

# LADF

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LOS ANGELES DEVELOPMENT FUND

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

**The Los Angeles Development Fund  
*and*  
LADF Management, Inc.**

**April 9, 2015**

**MEETING of the  
GOVERNING BOARD OF DIRECTORS of  
THE LOS ANGELES DEVELOPMENT FUND and LADF MANAGEMENT, INC.  
APRIL 9, 2015**

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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 1060  
200 N. SPRING STREET, LOS ANGELES, CA  
Thursday, April 9, 2015 | 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"> <li><a href="#">September 4, 2013 – Joint Board Special Meeting</a></li> <li><a href="#">October 16, 2013 – Governing Board Special Meeting</a></li> <li><a href="#">December 5, 2013 – Joint Board Special Meeting</a></li> </ul>		Tab 2
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5	Action Items <ol style="list-style-type: none"> <li>Request for Authorization of the LADF President, or designee, to enter into a purchase order contract with Novogradac &amp; Co. to provide external auditing and tax preparation services to LADF and its subsidiaries. The term of the purchase order will be for two years with two 12-month extension options. The purchase order total is not to exceed \$750,000.</li> <li>Request for Authorization of the LADF President, or designee, to enter into legal services agreements with five (5) firms to provide transactional legal services as needed. The terms of the agreements will be for five years with no extension options.</li> <li>Request for Approval of Sandra Rahimi to represent LADF at CohnReznick's NMTC conference in Miami on May 12 &amp; 13, 2015</li> <li>Request for Approval of Sandra Rahimi to represent LADF at the NMTC Coalition's policy conference in Washington D.C. on June 9, 2015</li> <li>Request for Approval of Sandra Rahimi to represent LADF at Novogradac's NMTC conference in Washington D.C. on June 11 &amp; 12, 2015</li> <li>Request for Approval of LADF extending its membership in the NMTC Coalition</li> </ol>	Sandra Rahimi	Tab 4 Tab 5 Tab 6 Tab 6 Tab 6 Tab 6
6	Request for Future Agenda Items	Rushmore Cervantes	
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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 AND ADVISORY BOARD OF LADF AND LADF MANAGEMENT, INC WEDNESDAY, SEPTEMBER 4, 2013

#### LADF STAFF PRESENT:

- Sandra Rahimi
- Chris Chorebanian

1. **WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Director Huber called the meeting to order at 1:05 pm.

#### 2. ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Huber, Director Kalfayan, Director Perry
- Director Cervantes (Chairman) (*arrived at 1:07 pm*)

The following Advisory Board directors were present at the meeting:

- Director L. Williams, Director Espinoza, Director G. Williams

#### 3. DISCUSSION ITEMS (*presented after Action Items below*)

##### ➤ DISCUSSION ITEM 1 – LADF PIPELINE UPDATE

- Sandra Rahimi: Chris is going to give you an update on La Kretz. I just had an email; it got approved today by City Council so it's all ready to go from the City's point of view, and the NMTC documentation is all ready to go. Actually Chairman Cervantes has the whole stack of NMTC documents for signing, but there is one minor change in the structure from what was presented.
- Christopher Chorebanian: Yes, this change was made after we got the investment approved at the August 1st meeting. The changes relate to the real estate ownership structure. Originally the QALICB was supposed to have a fee interest ownership. There was going to be a purchase and sale between LADWP and the Special Purpose Entity QALICB but that was going to trigger a 30-day comment period and additional approvals would be needed. We and the other CDEs wanted to meet the September 18th application deadline and be able to put this project in our application, so we decided to go with a lease-lease back structure. In the current scenario LADWP will ground-lease the property to the Special Purpose Entity QALICB which would then master-lease it back to LADWP. The original structure included a master lease with LADWP. So the change is that now our security interest is in a leasehold instead of a fee-simple interest but that risk is mitigated by the fact that the leasehold has a 50-year term, which is a really long term lease, and all the rent is pre-paid up front. There will be a Non-Disturbance and Attornment Agreement between the lender and the tenant and the landlord. The attorneys deem this an immaterial change, but we wanted to make the board aware of this change from what was approved.
- Sandra Rahimi: The change doesn't require a vote. This is just an information update.
- Chairman Cervantes: Great. And Sandy, before you describe the projects that are in the pipeline, I'd like you to remind the Board of the timeline that we need to take in order to get another project in the queue to have it closed before the December check by the CDFI Fund.
- Sandra Rahimi: Well, I expect that we'll need to schedule another Special Board Meeting immediately after I get back from New Orleans. At that meeting I'll recommend a project to the Board for investment and closing. Hopefully one of the projects in our pipeline will be ready to close. The QALICBs are all aware that we need to close by December and that we need to start closing talks by mid-October, so they're all aware of what they need to do and the goal, the timeline that they need to meet. If we start closing much later than mid-October, it will be difficult to close by the end of December, given the holidays and everything. Several of the investors have offered to do a pre-funded closing for LADF, but the CDFI has mixed views on pre-funded QEIs. A prefunded QEI would mean that we commit to an investor, that we give that investor the right to our \$10 million. We would close on the \$10 million as a QEI but we don't issue the QLICI so there's obviously risk because once you accept the QEI, you have to invest that money in a QLICI within 12 months, and most investors will only give you 9 months to control the investment, which means that 9 months after closing, then they could go invest our allocation in, you know, Texas. They could invest it wherever they want. So that's a real risk. We would really have to think about whether we wanted to take that option, if it is worth that

over \$10 million. So I'm going to be asking all the consultants I know, whether it is worth closing a prefunded QEI to meet the threshold check date.

