting allocation from other sources. And I have to say that all four projects at this moment are in the same position we're in. We feel like we have the city allocation. We're looking for someone else to come up with the rest of our allocation. These other projects have other allocations and are looking to the city to make them whole. So I think we're all in equal position. And I would say given that I'd like to ask the board to just stay with your commitment to the Wattstar because we need that to get this project done.
- **Rushmore Cervantes:** Thank you, Mr. Blight.
- **Sandra Rahimi:** Dave Conforti from the Annenberg Foundation is next.
- **David Conforti:** Good morning, members of the board. I'm going to first congratulate everybody. All the projects sound terrific. You certainly have a big decision ahead of you. But I actually want to follow what Ronald was saying about, you know, in many respects, readiness is kind of moot. You know, no one likes to play the victim card, but when CRA dissolved last January, they had already released the land to us. So really, we were ready. We've had to play a waiting game until the new round of new market tax credit allocations were released this spring. And we had assumed, frankly, for a long time that the \$10 million from LADF was firmly in hand. So I'd like to think that it really should be three organizations here competing for the \$10 million, and the \$10 million that was allocated to us should still be there.
- I wanted to approach things just a couple of different ways. I want to talk about inspiration and I want to talk about moral imperatives, very, very briefly. To my knowledge, hasn't been an indoor movie theater in Watts in almost 47 years. The best part about this project is it's not even about the movie-going experience, but with Regal already aligned with us to manage the theater complex, we have no doubt that we are going to offer a first-class and world-class movie going experience, something that the community of Watts has not been able to enjoy in almost half of a century.
- But then how about the inspiration that project's going to provide? Think about the job opportunities that the training education center is going to provide. With a tremendous partner in Warner Brothers, they've already committed in writing to providing 50 jobs, not internships, jobs, to those graduating from the training center. Think of the inspiration that those youth there – in the Watts and South Los Angeles can say, "Wow, look what this center represents to me."
- Finally, I wanted to talk about the community support. Obviously, The Annenberg Foundation is providing loan support. Keith Rankin and Matt Toledo of LA Business Journal, they are also heading our capital campaign. One last comment. The president of Mann Theater said that there's a shortage in that area of 53 to 80 movie screens. When we kicked off our capital campaign in the fall, a woman at the meeting said, "Well, aren't you concerned that in a few years maybe AMC will come in and build a theater?" And I said, "Well, that's exactly what we're looking for, because look at the economic development that this project is going to inspire." Thank you.
- **Sandra Rahimi:** Next is Alison Becker on behalf of WattStar.
- **Alison Becker:** Councilman Busciano wanted to be here this morning, but he was unable to attend. I'm his proxy. For the record, my name is Alison Becker. I'm the Planning and Economic Development Director for the Councilman. I wanted to talk just a little bit about this question of readiness and making sure that readiness is evaluated across the board in the same way. I think Wattstar, as has been mentioned by all of the other speakers, is really not only shovel ready, but has a level of investment from the City of Los Angeles that spans more than a decade, through several Council Office administrations, through several mayoral administrations, and is really kind of an inspirational project, which we cannot afford to step away from at this moment in time.
- The City, in addition, through its redevelopment agency, has invested millions of dollars in this project, and to be at the cusp of closing and not allow the additional two weeks, which was suggested by the consultant on the project, to let WattStar work things out with the other CDE seems very shortsighted. Based on the closing schedule that your staff presented, it seems like you could perhaps make one decision for your project that ranks five, and allow another couple of weeks for the other projects, which suggest that they're sentences away or words away, and provide a little bit more time for those things to sort out. And certainly, our Council Office would be very supportive of that approach, given how important the Wattstar project is to our Council District.
- **Sandra Rahimi:** Next is Eric Boyd.
- **Eric Boyd:** Good morning. I'm Eric Boyd. I'm Deputy District Director for Congresswoman Janice Hahn, and I'm here to speak on behalf of Wattstar as well. Everybody has spoken so eloquently to the question of readiness, so I don't have to touch that one, and I won't. So then, you know, the Congresswoman is also one who's very fond of boiling things down to brass tacks.
- So for me, the word is future, which I think ought to be taken into consideration as well. Certainly, the job numbers speak to the future, what the return on this investment will be for the City, what have you. There is no stronger symbol of the future than our youth, period. There just isn't one. I think the Wattstar is the one project where we can pretty much assure that the jobs that are created are going to be occupied by people who live in the community. We're talking about youth ages 16 to 24, in all likelihood, and those are going to be kids who live in the neighborhoods that surround Wattstar.
- I don't know how you quantify the dollar value of the graffiti that won't be on walls as a result of these kids having jobs, and talking to their friends and saying, "Hey, there may be a job for you down the line as well." So, you know, how we quantify those things I don't know, but given that choice, I would hope you would consider it.
- Another thing that I think bears mentioning is the fact that we have no HUD 108 loan. Let me say that it bears noting that a family foundation, such as Annenberg, is willing to put a guarantee forward and invest their family's heritage as a

guarantee. I think that that's something that's very difficult to match. And so I would hope, again, you take all of these things into consideration, and keep in mind, again, the implications for our future, and that means our youth. Thank you.