- Chairman Cervantes: So for us to have a project that's closed by the qualification deadline, how much time do you and Chris need to work on that deal in order to have a December closing?
- Sandra Rahimi: It takes at least about 8 weeks to close a deal, and that's pushing it with everybody working really hard, and that might be tricky given the holidays. That's why I'm saying we should begin closing by mid-October.
- Chairman Cervantes: So this Board needs to take an action on a project by mid-October to give you and Chris sufficient time to close. So as you go through the pipeline, let's talk about the projects but also let the board know how likely you think they are to actually be able to close by December.
- Sandra Rahimi: The first project in the pipeline is Wattstar. Barbara Stanton continues to search for solutions to the issue with Annenberg. Annenberg basically wants to find somebody to either provide \$7 million in cash or to share the guarantee or some combination of that. Wattstar's fundraising wasn't as strong as Annenberg had hoped and so they felt uncomfortable that Ms. Stanton would be able to pay down the loan in a sufficient timeline through fundraising. So Annenberg put a hold on their guarantee. CitiBank, which was our partner CDE in this transaction, has moved on. They haven't committed their money to somebody else but they are looking at other projects, so this one, I would say, doesn't have a high likelihood of being ready to go by mid-October but Barbara has pulled some rabbits out of hats before so I don't know. Are there any questions about Wattstar or about its status?
- Sandra Rahimi: The next deal is Lanzit. This is an industrial project with HUD 108 money in it. EWDD has agreed that Lanzit can leverage the HUD 108 money but there's certain language that our EWDD requires in the HUD 108 documents. This language requires the NMTC investor to repay the leveraged HUD 108 loan if the money is redeployed anywhere other than this project, even if it is redeployed into another project within the city. Obviously most investors don't feel comfortable with that language. We have identified an investor who is willing to buy the tax credits and would also provide the remaining allocation necessary to close this deal but they don't feel comfortable with the language, which is effectively a guarantee of the HUD 108 dollars. At this time that investor is trying to negotiate with the EWDD group about those terms. Lanzit still has the Korean company as a tentative tenant but the Korean company is only willing to enter into more advanced discussions once they know Lanzit actually has the funds to build a building the size they need.
- Karen Kalfayan: Who's the Korean company?
- Christopher Chorebanian: It's Naerok.
- Sandra Rahimi: They manufacture the aluminum frames for windows and doors. They have the contract for the Wilshire Grand project as well as a few other contracts. This is Rodney Shepard, who is the principle for Lanzit.
- Chairman Cervantes: Good afternoon, Mr. Shepard.
- Rodney Shepard: Good afternoon. Yes, Naerok is the company that we're dealing with as a tenant. They're coming to the site and they have a long history in Los Angeles. They were the Developer of the Year with the City of Los Angeles. They are interested in coming to our site to be the tenant. They're also going to try to bring some other companies with them so that we can build out the site. Right now, they're prepared to take Building 2 and Building 3. With the 108 loan we have the funds to build Building 3. We're looking for the New Markets Tax Credit financing to build Building 2 and hopefully be able to bring down the construction cost by having the same contractor build both buildings at the same time. This project has been sitting in Watts for 30 years, and people are saying that the City of Los Angeles is never going to build it, and this is our opportunity to build the building, so we really want to make this happen.
- Chairman Cervantes: Great. Thank you, Mr. Shepard.
- Sandra Rahimi: We have a request to speak from Mike Hernandez from Councilman Parks' office.
- Mike Hernandez: Hello, I'm Mike Hernandez here on the behalf of Councilman Parks. We inherited this project through redistricting, and as Mr. Shepard said, it has been dormant for 30 years. When we looked at the project, clearly we understood the city controlled the project. The city owns parcel, the city built the infrastructure for the development of the site, and the city went through the investor in the cleaning up the land, and the city basically went out through an RFP process to identify the developer. All that happened prior to us arriving. Now all this work has been going on without a tenant. We need these 9.5 acres developed and the potential jobs that it will create are extremely important, and so we want to make sure that we continue to move forward because the 108 funding is already being drawn on. That 108 funding needs to be covered, and the jobs haven't been created that normally have to be created with a 108 funding. And so we continue to ask the developer, "Who is your tenant?" – And he has potential tenants, and we want the tenant in writing. We want to know that we're building buildings for someone who's going to use the building and create the jobs, and that's extremely important. So I want Mr. Shepard to move forward but he needs to understand that this Council's support is pending him giving us a real tenant, real commitments to basically create the jobs that are needed in that community. And again, it's not an issue of site control. It's not an issue of entitlements. It's no longer an issue of environment. It's just an issue of getting a tenant there to basically operate the site.
- Chairman Cervantes: Thank you, Mike.
- Sandra Rahimi: So again, the issue for us is whether or not an investor can get comfortable with the language that EWDD is requiring for the HUD 108 money to be leveraged, which has to do with the redeployment and effectively the investor guaranteeing the loan.
- Chairman Cervantes: Is this new language or is this a standard 108 language that this particular investor is not comfortable with?

- Sandra Rahimi: This is language that Los Angeles requires for its HUD 108 money. Not all cities require it for their HUD 108 money, so although this investor has done other 108 deals, the 108 providers haven't required this language. US Bank did a deal with the City of Los Angeles that had that language in it, but it was only a \$3 million leverage loan. It came up at the last minute, and there were a lot of reasons US Bank went ahead with it. We did close a HUD 108 leverage loan with One Santa Fe which had this language in it. Goldman Sachs did agree to the language but Goldman Sachs was also an equity investor in the QALICB. They were already pretty well invested in the project, so it wasn't that big of a step up for them. In this case we have an investor who is a complete third party being asked to guarantee the loan.
- Director Perry: And this investor has done other tax credit deals before?
- Sandra Rahimi: Yes, it's Chase. We've done a number of new market tax credit deals with them, and as I said, they've done HUD 108 deals leveraged through new market tax credits elsewhere but this language wasn't required in those transactions. So it's difficult to predict how discussions between Chase and our HUD 108 group will go. If Chase and our HUD 108 group can work out the details, it could close.
- Chairman Cervantes: I understand, but as far as Mr. Shepard concern and the Council Office are concerned, it sounds as though once the New Markets Tax Credit's financing is agreed upon and signed, then a tenant is ready to sign up?
- Rodney Shepard: Yes.
- Chairman Cervantes: Okay.
- Director Kalfayan: That brings me to the question that Mr. Hernandez brought up regarding how much longer Mr. Shepard has a contract for control of the project.
- Sandra Rahimi: Well, the HUD 108 money has been funded so I think he can begin construction. He has a ground lease that's been executed and he has the HUD 108 so if he begins construction he retains control.
- Director Kalfayan: Okay, I see what you're saying.
- Director Perry: Yes, but our biggest complaint has been that we don't have an LOI from this tenant.
- Sandra Rahimi: We actually do have an LOI but it's a soft LOI because Mr. Shepard doesn't have financing for the square footage that they want. This tenant needs 75,000 square feet, but Mr. Shepard only has money to build 45,000 square feet, so he has an LOI that says, "We're interested in leasing 75,000 square feet." They can't go into final lease negotiations if they don't want to take less than 75,000 square feet, and he only has money to build 45,000 square feet. That's why Mr. Shepard needs the new market tax credits, to leverage the HUD 108 money so that he can build the 75,000 square feet. Once he knows that he has financing for the full 75,000 square feet, not necessarily closed but moving towards closing, Mr. Shepard could begin serious discussions with this tenant that could lead to an executed lease.
- Chairman Cervantes: Thank you Mr. Shepard.
- Sandra Rahimi: The next project in the pipeline is the Los Angeles Prep Kitchen. This is a project that was brought to us by US Bank. The sponsor has identified a site, and they have control of the site. Approximately half the space will be leased to small- and medium-sized producers of fresh foods who don't normally have access to storage and commercial facilities for preparing their foods. You know, these are the people that sell guacamole and salsa at the farmers' market, those kinds of businesses. The remainder will be leased to LA Kitchen which is modeled after a similar program in Washington, D.C. The LA group is related to the DC group. LA Kitchen will pair training of youth aging out of foster care with people leaving the prison system and other people that have difficulty getting employment. They will train both groups in culinary preparation. The non-profit partners with local farmers to buy blemished produce at a discount and then they sell the finished meals at a discount to other non-profits who provide food to low-income seniors. So it creates a whole production line of training, using foods that normally might be thrown away because it's not pretty enough, and then feeding low-income seniors. LA Kitchen has received a \$3 million grant from AARP to help fund their program, so they are well-funded as a tenant, but by using the new market tax credits LA Prep Kitchen can offer the space at below-market rents to LA Kitchen so that they can conduct their program.
- Chairman Cervantes: What will the \$3 million be used for?
- Sandra Rahimi: It is an operating subsidy to LA Kitchen, not to our QALICB. It would be used to help pay the rent and support their operations.
- Chairman Cervantes: What's the timeline?
- Sandra Rahimi: They've gone hard on the purchase of the site. It's a rehab of an existing site so plans and permitting will not be an issue. And they are currently talking to several CDFIs about the leverage loan. They need \$9.5 million in leveragable debt. They have a soft commitments for \$9.5 million but I've told them – again, I'm going back to what Director Cervantes mentioned – I told them that we wouldn't be willing to commit to going forward until we had something a little stronger from the leverage lenders so that we could be comfortable that they had that in place. Once they have the leveraged debt in place, this would be ready to move forward quickly. There's a partner CDE that's already committed to providing the remaining allocation, the \$5.5 million.
- Director Espinoza: Who is the investor?
- Sandra Rahimi: US Bank will be the investor. That's the investor this developer has chosen.
- Director Espinoza: Who is the developer?
- Sandra Rahimi: It's Civic Enterprise Development. They have done some development in low-income communities.
- Director Espinoza: So they're interested in social enterprise?
- Sandra Rahimi: Yes, that's the kind of projects they do.
- Director Espinoza: Are there any low-income housing projects nearby?

- Sandra Rahimi: I'm not sure, but I can ask and get back to you.
- Director Espinoza: That's okay.
- Chairman Cervantes: So what exactly is the status of the leverage loan?
- Sandra Rahimi: The CDFIs that they're talking to have been underwriting the project and have gone to their board. They have a soft commitment. They're doing a little more due diligence on the project.
- Director Espinoza: Which CDFI?
- Sandra Rahimi: It's Capital Impact. And they're working with California FreshWorks Fund. And Genesis will provide a million dollars as a loan but not as allocation. They don't have any allocation. So if the sponsors get firmer commitments for the leverage loans, it would be ready to go.
- Chairman Cervantes: Okay. Any other questions?
- Sandra Rahimi: So I would say Lanzit, if it gets over its issues, and LA Prep Kitchen are probably right up there as far as readiness to go. Again, it's something that's difficult to predict but I would say that by mid-October, LA Prep Kitchen will either know they definitely have their leverage loan or know definitely that they don't, so we will know one way or another about that project.
- Chairman Cervantes: So when you're waiting for these projects, when you're waiting for a stronger LOI from the investor and from the CDFI, how aggressive are you? Do you get involved in those meetings between lenders and borrowers? Do you actually go and say, "Hey, we're here. We have this money?" Can you put pressure on them to speed up their decision making?
- Sandra Rahimi: I have weekly and sometimes twice-a-week calls with the investor. The CDFIs for the leverage loans in this instance are a little more sensitive because they use brokers for underwriting so I'm not involved in that part on LA Prep Kitchen. But on some of the deals, for example like on Lanzit, I am more involved in trying to make that move forward. So it varies from project to project.
- Chairman Cervantes: Okay.
- Sandra Rahimi: the next project is 959 Seward. This is another project that is ready to go except for allocation. One of the reasons it's having trouble getting allocation is the community benefits package but they have been progressively improving the community benefits package, and they are open to suggestions, so if we wanted to go forward with this one, it would be really key for the Advisory Board members to think of what they would want to see as far as benefits. Because of the HUD 108 money, they already have committed to reserving 51% of the jobs for low to moderate income people. They also have a fixed job creation number. They have established a \$3.3 million grant to help fund a training program for low-income and unemployed people. So they are making efforts with their program but they would need some guidance. This is a project that I think in New Orleans could get a lot of attention because it's ready to go except for getting allocation, so if enough people gathered around it to give it allocation, it could move forward.
- Chairman Cervantes: Where are they falling short on the community benefits?
- Sandra Rahimi: Well again, community benefits is a very subjective area so on many of the deals, typically, the Advisory Board gives advice. Staff comes to the board with a basic outline of "this is how many jobs are going to be created." The basic community benefits are, you know, the number jobs set aside for low-income, living wages, and then often we put in requirements for subcontracting with local minority- and women-owned businesses either during construction or for operating supplies, depending on what the business is. Beyond that it is what the Advisory Board wants to see. For example on La Kretz, one of the CDEs required the developer to fund \$150,000 the support a non-profit to provide community services. I mean, that's the kind of thing some of the CDEs require and that's generated by the Advisory Board, what they think that particular community needs and what matches the development. As an example, on the Discovery Science Center, our Advisory Board said they wanted to see a local governing board for the Discovery Science Center and have local companies in the food court, so those are the kinds of things that can be added to a community benefits package but it's on a case-by-case, CDE-by-CDE, basis.
- Director Perry: Who's been making the assessment so far on what their community benefits are and where they are falling short?
- Sandra Rahimi: Well, initially when the project sponsors from Seward came to me asking for allocation, I told them that they needed to strengthen the community benefits. I gave them some examples, such as on-site job training. Since then they added the \$3.3 million grant, and they also established a relationship with the arts magnet school next to the site. The school doesn't have funding for performances and other parts of the arts program, and so the Seward QALICB committed to provide funding for those programs at that school. Of course, until a CDE commits to giving allocation, they are not going to be all that open to you telling them what to do because if they don't get allocation from you, the next CDE may not care about what you wanted and requires something else. So it's really once the CDEs are all committed to the project, then you can negotiate community benefits. And sometimes the developer is not really open to improving community benefits. Some approach the CDE and say, "This is my community benefits package, take it or leave it." Seward is saying, "Here's our proposed community benefits package. If you want to see something else, let us know."
- Director Espinoza: From the perspective of the neighborhood this project doesn't seem like it would have as much impact as the other projects just because there's a lot of fancy places around there.
- Director L. Williams: As the Advisory Board we would have put requirements on the project.
- Director Espinoza: Right, if we were really aggressive about that.
- Female: the important thing is the tracking. Everybody can say, "Yeah, I'll use the required percent of small businesses" but if we don't have tracking methods in place, it is meaningless. We need to make sure we follow through

with that. And even though this building is not necessarily in the most depressed area of the city we could have requirements that impact a larger area.

- Sandra Rahimi: We could even say, "Okay, I want to see you set aside 8,000 square feet for a non-profit that provides training on site," or something like that. Much like on La Kretz; they have 8,000 square feet that's set aside for some kind of clean tech job training program. We could require something like that. Like I said, it really depends on the project. This project has had problems attracting allocation because they didn't have a strong community benefits package to start with, but if there are CDEs looking to get their money out by the end of December, this deal could close by the end of December, and if the QALICB is open to whatever the CDEs are saying that they want to see as community benefits, this one could be close by the end of the year.
- Director L. Williams: So maybe we should be thinking ahead of time about what community benefits we would like to see just in case they do come back to us and they're ready to close.
- Sandra Rahimi: That's what I would suggest to the Board.
- Chairman Cervantes: I would agree. Also I question requesting only \$10 million in allocation for a project with a total development cost of \$130 million project. It's an enormous project.
- Sandra Rahimi: Well, initially they were asking for a total of \$60 million in allocation. They scaled back their request when they were locating allocation, but they won't break ground without \$20 million; they need at least \$20 million. The requested amount is not something that LADF decides.
- Those are the deals in our pipeline that are most likely to close by year-end. The other deals in our pipeline, the ones I am now going to discuss, are further out there. We are discussing them because they're going to be in the application, and the projects in the pipeline in the application also have to be vetted with the Advisory Board.
- The next deal in our pipeline is Jordan Downs. There is a retail portion and a community center portion. They have separate developers but we've put them here together because the community dynamics are pretty much the same and they're part of the same larger redevelopment of the mixed-use project. The retail portion is about 100,000 square feet. Project cost is about \$20 million. The retail includes a grocery store – and it is in a USDA-certified Food Desert. The other portion is a community center which will be offering various services for both the residents of the new Jordan Downs as well as the surrounding community. If you look at the site plan on the upper left of the slide, you can see the retail portion is open to the street, so it will be available to the general community as well as the residents of Jordan Downs. Right now the developer has not identified the financing for the leverage loan. I think right now they're identifying the tenants for the retail portion. So that would mean the closing of the transaction is probably a year or two out. And depending on how much allocation we have and how many other projects were in our pipeline, these each could be single CDE deals or we could require a partner CDE. We have provided \$20 million in allocation to one project before, so with total project costs of \$20 million and \$17 million we finance both as the sole CDE but that would be a strategy decision.
- The next deal is Legacy LA which is in Boyle Heights, and it's again a rehab of an existing facility for a non-profit that provides a lot of activities and counseling and educational training, etc., for youth, with a special focus on gang prevention. This, again, would be a single CDE deal. This was brought to us by Chase, they're interested in being the investor on this project. The City of Vernon is giving Legacy LA a grant, and that would be the source of the leveraged loan. I know it's odd but it's money that's tied to funding a residential community-serving project – the City of Vernon doesn't have any residents so they're willing to put fund a project in the City of LA, so this would be a way of us getting money from one of our sister cities. Again, this reflects the understanding that companies providing services or jobs don't ask if the recipients live within their small city. So it's not unheard of for cities to pool in an area like LA where we're all so close to each other physically. Are there any questions about this project? Again, this one is a little further out. It's targeting closing next year.
- The next project in our pipeline is Proyecto Pastoral, which is new construction and also in Boyle Heights. Their programs aim to reduce the high dropout rate in that area by providing services. They haven't yet identified exactly what they're going to build so that's why there's a range of projects costs. They own the site where they are currently operating, and they would demolish that building and build a larger building and a facility that better suits their uses and allows them to expand their programs.
- Next is the Port of L.A. Fishery. This was referred to us from the Council District. Both US Bank and Chase have spoken to the sponsors to help them identify how to structure it. Both are interested in buying the tax credits for the project. The project involves building a cold storage facility as well as three docking spaces. The docking spaces would be leased to commercial fishing companies that would have their own preparation space there for the fish, which they could then store in the cold storage. The cold storage would also be available to other commercial fishing companies that are not using those three docking spaces. Because this census tract doesn't have a residential population so there's no census data available to qualify the site, so we would have to use targeted populations. The QALICB would occupy the majority of the space. They would commit to setting aside the majority of their jobs for low-income individuals to meet targeted populations requirements. For targeted populations, at minimum 50% of your employees must be low-income, but usually the investors want to see a safe margin of 60% of the jobs filled by low income individuals. They also would commit to offering living wages. This another project where there would be some leeway in adding additional community benefits as we saw fit to make it more attractive but the project would create 80 permanent jobs, so at least 48 new jobs for low income individuals, and then 200 seasonal jobs. I would recommend requiring that they all, including the seasonal jobs, have to be living wages. This project is in the early stages. Although they have the site identified, they're still working on their financing capital structure.
- Director Huber: Do the sponsors control the site already?