- **Sandra Rahimi:** Steve Andrews from the Mayor's Office is next speaking on behalf of LA Kretz.
- **Steve Andrews:** Steve Andrews from the Mayor's Office. Just very quickly, just wanted to reiterate one key aspect of this. La Kretz Innovation Campus is a key component of the City's economic development strategy. And the City has backed up its commitment to develop a way to incubate new Cleantech jobs through the Department of Water and Power. They bought the land. They're putting their own tenants in this building to help build out the tenant improvements. The City Council has allocated funds multiple times, block grant funds, applied for EDA grants. The federal government's put up money for this.
- So – but for this, as Kelly said, we will be breaking ground this June. The bids are in. The contracts have been evaluated. The City is scheduled to issue the construction contract next week. The new markets tax credits is the piece that makes it all work, and we support the staff recommendation regarding the funding for this project.
- **Sandra Rahimi:** Next is Tanner Blackman.
- **Tanner Blackman:** Good morning, Chair and Director. This is Tanner Blackman, office of Councilmember Jose Huizar. I'll be brief as well. Just wanted to express the Councilmember's strong support for the staff's recommendation to fund La Kretz Innovation Campus. We've been working really closely with the Mayor's Office and the team at the La Kretz Incubator as well as DWP to ensure that this does break ground next month. And as mentioned earlier, this is sort of both part of the crucial economic development strategy of the City, and the City Council has made numerous sort of votes to support this effort, as well as we are working with Parks and Recreation to create a half acre park space on the campus to serve the growing residential community in this area as well. So thank you for your time.
- **Sandra Rahimi:** Next is Mark Vella on behalf of District Square.
- **Mark Vella:** Good morning, board members. My name is Mark Vella. I'm the economic development deputy for Council president Herb Wesson, and I'm here to cite our support for District Square project. I want to just talk about two issues. Number one, the multiple benefits from this project. District Square is a catalytic project, and it's part of the master plan originally prepared by the Community Redevelopment Agency for the revitalization of Crenshaw Boulevard. Besides being located in a transit-oriented district, this project is key to the revitalization because of the quality of tenants who are going to locate there.
- Secondly, the number of jobs that are going to be generated is impressive, 600 full-time, permanent jobs, 2,000 construction jobs. There's also a section 108 loan in this project, and as you're well aware, the section 108 requires at least 50 percent of the jobs go to low and moderate income individuals. As Ron Holly mentioned the developers are working with a Workforce Development agent as a referral source for potential qualifying employees for these jobs.
- There will also be \$1.3 million in sales tax generated, along with the goods and services provided by the tenants to the community. I think if you were to boil it down to the primary reason that the project is there now, it is because the community needs those goods and services, and they made it very clear to our office and to the Redevelopment Agency that this is what they wanted. I wanted to also talk about readiness. Well, I don't see how you can be more ready when you've demolished buildings on the site. So this project has activity taking place. All the leases have been negotiated. They're ready to be signed.
- Now this particular dollar amount that's being requested was always part of the financing structure. It was not something that just emerged, you know, recently. It was always there. So in my opinion, this project is not only unique because it is integral to the revitalization of Crenshaw and part of our master plan, but as a standalone economic development project. This project provides all the benefits that I just described. Thank you very much.
- **Sandra Rahimi:** Next is Rodney Shepard on behalf of Lanzit.
- **Rodney Shepard:** Good morning. Lanzit, as you heard, is a 9.5 acre site. It's been vacant for the last 30 years. The citizens of Watts need a place that's going to bring some income in. This is going to be an industrial building of 150,000 square feet once the site is fully built out. And what we're talking about is developing in two phases, building 2 as well as building 3 in Phase 1. We have the 108 funding for constructing Building 2. But as you heard, our tenant needs to have the whole 75,000 square feet in order to be able to come to the site, and to be able to bring the jobs and everything that the site so badly needs.
- We've also talked to the nearby Maxine Waters Employment Preparation School and worked out a relationship with them whereby they will train residents and prepare them for jobs on site. So not only are we working out a relationship with the tenant, but we're working out a relationship with the neighborhood, so that these low-income residents can be trained to be able to work at the site. So we really appreciate your help, if you can help us to get the site going, get it completed. This site has been needed by the community for a long time. Thank you.
- **Sandra Rahimi:** Next is Michael Kimbrough.
- **Michael Kimbrough:** Good morning. I'm Michael Kimbrough. I'm with ML Kimbrough and Associates. We're the project management firm responsible for the Lanzit development team. There's been some discussion about the readiness, and I just wanted to comment on that briefly. We have contacted the Mayor's Office. We are 90 percent complete with our drawings that need to go to Building and Safety for processing. I have put people in place, that if you give us the green light today, we will begin the process Monday or Tuesday of next week, and clearly we'll make the deadlines and milestones outlined in the agenda items concerning this project. Thank you.
- **Sandra Rahimi:** Next is Daniel Moon in support of Lanzit.
- **Daniel Moon:** Good morning. I am with Naerok Group and in charge of NTC, who is a prospective tenant of the Lanzit site. We have been working to bridge a gap that exists between our mother country and our adopted country to create

a relationship that could benefit both sides of it. And in doing so, we received an award as the 2013 Global Firm of the Year from the US Department of Commerce and the City of Los Angeles. In one of the efforts along that line, we saw the opportunity to have a US-made fenestration product that we could market effectively, and to do so, we have acquired the right to over 30 patents. We have engaged key members to train and teach any non-skilled workers to assemble the same product here in the US.