- Sandra Rahimi: Yes, they answered an RFP so they control the site, and they're just working on their financing. Obviously the project needs allocation from more than just LADF but Chase and US Bank can help find national allocation.
- Next is Conjunctive Points. This project is further out there. They're looking for a significant construction loan so there is a big hurdle on the financing side. The sponsors plan to build a large office building, again because of the monies that are involved in it, there would be a set-aside for low-income employees and living wages requirements for this project. It is in a high distress area with high unemployment so the job creation could be good especially if the benefit package could be structured to make sure that the local people got the jobs to the extent that they qualified for jobs an office project.
- The next project is Paseo Plaza. This is part of a larger development project in Hollywood. The sponsor controls the site. Currently most of the site is used as a surface parking lot but there is an existing building on the site. This phase of the development would entail the rehab of the existing building that's there to increase retail. Again, we met with the sponsor; they're new to new markets tax credits. This project was referred to LADF by the Council Office. The sponsor needs to figure out their leverage loan source and also buy out their partner on the entire site. Again, this would be another project that community benefits would be crafted with the input of the Advisory Board. As a starting point, we would require that all or a majority of the jobs offer living wages even though they're retail jobs, and we would require that they set aside a portion for low-income people.
- Director L. Williams: I have a question about the rooftop. This says that it is 3.5 acres. Is that just flat roof for parking or what is it?
- Sandra Rahimi: They intend to convert the roof to a public park. That would be one of the community benefits.
- Director L. Williams: Is there any opportunity to install solar panels to operate with renewable energy?
- Sandra Rahimi: We asked them if they intend to build to LEED standards. The sponsors said that wasn't possible because it's an existing, older building. Again, this is the early stages of discussions. Community benefits can be crafted, however for now their vision for the site is to put a green park on the roof for the community.
- Director L. Williams: I was just wondering if they were considering solar for a portion of their energy use. It doesn't have to be 100% solar-powered.
- Sandra Rahimi: And then the final project is The BLOC, which also came from the Council Office. It's the major remodel of the Macy Shopping Center here in downtown LA. They're going to open up the site and make it an open retail space. Again this one needs a large construction loan so it's further out there. Are there any questions?
- Director Kalfayan: Is District Square no longer in the pipeline?
- Sandra Rahimi: When Wattstar fell through at the last minute, I reached out to District Square and asked for a status update on the project. The sponsor responded that they still want new markets tax credits so long as we don't make them meet targeted populations. I explained that without targeted populations their project does not qualify for new markets tax credits.
- Chairman Cervantes: Well, I guess we must forget them then.
- Sandra Rahimi: Since I told them that we could not forego targeted populations, I haven't heard back from them. But just this morning I got an email from the tax credit investor who said that they had heard rumors that maybe Target was getting comfortable with targeted populations, but I asked CRA staff that works on that project about this and they reported that they have not heard anything about this.
- Director Kalfayan: So it is not ready but it could come before the board again later.
- Sandra Rahimi: Yes. The project continues to move forward but reportedly they still haven't given the leases to CRA.
- Sandra Rahimi: We do have one request to speak about the pipeline.

➤ **PUBLIC COMMENT on Discussion Item 1 – Pipeline.:**

- Chairman Cervantes: Good afternoon.
- Joyce Dillard: Hello. I want to talk about La Kretz first. The property is in the City of LA's name. It's not in DWP's name. I hear you voted on it and you represent the City, especially the board member representing the CAO's office. I think the project should not move forward because it has a lot of legal complications. I think there are issues of conflict of interest. If they executed today, which I don't know if they did or not, there will be a lot of problems and I'll contact the CDFI Fund and tell them that this is just not a good project for targeted populations. There is a final rule that came out on that and I think you need to review it and read what the U.S. Treasury Department requires on that because that's important to these areas. Also you need to eliminate the State Enterprise Zones as a qualifier. They're gone. I know there's a new thing going on with the City. I think, Ms. Perry, it is your department that is coming out with the new classifications, so I think that needs to be incorporated into this board's considerations. Also, as I look at these projects with the entertainment business, you need to look at really what is the future of the industry in LA especially with the Murals Ordinance. Will there be filming in LA if you start having murals all over and it looks like LA and not like any other city? Do you really have the business that is going to stay here? I mean, there needs to be some work on this entertainment industry. It has changed because I was in it at one time, and it has definitely changed, and I don't think every project coming in and targeting that industry is going to work. I just think the competition is out there and LA isn't doing a good job of looking at it. I'm concerned about gentrification in areas. I'm in the area of LA Prep Kitchen. I've been watching the area for a few years. The area doesn't have farmers' markets; it has little pushcarts. It has little markets. Big Savers is the biggest little market. It's an area with a lot of Mexican grocers. This project sounds like it's being designed for the gentrification that's going on. I mean, I'm seeing poodles instead of pit bulls now. I'm seeing higher housing prices, so I think that has to be looked at to see if this project is really going to fit the

needs of the area. Yes, there's a need for training for those getting out of prison, and Goodwill does that, so there is some need there, but overall, I can't see people making salsa there. They make it in their home and they sell it on the street. That's just the lifestyle around there, and until the population changes, it's going to remain that way. I'm concerned about Wattstar with Annenberg leaving because they're touching so many projects in the city of LA. They're in Ballona, they're over in Cornfields, they're all over the place, and what are they doing pulling out at the last minute. That to me means a little bit more solidifying before any deals go through because that was a deal I'd heard about in the CDBG meeting a while ago and had written comments on there. I'm very concerned about Legacy LA. They did not compete for that property. They were given that property by Mayor Villaraigosa and you've got an area that's mad over that deal. They're mad over Ramona Gardens too because there's a lot of shit going on. It's right next to USC. USC controls the area. No, I think you're going to get a lot of people in here because I'm going to tell them. They have meetings; they organize; they go door-to-door; they're not happy out there. It was supposed to be a wetlands renovation in Hazard Park – this is Hazard Park – and that got pulled, and they aren't happy about that. It got pulled in a court deal that none of us saw at the time, and I just wrote on it a week ago or so. So I think you have to look and see if this fits – you know, New Markets Tax Credits can be good but does the project really fit the population? Is it really going to give the jobs that are so needed? Like I said, I'm in the River area so we're talking gentrification now, that's what we see, and I'm getting the middle-class people in the area saying they can feel it now, they can see the change, so really, are we just doing this for the big money to have more or are we really doing it to solidify our future workforce? Thank you.