- So I do believe that if I have that opportunity, I can use those patents and the key members to hire at least 90 plus people in the first year at the Lanzit site, and the projection is to create 270 direct jobs over the next 3 years. We'll teach the American workers. They'll be skilled. And it will be profitable for us as well as for the community in terms of economy, and also the job creation. So I do believe that they're ready to go, and we are ready to go, so I would like to express my support for the Lanzit project.
- **Sandra Rahimi:** Next is Albert Lemus.
- **Albert Lemus:** Just a couple of comments. Lowe Enterprises is a community development entity similar to LADF. As such, we've evaluated over the last four years with our own allocation about 40 projects. One of the key criteria by which the Department of Treasury, CDFI Fund, evaluates projects is jobs per million. This particular project will generate approximately 15 jobs per million, which is, again, of the 30 to 40 projects we've evaluated, amongst the very highest of all of those, certainly among the top 3 to 5 percent. So job creation is a very, very significant criteria, something I wanted to submit for your consideration.
- The last point I wanted to make was that I know that there's been quite a bit of discussion related to readiness. I just wanted to point out that for those items that are still remaining open for Lanzit, that all those reside within the discretion of internal City of Los Angeles departments. Thank you very much.
- **Sandra Rahimi:** Our last speaker is Joyce Dillard.
- **Joyce Dillard:** I think you need to look for the intent of the new markets tax credit program, and it is job creation. You also need to focus on projects without CDD or CDBG money attached to them. It needs to be separate. And what I hate to see is a project come in that really has no benefit for those census tracts involved.
- Some of these projects have been placeholders for a long time. I have files from many years ago. It's a matter of looking, are they really ready? Whatever project it is. I have a problem with La Kretz because it's DWP. It's a government project. I don't see future jobs for those census tracts affected. I see the future jobs for university graduates not residents with low incomes. The patents are going to the universities, the royalties and things like that, so it's really kind of limited opportunities. So I'd like to see the new market tax credits create more than just construction jobs, and really, a forecast of what the projects can do with the money. This isn't about funding government projects. This is about job creation, and I have yet to see the city really affect these census tracts. And you really need to be stewards of that. Thank you.
- **Sandra Rahimi:** That concludes the public comment that we're received.
- **Rushmore Cervantes:** Okay. We will take a five minute recess.
- **[Break]**
- **Rushmore Cervantes:** I'd like to go ahead and call the meeting back to order. As a start I want to thank everyone for coming here today to provide testimony for each of these four worthy projects.

4. ACTION ITEMS

1. ACTION ITEM 1 – AUTHORIZE LADF STAFF TO ISSUE A LETTER OF INTENT TO PROVIDE A \$10 MILLION SUB-ALLOCATION TO LA KRETZ INNOVATION CAMPUS AND A \$10 MILLION SUB-ALLOCATION TO LANZIT INDUSTRIAL PARK.

- **Patricia Huber:** Mr. Chairman, we clearly have four strong projects, one of which I think is ready to go, and the other three each have something standing in the way. District Square is an awesome project, and the board has seen this and we've loved this project. It's just been the hold up on the targeted populations, which is probably the hardest way to qualify in the world. And if they're really one sentence away and can get that done within a week or so, I think we need to give that consideration.
- Same with Wattstar. We need to know whether or not they can get this second allocation that allows them to move forward, and they say they can get that within a week or so. I'm not quite sure what the answer is on Lanzit with the lease issue, but again, it's just one minor thing that we need to know whether or not they can get that before we know which projects can move forward. So from my perspective, what's pending for La Kretz is really just administrative. The board of DWP is on board. The Board of Public Works is ready to award a contract. That's all going to happen next week. I think we could commit \$10 million in allocation to that project, but I don't know about the remaining ten. I'm torn on which one to do.
- **Rushmore Cervantes:** Well, thank you for your comments, Patty. And as you can tell, this is a very difficult decision for this board. All these projects are important for the communities, and it's just a matter of which ones are ready. We're under the gun, if you will, to make these tough decisions, in order to have these monies obligated – in order to make us competitive for the next tax credit allocation application.
- I agree that the La Kretz project is ready. Based on what I've heard from the staff presentations, it sounds as though we are very close on all three of the other projects. Seeing that there is a time crunch in order to be able to disburse allocation and prepare the application, I certainly don't want to hold up a project that is ready to move forward, but at the same time, I want to give the other worthy projects an opportunity to do their due diligence, to provide the last sentence, if you will, to these projects.

- What I'm proposing is that the board entertain a motion that would approve La Kretz going forward, and give the other three projects two weeks from today, June 14, in order to complete that last sentence, whatever it may be, to be able to provide all the documentation necessary, whether it be the tenant lease agreements to get CDD for the 108 loan or get the tenant agreement for targeted populations.
- **Gregory Irish:** Mr. Chair, if you'll further indulge me, I'd like to clarify our expectations for each of these projects. For instance, with I imagine District Square, we would want the lease agreement and the agreement based on the hiring agreement signed, right? So you want definitive information from all five tenants in order for us to make a decision.
- **Sandra Rahimi:** Yes.
- **Gregory Irish:** We already talked about La Kretz. Wattstar would actually have to have a commitment of the additional allocation because our commitment is not sufficient, right?
- **Sandra Rahimi:** Right.
- **Gregory Irish:** And Lanzit would of course need a lease agreement that's approved by CDD, and then what's left? Did I cover all of them, I think?
- **Sandra Rahimi:** I believed you covered the salient points.
- **Gregory Irish:** I think I covered them all. Okay.
- **Karen Kalfayan:** So let's say we give the various projects two more weeks and everybody gets over that goal line. Can you remind us what should be the criteria for a decision? What will put LADF in the best position to receive another allocation?
- **Sandra Rahimi:** Well, there's two things to keep in mind. One is that over time, there has been an obvious tendency of the CDFI fund to favor business loans over real estate loans. We've been doing real estate loans because of our staffing issues and our partner issues. It's easier to show that we have staff and skills to do real estate loans rather than underwriting a working capital loan. But having said that, there are obviously variants of real estate loans that actually help a business. So certain deals have job creation attached to them, which is favored by the CDFI fund.
- Also, LADF's number one mission is to create good jobs for the City, you know, living wage, permanent jobs with benefits for city residents. So that is always been our number one goal, with community service as a secondary goal. And then creation of business tax income for the City, our third goal.
- **Rushmore Cervantes:** I don't know that the board's ready to move forward on any of the other three projects at this point. I think what would be prudent for the board would be to approve La Kretz now and give the teams of the three other projects until the 13th, 10:00 in the morning, to give staff sufficient time to evaluate whatever documents the projects can submit to them for the subsequent day's committee meeting.
- And I think it's important for the board to really understand if all three projects come forward on the 13th with all of these documents that are required to move forward, and they're all three ready, then the board has to make a decision, not based on readiness, but based on the impact to the community. So I think that it'd be important for us to memorialize for the three outstanding projects what criteria this board will use in order to make the decision, if in fact all three of those other projects come June 14th are all ready 100 percent.
- **Sandra Rahimi:** Again, it's job creation, both the number and the quality of the jobs. That is the number one criteria that LADF has had in its mission statement.
- **Rushmore Cervantes:** Okay. So I'd like to introduce a motion, and that the LADF board would approve the La Kretz project for the \$10 million new market tax credit allocation and the three remaining projects are to provide full documentation of being ready by 10:00, June 13th, followed by a board meeting Friday the 14th at 8:30.
- Moved by Director Cervantes. Seconded by Director Montes.
- Roll Call: AYES: 5; NOS: 0; ABSENT: 0; ABSTAIN: 0; Unanimously Approved.

2. **ACTION ITEM 2 – REQUEST FOR APPROVAL OF 24-MONTH EXTENSION OF PURCHASE ORDER CONTRACT WITH JOSIE DIAZ TO PROVIDE ACCOUNTING SERVICES. CONTRACT NOT TO EXCEED \$100,000.**

- Moved by Director Irish Seconded by Director Cervantes
- Roll Call: AYES: 5; NOS: 0; ABSENT: 0; ABSTAIN: 0; Unanimously Approved.

7. **REQUEST FOR FUTURE AGENDA ITEMS**

- The three remaining projects are to provide updated documentation regarding readiness and community benefits by 10:00, June 13th, for presentation at a board meeting Friday the 14th at 8:30.

8. **NEXT MEETING DATE AND TIME**

- June 14th, 2013 – 8:30 a.m.

9. ADDITIONAL PUBLIC COMMENT

- **Sandra Rahimi:** And we do have one request for public comment on a non-agenda item. Joyce Dillard.
- **Joyce Dillard:** I'm concerned about what's going to happen to the structure of LADF as CDD is eliminated, going into housing and economic development. That kind of changes everything, and I don't know if it fits in with the structure set up with the Treasury Department. And I think things will change July 1st. I don't know what's happening with Mr. Irish here. I haven't heard. But that whole structure of where the HUD money's been placed and watched and guarded is changing, which to me is huge in this, because part of this is really to affect the people that need it, so I think you need to address your governance structure pretty soon. Thank you.
- **Rushmore Cervantes:** Thank you for your comment.
- **Gregory Irish:** Thank you.

10. ADJOURNMENT

- Meeting was adjourned at 10:48am

Tab 3

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC
FRIDAY, JUNE 14, 2013

LADF STAFF PRESENT:

Sandra Rahimi.

1. **WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Chairman Rushmore Cervantes called the meeting to order at 8:40.

2. **ROLL CALL**

The following Governing Board directors were present:

Director Cervantes, Director Huber, Director Irish, Director Kalfayan, Director Montes.