- Chairman Cervantes: Thank you for your comments.

➤ **DISCUSSION on Action Item 4-1.**

- Director Huber: Because I need to leave for a meeting at 2:00 that's offsite, I'm going to take Item 4 out of order so we can take action on our Action Items, the first of which is to authorize staff to apply to the CDFI Fund for \$125 million in new allocation.
- Sandra Rahimi: Before the vote, I would like to give a little background about what's going to be included in the application. The maximum allowable request is \$125 million, so we're asking for the maximum. Historically the CDFI Fund never gives the maximum. In the last round where LADF received an award we asked for \$125 million and we got \$50 million, which was the average. Last year I think they gave about \$50 million on average, so that's probably the amount we can expect to be awarded. Of course this year is actually a double year; they're trying to catch up in the schedule, so if they get the appropriation for two rounds, they might choose to award larger allocations to those CDEs they give allocation to or they might choose to award the same amount, \$50 million, to more CDEs. Historically when they have one round for \$3.5 billion they give awards to between 70 and 90 CDEs.
- Director Perry: Have they released the timeline yet?
- Sandra Rahimi: Yes. The application is due September 18th, and the threshold deadline, when they check to see that a CDE has deployed the required amount of previous round allocations, is December 31st. The pipeline that will be presented in application is included in the board package, and we will go over that after we deal with the Action Items. I propose we submit the same fee structure as last year. A placement fee based on sliding scale of 2% to 4%, with most of the deals charged 2% at closing. The 4% would only be charged on projects that have either a higher monitoring cost, such as using targeted population to qualify so there's more work involved in monitoring compliance, or if it's a project that normally would be able to find financing but just can't because of the current capital market so that it could support a larger fee. The annual asset management fee would again be 50 basis points, which appears to be sufficient to cover our operating costs. And again, I would propose that at any point that LADF generates a large enough capital reserve, we would consider starting a program to provide our own small predevelopment loans or similar loans to help promote and move along the projects in our NMTC pipeline. Are there any questions about what's in the application?
- Chairman Cervantes: We were unsuccessful with our last application. What have we learned from the CDEs that did receive awards last year?
- Sandra Rahimi: Last year, mostly CDEs that had all of their money dispersed got allocation. We had \$40 million at the time that the application was submitted and \$20 million when the CDFI Fund did the threshold check last year. Right now La Kretz is on schedule so it's going to be closing before the application deadline, so our application will reflect that we only have \$10 million left in allocation, and we're confident that we are actively looking for projects that would be able to close before the December threshold check date. I know that it is not our preferred outcome, but at some point we might want to think about whether we want to consider projects that are in LA county but not necessarily within the city limits. That would open up the pool of potential project and we all know that nobody in LA County really restricts jobs or services based on what city a person lives in. So for example a project in Compton could benefit residents of the City of LA.
- Director Kalfayan: Well, we wouldn't want to start by looking at projects outside of the city.
- Sandra Rahimi: Agreed, and when we go through the pipeline, you will see that there are several projects that I think can meet the December deadline. But if we want to have our money out by the end of December, that means we need to start closing talks at the latest in early-to-mid October, and that's already pushing it.
- Chairman Cervantes: That's coming up quickly.
- Sandra Rahimi: Yes.
- Chairman Kalfayan: So the CDFI Fund would still look favorably at LADF if we've used up our allocation by December as opposed to by the time the application needs to be in? I thought from previous discussions that we needed to be fully deployed by the application deadline.

- Sandra Rahimi: Well we could have told a better story if we could have said, "As of the time of this application, we have no money left." What we're saying now is "We only have \$10 million left but we're sure we're going to get the rest of the \$10 million out before the end of the year." And obviously if we're saying that in our application, we need to try and make that true because the fund will come and check in December. Are there any other questions?

➤ **DISCUSSION on Action Item 4-2.**

- Sandra Rahimi: The next item is the budget. I apologize that the format is not as clear as it could be. To start with the actual performance of 2012, a few items that might be a little confusing – the budget item labeled "Consultant Transactions" actually represents Chris' services while he was a consultant. Normally when we close our deals, we don't have transaction consultants. Our only transaction costs are legal fees, and those are reimbursed by the QALICB at close. We will be changing our budget categories once the application is submitted and we have time to focus on accounting. For now, upfront placement fees, asset management fees, and expense reimbursements are all lumped together in the "Program Fee" budget item. And Investment Income is actually the annual fees we get from managing investment funds. So it's a little confusing if you try to break down the various categories. But if you look overall, you have the Operating Budget and then you have the Actuals under Cash Basis, which is what we actually spent in the year. However, because most fees are paid quarterly and not necessarily paid at the year-end, some fees are earned but not paid in our year end financials. That's why the Actuals under Accrual Basis column is different than the Actuals under Cash Basis column. If you want to look at what our obligations were by year-end compared to what our income was by year-end, you should look at the Actual column under Accrual Basis. I had budgeted that at the end of the year, we would have \$682,000, and if we had paid all our accruals, we would have \$670,000. I was off a little bit because I projected one more closing than we actually had.
- Director Perry: So we spent zero on marketing?
- Sandra Rahimi: The \$4,944 listed under Other Administrative Costs is actually the costs related to the conferences where I market LADF. Next year it will be properly categorized.
- Director Huber: I know we talked about our marketing struggles and how it's really difficult to promote LADF and the new markets tax credit program when we don't know if we will have additional allocation.
- Director Perry: Will there be any marketing money used for more generalized marketing? How will we attract new projects and things like that? Is there any plan for that sort of thing?
- Sandra Rahimi: Well, we are trying to come up with something. For example Chase has suggested jointly hosting a roundtable to introduce and explain the NMTC program. They would invite the developers that they know, and then we would ask people in the Mayor's office, City Council and other city departments to recommend people to invite to the roundtable. Because it's a very specialized program so it may not be very effective to just talk about the program with the general public, like regular commercial brokers because they may not have projects of the right size or the right type or the right location. So I think we need to have some filtering of who we talk to initially but that's one of things that we've been talking about with Chase. Who would we target and how would we get their attention.
- Director Perry: And I think we discussed having a similar type of roundtable at ULI because that would be an opportunity for us to get the word out that we have an funding source to tap into.
- Sandra Rahimi: Right, and again, we have to balance it with the reality that we don't have any allocation right now. We don't want to create expectations and disappoint.
- Director Espinoza: In the vein of not having money, have you ever contemplated doing something through social media with a filter on it so that you're only reaching out to entities and organizations, maybe through LinkedIn or something like that?
- Sandra Rahimi: Well, we do have our LADF website. But I personally haven't found LinkedIn, my personal LinkedIn site, to be very useful but I've never done it for marketing a company.
- Director Espinoza: I'm just saying LinkedIn as an example. I just know it has a filter on it because it's targeting a different demographic than just going on Facebook or something like that but I think there are other vehicles that also do that.
- Sandra Rahimi: Well, once the application is submitted and we have moved towards closing on our final project, we can explore some of the available marketing possibilities, like social networking. Again, if we could develop a marketing strategy because part of LADF's mission is just to educate the community about the NMTC program, even if we don't have allocation, to let the Council offices know that this program exists so they can recommend it to developers with projects in their districts. Staff could guide them towards CDEs that do have allocation when LADF doesn't. We have done that with a couple of the transactions that are in our pipeline. Even though we don't have allocation, we have met with them and said, "We can help you structure your project and help you understand what you will need to do in order to qualify for new market tax credits from us or somebody else next year, and this is the timeline that you need to meet." Those kinds of things.
- Chairman Cervantes: I would think that once we get the application submitted, we could have a separate board meeting just to discuss marketing as well as clearly defining how we do our underwriting for future projects so we can let developers know what is expected from them for this body to consider their project on a go-forward basis. Obviously we had some concerns and issues with meeting some of the deadlines previously, and I think part of it is just because we weren't as clear with them about we really need from them. Maybe that's an overstatement but I think that as long as we're upfront and state, "This is what we need, and what you have to provide to demonstrate that you are ready," that the more we make that known, the better we'll be able to meet deadlines to allocate those new market tax credits.

- Sandra Rahimi: Then are there any questions on the budget for this year? I apologize for the delay but one of the problems is that I can't get the actual performance from last year until the auditors are finished with our financial statements, which doesn't happen until June, when the next year is already half over. So I used the May actuals for this year and then predicted the remainder, so 2013 estimates should be pretty close to actual, and this again assumes that we get our last \$10 million out by the year-end.
- Chairman Cervantes: Any more questions on the budget?

➤ **DISCUSSION on Action Item 4-3.**

- Sandra Rahimi: The next item is the request for me to go to New Orleans to represent LADF. Novogradac has to waive the conference fees so this request is only for traveling expenses. One of the goals will be to find a project that could close by the threshold date in December. I think there may be other CDEs that face similar problems with deal fallout, like we had with Wattstar, and they're looking for something that can close by the end of December, so I think there will be a lot of activity at this conference as far as CDEs identifying and grouping around a project, much like what happened at the Miami conference with La Kretz. One of the reasons La Kretz was the darling of the conference was because it was ready to go. All of a sudden in Miami everybody wanted to do La Kretz. I imagine some of the projects in our pipeline might have a similar experience at this conference. Novogradac also has a workshop beforehand that's covers some of the new regulations and new trends in underwriting and structuring new market tax credit programs. I also am requesting to attend that workshop and Novogradac has agreed to waive that fee also.
- Director Perry: So you're going to walk around handing out one-page color projects summaries and saying "please fund?"
- Sandra Rahimi: Well actually in Miami, I spent I would say at least half of my time meeting with other CDEs and talking about the projects in our pipeline. That's how I found financing for Wattstar. It didn't work out but I was able to find a partner CDE with allocation. In New Orleans, I will try to find partner CDEs or potential leverage lenders that would support a project in Los Angeles that could close by December. So yes.

#### **4. ACTION ITEMS**

**1. ACTION ITEM 1 – AUTHORIZATION TO APPLY TO THE CDFI FUND FOR A \$125 MILLION ALLOCATION IN THE ELEVENTH ROUND (2013-2014) OF NEW MARKET TAX CREDIT AWARDS**

- Moved by Director Huber. Seconded by Director Kalfayan.
- Roll Call: AYES: 4; NOS: 0 ABSENT: 1; ABSTAIN: 0; APPROVED.

**2. ACTION ITEM 2 – REQUEST FOR APPROVAL OF LADF'S BUDGET PROPOSAL FOR FISCAL YEAR 2013**

- Moved by Director Huber. Seconded by Director Kalfayan.
- Roll Call: AYES: 4; NOS: 0 ABSENT: 1; ABSTAIN: 0; APPROVED.

**3. ACTION ITEM 3 – REQUEST FOR APPROVAL FOR SANDRA RAHIMI TO REPRESENT LADF AT NOVOGRADAC'S FALL 2013 NMTC CONFERENCE IN NEW ORLEANS, LA AT AN ESTIMATED COST OF \$1,978.90**

- Moved by Director Huber. Seconded by Director Kalfayan.
- Roll Call: AYES: 4; NOS: 0 ABSENT: 1; ABSTAIN: 0; APPROVED.

#### **5. REQUEST FOR FUTURE AGENDA ITEMS**

- Chairman Cervantes: Okay, the next item is a request for future agenda items. Now it sounds as though we need to have a special meeting in October and at that time make a decision on a project to go forward with. The last time we did this, we had the project representative give presentations and then gave them two weeks to come back with everything finalized. I don't know if we have the time to do that now. At this point, we have one, La Kretz, pretty much ready to go. How do you want to address moving forward with an agenda for October? How do you recommend we proceed?
- Sandra Rahimi: Well, I don't feel comfortable at this point recommending any of the remaining projects because all of them have something that is beyond our control. Right now the choices would be among Lanzit, Wattstar, LA Prep/Kitchen, and Seward, but none of them are currently ready to move toward closing.
- Chairman Cervantes: Maybe we could just send a letter out to each of them saying that we plan to have a meeting on October 15th, and you must comply with A, B, C, and D, whatever is relevant to their project, otherwise you will not be considered.
- Sandra Rahimi: I've already verbally notified each project but staff can formalize the requirement in an email. I would hope that at the next board meeting, I could just make a recommendation of which project was ready to move forward,

and if at the time of the meeting more than one project is ready to move forward, then we might want to invite representatives of the projects that are ready to make a presentation at that board meeting so you could choose between them.

- Chairman Cervantes: Okay, so let's target October 16th and then the agenda will be staff's recommendation on which project to award.
- Sandra Rahimi: Yes
- Chairman Cervantes: Any other items for the agenda? No?

#### **6. NEXT MEETING DATE AND TIME**

- To Be Determined

#### **7. PUBLIC COMMENT**

- Rodney Shepard (*Discussion Item 1 – comment regarding Lanzit Project*)
- Joyce Dillard (*Discussion Item 1 – general comment*)

#### **8. ADJOURNMENT**

- Meeting was adjourned at 2:16 pm.

**LOS ANGELES DEVELOPMENT FUND**  
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC  
WEDNESDAY, OCTOBER 16, 2013

**LADF STAFF PRESENT:**

- Sandra Rahimi
- Chris Chorebanian

**1. WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Director Kalfayan called the meeting to order at 2:14 pm.

**2. ROLL CALL**

The following Governing Board directors were present at the meeting:

- Director Kalfayan (acting Chairperson)
- Director Perry
- Director Santana

**3. DISCUSSION ITEMS (*presented after Action Items below*)**

➤ **DISCUSSION ITEM 1 – LADF PIPELINE UPDATE AND INVESTMENT STRATEGY**

- Sandra Rahimi: First I want to review the timeline related to the application that we submitted September 18th for additional allocation. Last year we did not receive an allocation. One of the causes of that was because we still had \$40 million of allocation remaining at the end of the year when they did the threshold checks. We currently have \$10 million remaining. At the recent conference I spoke to consultants and other CDEs, and everybody is assuming the same strategy, that it's important to be fully deployed by year end when the CDFI Fund does its threshold test. We need at least eight weeks to close a NMTC transaction, and with the holidays falling in that period, that's pushing it. Also, as I mentioned all the other CDEs are also trying to meet that same deadline so we wouldn't be the only CDE that the attorneys are working for so it's really going to be a push to close in 8 weeks. And to have 8 weeks to close and still close by year end, we would need to begin closing talks next week, ideally. If we go much beyond that, there is really not much chance that we'll close by year end.
- So the three projects that are presented here for consideration all have significant community benefits, but they're all different benefits. Wattstar will be providing training for at least 80 low-income individuals per year for Union-paying jobs in the entertainment industry. Lanzit will be providing approximately 90 permanent jobs, 51% of which will be sourced from the adjacent Maxine Walters Job Training Center and set aside for low to moderate income individuals. And LA Prep/Kitchen estimates that it will provide 145 jobs. It will serve as an incubator for food production entrepreneurs, and it also has a portion of the site leased to a nonprofit that provides job training in the culinary industry for youth aging out of the foster system as well as individuals leaving the prison system, and then that food is used to provide meals to low-income seniors.
- Again, to remind the Board, a \$10 million allocation was original approved for Wattstar but unfortunately at the beginning of August, Annenberg withdrew its guarantee of the \$15.5 million leverage loan that was part of the capital stack so Wattstar lost its leverage loan. Wattstar has been looking for a replacement for that guarantee to be able to continue with that leverage loan. CitiBank was our partner CDE in that allocation. It's my understanding that CitiBank is no longer reserving the \$12 million in allocation that Wattstar needs in addition to LADF's \$10 million. So WattStar's capital stack is not ready to go but it does have all of the real estate issues resolved. It has its permits. It is finalizing the MOU with the CRA and MTA regarding one of the parking sites. Wattstar is working with City Council to identify a possible way for the City to supply the guarantee to support the leverage loan, and there is a motion before City Council to request that LADF hold its allocation for Wattstar, which again is a choice that could put us at risk of not closing by the December 31<sup>st</sup> deadline.
- Lanzit is the next project. To remind the board Lanzit proposes constructing approximately 75,000sf of industrial space in Watts. The source of the leverage loan is a HUD 108 loan from EWDD. EWDD does not want to allow Lanzit to leverage their loan without a tenant. Lanzit has an identified tenant. They've provided some of the information to EWDD, and EWDD has requested additional information about the tenant. Because Lanzit controls the site through a ground lease, EWDD has the right to approve the tenant before the developer can enter into a lease. It is my understanding that yesterday EWDD received the additional information they requested but they have not yet completed their review of the full package. They expect by next week to have a decision about this tenant. The other issue on Lanzit is that they are well along in the permitting process but they do not yet have final construction permits; however they expect to have all the permits by mid-November. I wanted to point out that Lanzit was approved back in June as a backup project for the Wattstar by the Board, with the assumption that it would serve that purpose if it was

ready to go. The investor on that project is Chase, and last year we have closed a deal with Chase on Munger in which at close we knew permits were going to be three to four months after closing, so it's not unusual for us to close on a project when the permits are not completely finalized but are well along, which is the case with Lanzit. So the main risk on Lanzit is the tenant not being acceptable to EWDD, and then we would have a spec building which is unacceptable to EWDD.

- And then the third and final project is LA Prep/Kitchen. It also does not have its permits but it's a rehab by rights. They expect to have permits by January of 2014. The investor on this one is US Bank and we have closed other project with US Bank before permits were finalized. For example, we closed Discovery Science Center with US Bank last December and they're just now getting permits. So really it depends on whether the investor and partner CDEs feel comfortable with the amount of risk that's involved in closing before permits are ready. In this case, everybody's ready to move forward, and again in this case, the risks seem relatively minor regarding the permits because, as they are just rehabbing and the use is by-rights, the permitting process shouldn't be that extensive or take a long time. They have an MOU with the non-profit tenant for a portion of the space but they are still finalizing the lease. The tenant has a grant that requires it to be in the city of Los Angeles so there's every expectation that they will be able to conclude the final lease.
- That's a general briefing on what I see as the risk factors of the various projects and where they currently stand. We have a number of speakers that would like to speak on behalf of the various projects. I would suggest that we take public comments now, and then we have the general discussion. I would say, because we have so many, maybe limit the speakers to a minute-and-a-half each, and then if the Board has questions of that speaker after they're finished, that would not be included in the minute-and-a-half that each speaker has.

#### 4. ACTION ITEMS

##### 1. **ACTION ITEM 1 – AUTHORIZE LADF STAFF (1) TO ISSUE A LETTER OF INTENT TO PROVIDE A \$10 MILLION SUB-ALLOCATION TO THE LA PREP / KITCHEN PROJECT, (2) TO BEGIN THE CLOSING PROCESS ON THE LA PREP / KITCHEN TRANSACTION NO LATER THAN NOVEMBER 1, 2013, AND (3) TO TARGET A CLOSING DATE OF DECEMBER 15, 2013 AND AN OUTSIDE CLOSING DATE OF DECEMBER 30, 2013.**

- [Open discussion by Board members after public comments]
- Director Perry: Sandra, I want you to confirm if what I'm saying is correct. Now the city has continued its due diligence with respect to the Wattstar project. I want to look at the history of the project. When the redevelopment agency still existed, it wrote down the land value of \$3.5 million, correct?
- Sandra Rahimi: That was before my time, but yes, that sounds correct. The land was given to Wattstar.
- Director Perry: Okay, so the CRA contributed the land value and the pre-development grant of \$250,000?
- Christopher Chorebanian: That might be right but I thought the grant was more like \$500,000 or \$600,000.
- Director Perry: Okay, well let me read this into the record, and then I want you to give me verification of this according for the record, okay? All right, the Redevelopment Agency since the inception of the project has written down the land value of \$3.5 million, and then conveyed the property to Wattstar – you don't have to tell me now. I want you to answer the questions for me based on your view of documentary information in the file. The CRA also provided a predevelopment grant of \$250,000, and if the grant was even higher, I want you to provide me the documentation on that, and I believe there may have been a residual receipt loan of \$598,000. I'd like verification of that. In addition, the City has provided block grant money over the life of this project that totals \$2 million. Okay.
- Sandra Rahimi: Those numbers sound correct but we don't have the documents in front of us.
- Director Perry: And we're still continuing to work on this project. My staff had a meeting yesterday with a member of the CAO staff and the Chief Legislative Analyst staff to see if there's anything else the City can do in addition to the things that have already been done. Now I know that there will be a conversation with Northern Trust. We had a brief one yesterday to ask them if they would consider the value of the land, which at the time of transfer was valued at \$3.5 million, and accept a guarantee for less than the full loan amount since the original guarantor is gone now. I also had a very brief conversation with Councilman Buscaino this morning about the current situation. Now I know that LADF has to make a decision today about this year's allocation of tax credits. Now correct me if my understanding is wrong, but I understand that we need to ensure that this year's tax credits are all allocated if we want to receive a new allocation of new market tax credits in the coming year. Is that correct?
- Sandra Rahimi: Well, actually no one knows exactly what the CDFI Fund is planning. Last year, people that had allocation did not get additional awards. We have \$10 million left, and consultants have suggested that to have the most competitive application you should have no allocation left. Other CDEs are following the same strategy. Again, the CDFI Fund does not announce their exact criteria for deciding which CDE should get an award or how much, but again, the general thought in the industry is to be able to get any new allocation, you should have no allocation left, and then it's up to the Fund to decide how much to give you. Last year there was \$3.5 billion awarded and the average award was \$40 million, and we had \$40 million left from previous rounds, so it's my belief that they kind of said, "LADF already has \$40 million; why should we give them more money when there are other CDEs without allocation and can use an award now?" So if we have \$10 million left from previous rounds, I'm sure that will factor into whether or not we get an award, and I'm fairly confident that it would affect the amount that we get. Historically the average award has been \$50 million, but this year is a little up in the air because they're planning on doubling, if they get the appropriation, the normal amount of awards, so the NOAA is for \$10 billion. With such a large amount to award they could increase the average award or they could increase the number of awardees. Again, they don't

necessarily disclose what their plan is but the general market consensus is that you will have the most competitive application if you have no allocation left.