3. **DISCUSSION ITEMS**

➤ **DISCUSSION ITEM 1 - LADF Pipeline Update and Investment Strategy**

- *Sandra Rahimi:* The next item is an update on the status of the various projects that were discussed at the previous board meeting. At the last meeting, the board recognized that there were some hurdles that were unique to each of the projects except for La Kretz that needed to be addressed before we could determine if the project was ready to go and could meet our timeline for closing in time for the application.
- So the first of the three projects is District Square. Since we last met, District Square has made some progress, but they still have not finalized a tenant operating policy with Target or the other four tenants. The tenant operating policy is the document that addresses how they're going to meet targeted populations regulations. Without this document District Square does not qualify for new market tax credits. Also since we last met, Wells Fargo withdrew its commitment to provide \$8 million in new market tax credit allocation.
- The issue with Wattstar was getting sufficient allocation. Since we last met Citibank has submitted an LOI to provide \$12 million in allocation, which along with our \$10 million would allow the project to be closed. They have continued to work with CRA regarding the various subordinations that need to be done in order to close. So Wattstar did meet the hurdles that were set at our last meeting.
- *Rushmore Cervantes:* When you say a project met all of the requirements, can you just for purposes of the audience just briefly review the items that need to be considered ready to go?
- *Sandra Rahimi:* In general a project needs to be ready to pull permits within an at least reasonable length of time after closing. Wattstar has its permits already in place. A project needs to have all the funding sources in place that are to be leveraged to generate sufficient QEI, which WattStar has. And a project needs to have sufficient allocation to fill the gap in the funding to close for the new market tax credits, which with this LOI from Citibank WattStar now has.
- *Rushmore Cervantes:* WattStar has met all those requirements?
- *Sandra:* Yes.
- *Patty Huber:* The last time around there was a whole list of documents that needed to be reviewed by the CRA. What is the status of that?
- *Sandra Rahimi:* The CRA has been reviewing the documents and working with the developer and the CRA feels they can meet our timeline.
- *Patty Huber:* But are they executed yet?
- *Sandra Rahimi:* No, but they've started negotiations. Those are documents that would normally be part of a closing. They're just the subordination documents and assignments, which are a normal part of closing in any real estate deal. They have begun discussion with the recognition that obviously if it's going through a government entity it has a longer timeline perhaps than if a regular lender or a regular landlord was subordinating, but they have their attorneys reviewing it and they have hired outside attorneys to expedite it. Again CRA has been a big supporter of this project and a lot of the documents are related to CRA transferring the land and other actions that have always been contemplated for moving this project forward. So the CRA has given WattStar priority to try and meet the timeline that we have.
- The next project is Lanzit. As I mentioned all the projects need to have a leverageable loan in place because new market tax credits can't stand alone. Lanzit has a HUD 108 loan, but there are certain hurdles, things they have to work out with CDD. CDD has not gotten comfortable regarding the tenant lease for the space. So they continue to work on the tenant lease because obviously it needs to be addressed in any event, but they're at this point not ready to move forward.
- *Rushmore Cervantes:* Okay, well thank you very much for that update, Sandy. Now this was a follow up from our meeting two weeks ago when we described to the audience that the LADF needs to make a final decision today as to

the investment of its remaining \$10 million in allocation. There were four projects two weeks ago. La Kretz was ready to move forward and we committed to that project. We provided the other three projects two weeks additional time in order to demonstrate their readiness to move forward. All four projects as we discussed two weeks ago are all valuable to the community and meet the intent of the new market tax credits program. Now it's a matter of this board trying to get the last \$10 million out in order for us to be able to compete for the next round. We were unsuccessful this last round because we still had \$40 million leftover at the time of the application. So in order for us to compete in the next round we have to demonstrate that we have all our monies disbursed by the application deadline. That is the reason why we need to make a decision today to allow ample time for staff to get not only the La Kretz project that was identified two weeks ago but whichever project we identified this morning to move forward. The other two that are not selected today will be in the queue for the next round. Hopefully we'll be successful when we apply again. So today's discussion is to determine which project or projects are ready. So based on this discussion we had, Sandy, it appears that you have identified one project that is ready to move forward of the three, correct?

- *Sandra Rahimi*: Correct. Wattstar.
- *Rushmore Cervantes*: Okay. So with that as a backdrop we have a number of speaker cards. I think it would probably be appropriate to hear from each of the speakers now unless any of the board members have any questions for Sandy? Seeing none, what we would like to do then, Sandy is have you call up each of the speakers and provide them two minutes to address their particular project.
- *Sandra Rahimi*: Okay. The first speaker is Ron Holley on behalf of District Square.
- *Ron Holley*: Good morning Mr. Chairman, members of the board. I am Ron Holly of RH Properties. I'm a consultant for the Charles Company, as I did last time speaking in support of District Square. It's true as Sandy recapped we've not reached closure with the folks at Target yet, but we're getting very close. We're much closer than we were two weeks ago, but we're still not quite there yet. The problem continues to be that they have 2,000 stores and they want to run them all the same and we're asking them to run one differently than all the rest, so that's the difficulty we're having with their operations folks.
- The thing I'd like to point out to this body, however is the disparity in the application of standards, and what I mean by that is that we're being told that we have to have all of our documents signed, not LOIs. LOI is a letter of intent, which means an agreement to agree, which means there's still negotiations going on in our document. Our lease is signed with Target. We've had a fully executed lease for over a year. We have a building permit. We have our Section 108 loan done. It's being funded. CDBG funds have been funded. The float loan with the City of L.A. is finalized and done and being funded. We own the property. We've gotten rid of all the tenants. We are demolishing existing buildings as we speak, and but for this tenant operating policy, which is a unique requirement of new market tax credit targeted population, we'd be done and on our way.
- So what I'm pointing out is that if you hold others to a standard of an LOI, which means they still need negotiations being done, and that's what I'm hearing for the other two projects, then why are we being held to a much higher standard? And I understand your task is to get the money out, and we appreciate that, but District Square is a meritorious project that generates 2,000 construction jobs and 600 retail jobs, \$1.3 million in sales brings tax income to the city. So thank you for your time.
- *Chairman*: Thank you, Mr. Holly.
- *Sandra Rahimi*: The next speaker is Mark Vella.
- *Mark Vella*: Good morning, board members. My name is Mark Vella. I'm the Economic Development Deputy for Council District 10. I'm just going re-state what I said last meeting but more briefly. The reasons we support District Square is one, that it's a catalytic project with the multiple public benefits cited by Ron Holly, and two, we believe as Ron described it's about as ready as a project can be. Thank you very much.
- *Rushmore Cervantes*: Thank you, Mark.
- *Sandra*: The next speaker is David Cunningham in support of WattStar.
- *David Cunningham*: Good morning. First of all I want to express my appreciation to the board and to the staff for your diligence, for allowing us the time to achieve what we wanted to achieve. I'm president of the Wattstar Theater, which is the for-profit, and I would like to just quickly say all of us were told what the requirements were, what we should come back with, and I must say that for the last several days, Barbara Stanton and all of us who have been part of this project have spent our time diligently working on those issues to come back to you prepared. I want to thank LADF staff for their forbearance and for working with us, and you can see we're ready to go. We hope and pray that you will hold fast with what you instructed us and said if we come back with it that you would respond. So I appreciate that. Thank you very much.
- *Chairman*: Thank you for your time.
- *Sandra Rahimi*: Next speaker is David Conforti also in support for WattStar.
- *David Conforti*: Thank you. I'll be very, very brief. My name is David Conforti and I am with the Annenberg Foundation. Generally what I want to reiterate what I said a couple of weeks ago about the visioning and the moral imperative for the project, so we do appreciate the extra couple of weeks to get the allocation pinned down with Citibank. We're working with all the best financial minds that we know of through Northern Trust, SB Friedman, our own Director of Finance and with Latham and Watkins and everything's shored up. We are very, very excited and we can't wait to get the shovel in the ground, so thank you very much once again.
- *Rushmore Cervantes*: Thank you.
- *Sandra*: The next speaker is Enoch Mack also in support of WattStar.
- *Enoch Mack*: Good morning. Thank you for allowing me to speak. My name is Enoch Mack. I'm a painter and sculptor, with 20 years in the industry as a prop maker and set designer. I'm really excited for this project to move

forward. I've been waiting on this project for quite some time and when I heard the go-ahead on it, I was just ecstatic. I appreciate your time and thank you for the opportunity.

- *Rushmore Cervantes*: Thank you, Sir.
- *Sandra Rahimi*: Next speaker is Barbara Stanton on behalf of WattStar.
- *Barbara Stanton*: Good morning, Mr. Chairperson and board members.
- *Rushmore Cervantes*: Good morning.
- *Barbara Stanton*: We want to thank you for all the work that everyone has done on our behalf. We are what I would call fully loaded, and we are looking forward to breaking ground. When we do, we'll have 270 jobs for the community with a 30 percent participation rate from the community. Upon opening we'll have 30 jobs at the theater and an additional 10 at the education center. Then over a nine-year period we will train and put into place 490 residents from the community. So we intend to be the stellar project for Los Angeles for your application for next year, because by the time you do hopefully we'll be breaking ground. Again thank you for your time, and thank you, Sandra for pulling all of it together.
- *Rushmore Cervantes*: Thank you, Barbara.
- *Sandra Rahimi*: The next speaker is Paul Manganiello on behalf of WattStar.
- *Paul Manganiello*: Thank you. I'm Paul Manganiello from the Annenberg Foundation. Again I'll keep comments pretty brief. We've been involved with the Wattstar project since 2008 through grant support. I know you've heard from my colleague Dave Conforti. I wanted to make the trip out today again just to show our support from the financial side on the commitment for the Wattstar project. We feel we're well positioned. Sandy has done a great job pushing us here and we appreciate your support.
- *Rushmore Cervantes*: Thank you, Paul.
- *Sandra*: Lisa Cleri Reale?
- *Lisa Reale*: Good morning. Thank you. Again I'm involved with the Annenberg Foundation on the Wattstar project, but what drew me to the project was another hat I wear, which is as a board member of the Watts Willowbrook Boys and Girls Club. I can't think of anything that will help our club members more than the revitalization of the community in which they live, and that starts with Wattstar, so thank you very much for considering it.
- *Rushmore Cervantes*: Thank you, Lisa.
- *Sandra Rahimi*: That's all the public comment cards that I have.
- *Rushmore Cervantes*: Okay. Members, do we have any questions or comments? No?

4. ACTION ITEMS

ACTION ITEM 1 – AUTHORIZE LADF STAFF TO ISSUE A LETTER OF INTENT TO PROVIDE A \$10 MILLION SUB-ALLOCATION TO WATTSTAR CINEMA & EDUCATION CENTER. TO BEGIN THE CLOSING PROCESS ON WATTSTAR NO LATER THAN JUNE 21, 2013 WITH A TARGETED CLOSING DATE OF AUGUST 15, 2013 AND AN OUTSIDE CLOSING DATE OF AUGUST 29, 2013.

- Moved by Director Montes. Seconded by Director Huber.
- Roll Call: AYES: 4; NOS: 1 (Director Irish); ABSENT: 0; ABSTAIN: 0; APPROVED.

5. REQUEST FOR FUTURE AGENDA ITEMS

- None

6. NEXT MEETING DATE AND TIME

- TBD

7. PUBLIC COMMENT

- *Chairman*: Any public comments?
- *Sandra*: I have received no additional requests to make public comments.

8. ADJOURNMENT

- Meeting was adjourned at 9:30 am.

Tab 4

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: February 13, 2014
SUBJECT: Bobrick 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 the modifications in the Bobrick New Markets Tax Credits ("NMTC") transaction.

SUMMARY AND BACKGROUND

On December 28, 2012, the LADF closed on \$10mm of NMTC financing for the Bobrick project in North Hollywood. Due to unforeseen delays in the design development and entitlement processes, the project is behind schedule for completing construction at the original anticipated date of June 1, 2014. More specifically, these delays are attributed to obtaining a height variance, moving the location of power lines serving the building, and the method for handling storm water runoff. The expected construction completion date is now expected to be December 1, 2014. Additionally, due to changes in scope of tenant improvements for the office space, the project's budget has increased from \$19.7mm to \$24.9mm. The change of approximately **\$5.2mm** will be required to be reserved upfront ("Deficiency Deposit Reserve") by Bobrick ("Guarantor"). In anticipation of approval and execution of the proposed loan modification, Bobrick began construction as soon as permits were received on October 17, 2013. Therefore, the Guarantor has already expended **\$3.6mm** towards the construction of the project, and the actual Deficiency Deposit Reserve will be the net difference of the increase in budget and the amount expended-to-date (approx. **\$1.5mm**).

Prior to drafting amendments to the closing documents to reflect these modifications, Wells Fargo Bank ("NMTC Investor" and "Leverage Lender"), LADF, and Bethany Square (*LADF's partner CDE lender*) drafted a revised joint term sheet, which includes all of the amended terms that have been fully negotiated with 11611 Partners ("QALICB") and Bobrick. Execution of this revised joint term sheet is awaiting LADF's approval. Additional documents that need to be amended as a result of the modifications are the QLICI Loan Agreement and the Completion and Repayment Guaranty Agreement. Additionally, a new Pledge and Control Agreement will be entered into to provide LADF and Bethany Square security in the Deficiency Deposit Reserve, held by Bobrick in a separate bank account.

The QALICB's tax counsel will issue a date-down opinion letter that reaffirms the tax opinions issued to LADF and Bethany Square on behalf of the QALICB for the closing of the loan on December 28, 2012. Further, the date-down opinion letter will describe and analyze the effect of the modifications on the loan's status as a QLICI and the status of 11611 Partners as a QALICB. To support the date-down opinion letter, the QALICB has also engaged Novogradac to update the financial projections for the NMTC transaction.

REQUEST

To put the proposed terms into effect, the President of LADF and LADF Management, Inc. will be required to execute the following documents:

- Revised Joint Term Sheet
- First Amendment to the QLICI Loan Agreement
- First Amendment to the Completion and Repayment Guaranty Agreement
- (New) Pledge and Control Agreement [Deficiency Deposit Reserve]

The following sections provide additional detail of the amendments to the agreements that are impacted by the modifications in the Bobrick transaction.

First Amendment to the QLICI Loan Agreement

The significant provisions of the First Amendment to the QLICI Loan Agreement include:

- *Required Completion Date*
 - Original Agreement: June 1, 2014
 - Amendment: December 1, 2014 for Industrial/Manufacturing space
April 30, 2015 for Office space
- *Utilization of Loan Proceeds*
 - Original Agreement: Within 18 months from closing date of the original Loan Agmt
 - Amendment: Within 24 months from closing date of the original Loan Agmt
- *Commencement of Operations*
 - Original Agreement: [Provision new to modification]
 - Amendment: January 6, 2015 for Industrial/Manufacturing space
May 29, 2015 for Office space
- *Delivery of Final Permits*
 - Original Agreement: February 2013
 - Amendment: November 1, 2013
 - [This condition of delivery of permits and related documents was met by Nov. 1, 2013]
- *Deficiency Deposit for Change in Budget*
 - Original Agreement: [Provision new to modification]
 - Amendment: To be deposited into a controlled account by January 2014

First Amendment to the Completion and Repayment Guaranty Agreement

The significant provisions to the First Amendment to the Bobrick Completion and Repayment Guaranty Agreement include:

- *Deficiency Deposit Reserve Account*
 - Original Agreement: [Provision new to modification]
 - Amendment: \$1.5mm to be deposited into an account held by Bobrick and pledged to and controlled by LADF and Bethany Square
 - Funds in the reserve must be used prior to LADF and Bethany Square making any further disbursements of the QLICI loan proceeds.

RISKS AND MITIGANTS

Risk: New Construction

Projects involving new construction pose several risks from the lender's perspective, including design and builder's risk, which would negatively impact the success of the project, and thus the security of the loan.

Mitigant

The Bobrick project has already cleared the early, pre-construction milestones (i.e. design development and permitting) that helps mitigate much of this risk. Additionally, construction commenced in October 2013 and progressed through the completion of the building's framing (i.e. tilt-up panels) as of the end of January 2014, and the project's next milestone will be completion of the building shell at the end of April 2014. The new construction risk is further mitigated by the unimpeded progress of construction since commencement.

Risk: Compliance with IRS and Treasury Regulation Regarding Non-Qualified Financial Property

The Internal Revenue Code and Treasury Regulation provide a safe harbor of 12 months for *Qualified Low-Income Community Investments* ("QLICs") that will be expended for construction of real property. Realizing that this is an unrealistic expectation for most real estate projects, attorneys in the NMTC industry have mostly accepted an 18-month time period as "reasonable working capital" when issuing QALICB tax opinions. This was also the case for the Bobrick transaction.

Since closing, the Bobrick project has experience unexpected delays which have increased the expected construction timeline from 18 months to 24 months. This extended time period puts the Bobrick project at risk of not complying with the Non-Qualified Financial Property test, which would compromise the qualification status of the LADF loans as QLICs and the 11611 Partners borrowing entity as a QALICB.

Mitigant

The QALICB's attorney in the transaction has reviewed all of the pertinent documents related to the project modifications, and has determined that the new 24-month timeline for "reasonable working capital" is appropriate for this project and would not cause the borrower to violate the Non-Qualified Financial Property test. On this matter, the QALICB's attorney will be issuing a legal opinion, which has been reviewed by LADF's attorney, and which will provide LADF with reasonable expectation protection.

Tab 5

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: February 7, 2014
SUBJECT: Request for Approval of Sandra Rahimi and Chris Chorebanian to represent LADF at CohnReznick's NMTC conference in Miami on April 29 & 30, 2014.
Request for Approval of Sandra Rahimi to represent LADF at Novogradac's NMTC conference in Washington, D.C. on June 12 & 13, 2014.

RECOMMENDATION

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes Sandra Rahimi and Chris Chorebanian and to represent LADF at CohnReznick's NMTC conference in Miami on April 29-30, 2014.

That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes Sandra Rahimi to represent LADF at Novogradac's NMTC conference in Washington D.C. June 12-13, 2014.

Cost for the conference attendees would be paid from LADF's Marketing budget.

SUMMARY AND BACKGROUND

At the San Diego NMTC Conference in January 2014, Bob Ibanez stated that the CDFI Fund expects to announce the new awards in late April or Early May 2014. Bob also stated that regardless of when the awards are announced, the CDFI Fund expects to issue the applications for next year's allocation in July/August with a Sept/Oct due date on the application.

As the awards approach, QALICBs and their NMTC consultants will become increasingly active in recruiting allocation for projects that can close in calendar year 2014. Investors and CDEs will also be actively aligning their interests on projects in order to facilitate rapid closings to meet the next application round deadlines.

Miami

The main conference is officially scheduled for April 29th and 30th, inclusive; however, due to the distance and the networking events scheduled for the evening of April 28th, Ms. Rahimi and Mr. Chorebanian would require three nights of hotel and two days of travel. They would attend the conference and networking events on behalf of LADF.

The total cost for the Miami conference is currently estimated at \$3,360, broken down as follows:

Sandra Rahimi:

Conference fee	0
Airfare	\$400
Baggage	50
Hotel	946
Taxi	154
Per diem	130
TOTAL	\$1,680

Chris Chorebanian:

Conference fee	0
Airfare	\$400
Baggage	50
Hotel	946
Taxi	154
Per diem	130
TOTAL	\$1,680

Washington D.C.

The main conference is officially scheduled for June 12th and 13th, inclusive; however, due to the distance and the networking events scheduled for the evening of June 11th, Ms. Rahimi would require three nights of hotel and two days of travel. Ms. Rahimi would attend the conference and networking events on behalf of LADF.

The total cost for the Washington, D.C. conference is currently estimated at \$2,332, broken down as follows:

Sandra Rahimi:

Conference fee	\$500
Airfare	480
Baggage	50
Hotel*	\$1,019
Taxi	130
Per diem	153
TOTAL	\$2,332

* LADF staff will continue to seek a lower, government rate for hotel as the time of the conference approaches.

DISCUSSION

CohnReznick and Novogradac are the two largest CPA firms in the NMTC industry. These annual conferences provide invaluable networking opportunities for the LADF. The conferences are attended by developers, investors, CDFI Fund staff and other NMTC allocatee partners. The conferences also provide up-to-date information on the status of the NMTC program and industry best practices. They

are also a great opportunity to hear about projects and build relationships with the potential partners active in the NMTC world.

At the conference, QALICBs and consultants will be discussing projects in anticipation of award announcements in late April or early May of 2014. The conference will expose LADF to additional City of Los Angeles projects beyond its current pipeline. These projects will provide alternatives if the projects in LADF's pipeline stall and to build a future pipeline for the application for the 2015 round.

In the event LADF is not awarded additional allocation, investors, QALICBs and consultants have requested that LADF staff assist in promoting projects in the City of Los Angeles. This is especially important for sourcing allocation from national CDEs that are not necessarily aware of the needs of our communities. These conferences, which have attendance drawn nationwide, are important venues for this work.

The agendas for the conferences have not yet been issued, but copies will be forwarded to the Board Members as soon as they are made available.

Tab 6

MEMORANDUM

TO: LADF Board of Directors
FROM: Sandra Rahimi, LADF Secretary
DATE: February 13, 2014
SUBJECT: Los Angeles Roundtable Event with Developer Community in March 2014

RECOMMENDATION

That the Los Angeles Development Fund ("LADF") Governing Board of Directors authorizes LADF staff to co-host a roundtable event with Chase Bank and CDE partners at an apportioned cost of up to \$500. Costs would be funded from LADF's marketing budget.

SUMMARY AND BACKGROUND

Chase Bank, an investor partner to LADF on four of its eight closed transactions, has invited LADF and several other local CDEs to participate in a round table event to increase developer awareness of the NMTC program. The other CDEs include Genesis, a CDE/CDFI whose service area is LA County, and Calif. Statewide Communities Development Authority, a statewide CDE. Genesis and CSCDA are definitely attending. Chase has also invited LIIF, a national CDE/CDFI headquartered in San Francisco.

The event will be held in the week of March 10, 2014 at Chase's offices in downtown LA. Refreshments will be offered. The program would include an explanation of the NMTC program and each of the CDEs could discuss some sample projects and what kind of projects they are looking for.

The estimated cost of the event is \$1,000 to cover refreshments and any expenses related to location and equipment rental. Depending on how many companies co-host the event with Chase, cost to LADF could range from \$250 to \$500. The approval of this action item would allow for LADF to participate up to an amount of \$500.

LADF staff would use this event to request HCID and ECWW staff to identify and invite developers who should/could consider using the NMTC program to further City projects.

This event will allow LADF staff to directly reach out to the developer community and discover any potential NMTC projects that LADF could (i) invest in with any future awards of NMTC allocation and/or (ii) aid in attracting NMTC allocation from other CDEs.

In addition, the CDFI Fund looks positively on such outreach and LADF will be able to highlight the event in the next application.