- Director Perry: So I expect that the City is going to continue to work to support Wattstar, as it has since its inception. Now my question is on average what amount of time is needed to close these new market tax credits once allocated? In other words, I guess we have to act sooner rather than later given the closing timeline?
- Sandra Rahimi: Yes, eight weeks is a very aggressive timeline for closing a NMTC financing. It is even tougher now because we have Thanksgiving and Christmas coming up, and we won't be the only deal trying to close before year end. There is historically a big rush to close before year end in any event and even more so this year with the threshold deadline.
- Director Perry: What is eight weeks from today, please?
- Sandra Rahimi: Eight weeks from today would be December 12th.
- Director Perry: Okay. What is the effect of waiting another one to two weeks?
- Sandra Rahimi: Again, that puts us in closing during Christmas.
- Director Perry: It takes us down to six weeks, then.
- Sandra Rahimi: Well, no, we should expect to take the full the eight weeks, because I have not seen deals close in six weeks. I don't know the timing of every deal in the industry, but our deals really have been taking more like three months to close so saying eight weeks is an aggressive timeline for us already. So if we wait another two weeks, we would close between Christmas and New Years. And as I said, it's not so much LADF staff or even the investor or partner CDEs not having the time to dedicate to closing. It's that we all have attorneys. There are only so many attorneys in the industry, and they tend to have small teams of people dedicated to new market tax credits. So with everybody using the same attorneys, it means that the attorney is trying to close five or six deals before year end. You want them to be attentive to your deal but the reality is that they organize their pipeline of closing the way they chose to organize it and you can't push them any faster than they're willing to go. So I would say the idea of waiting another two weeks to decide makes closing problematic.
- Director Perry: I wanted to confirm that Wattstar has the ability to come back in the next round for and apply for an allocation of our tax credits.
- Sandra Rahimi: Yes. Assuming that none of the projects are able to find allocation between now and April when the next awards are supposed to be announced, there's nothing that precludes any of them getting allocation in the next round.
- Director Perry: And that's one of the things I wanted to clarify. Regardless of what we do today, anybody who's not selected would remain in the pipeline for potential allocation at a later time, is that correct?
- Sandra Rahimi: Yes. The Board could even decide that these are the priority projects over any new projects that come into our pipeline when we get new allocation.
- Director Santana: And that's true for District Square and Hollywood 959?
- Sandra Rahimi: Yes.
- Director Perry: I know that we were speaking late last night and leaving message with Citibank in New York about the allocation of their tax credits, but I believe they've also re- allocated them. Tell me the current status of that.
- Sandra Rahimi: Well, they got \$50 million in an award. They were holding \$12 million for Wattstar, and then on August 1st, we all heard that Annenberg withdrew their guarantee which then changed the terms of the leverage loan. CitiBank has the same goal as all the other CDEs to close out their \$50 million by year end so that they can get new allocation, and so they've identified a number of alternative projects that could meet their closing deadline. My understanding is they have \$4 million that has a soft commitment to another project, but they could put into Wattstar if they could fix the issues with the leveraged loan. But my understanding is that to close Wattstar needs \$12 million in addition to LADF's \$10 million. I don't know what Citi's position is about putting the \$4 million in Wattstar but that would still leave an \$8 million gap.
- Director Perry: I would like to request on the record that you ask CitiBank to provide us with a letter on the record as to what they are willing to do and within what timeframe.
- Sandra Rahimi: Yes, actually I have requested that. The loan officer is out of the office today traveling on business so she has agreed to work on providing something but I do not have anything official right now. The information I'm sharing now with the board is what she told me on the phone but I don't have anything in writing.
- Director Perry: I want to say that I expect that the city will continue to try to do our due diligence with respect to negotiating with Northern Trust but I don't think we have anything on the table today. I know we don't, in fact. I have the email now entitled "Indicative Term Sheets" from Glen Davis at Northern Trust, with two attachments, and I think we need to look at it very carefully. We just received this during the board meeting. Obviously we can't make a decision based on something we haven't read, and I don't know if this gets us where we need to be anyway.
- Director Santana: Well, it sounds like these documents simply incorporate the fact that Annenberg is no longer providing the guarantee but there is no new information regarding the reduction of the required amount of guarantee.
- Director Perry: Well, that's very important since we don't have a guarantor. We need to deal with that.
- Sandra Rahimi: Yes, and I think overall, LADF needs to consider its ability to get an allocation of new market tax credits in the next round and decide what we want to do based on that. If we're not competitive and we don't get another award, we can't help the rest of the pipeline either for a while.
- Director Santana: And I also want to speak in reference to the motion that was introduced at City Council regarding this project. There were two parts to it. One requested that the LADF Board consider holding off on any investment

decisions. We have to remember that is an independent Board and we have to maximize the overall funding that's available for the future and all the projects. The other City Council request was that my office try to identify \$15.5 million in CDBG or other funds to be used to provide a project guarantee. After our initial examination, due to ongoing federal cuts CDBG is a declining revenue source. So in order to identify \$15.5 million, we would have to identify another project somewhere else to take it from. My office will report to the Council once we have identified a possible source. Otherwise the only other source of funds would be the General Fund, and given our current fiscal situation, that would be a very difficult if not impossible thing to recommend. Sandra, in light of the three projects as a whole, if our goal is to try to close the financing by the end of the calendar year, of the three projects, which one do you think would best serve that goal?

- Sandra Rahimi: I think that LA Kitchen/Prep is the project that is furthest along in the various components necessary for closing. They have the source of their leverage loan lined up. The CDFIs that will be providing the leverage loan have done significant due diligence. They've been doing their due diligence for the past 8 to 12 weeks, and they have issued commitments. Obviously all commitments, even commitments for allocation, are contingent just in case at the last minute something unexpected happens but the lenders are quite firm with terms and everything as far as the leverage loan goes. And as demonstrated by the tenant appearing here, I think the tenant is very supportive of finalizing the lease on the site. And after speaking with the other CDEs at the conference, I know that they are very excited and interested in moving forward and meeting the same timeline we are, as is the investor, so those elements are all in place. The permit is not in hand but I think that's a relatively small risk, and as I mentioned, we've closed deals with this investor with permits not as far along as they are right now on this project so that's not an issue. Both the CDE partner and the investor are comfortable with closing with the permits coming a month after closing. Obviously nothing is guaranteed, but those are the reasons I feel this project the most likely one to close within our timeframe and with the fewest risk of missing the deadline.
- Moved by Director Santana. Seconded by Director Perry.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

## **5. REQUEST FOR FUTURE AGENDA ITEMS**

- Sandra Rahimi: Are there any requests for future agenda items?
- Director Perry: Well, I guess we want to just make sure that we keep up-to-date on the pipeline and the status of these projects, which I think is a usual agenda item.
- Sandra Rahimi: Yes, that's right. Typically we have another meeting with the Board for final approval. Staff presents a Board memo that has the details of the final deal for final approval. That meeting includes the Advisory Board.
- Director Santana: And at what point will we know whether or not we will be receiving an additional allocation?
- Sandra Rahimi: The awards are supposed to be announced in March or April. That's what the CDFI Fund has said. Again, I don't know how the current shutdown of the federal government is going to affect them. For this award, they're depending on Congress voting to extend the program and appropriate funds. Last year Congress extended the program on New Year's Eve around midnight.
- Director Perry: This is October, and so basically we have just a few more months before the decision is made about awards and for example if Northern Trust came back and said they're willing to consider a smaller guaranty, then WattStar could be queued up to close with new allocation.
- Director Perry: How quickly is the money available once they announce the awards?
- Sandra Rahimi: Typically once they announce the awards, people begin closing calls on projects, but there is an allocation agreement with the CDFI Fund that you have to sign and usually it takes about two months for the CDFI Fund to work through their process and draft the agreement so that the CDE can sign it. Once a CDE signs the agreement, the allocation is available to it to actually use. Since it takes at least two months to finalize documents the agreements are usually ready when the project is ready to close. So let's say that you start with the calls when the awards are announce in April, then you can close in June. That's the schedule people are expecting for next year.
- Director Santana: Well, it would be helpful to have some sort of status update on funding as a regular item
- Sandra Rahimi: Okay, but that would mostly be an update on the appropriation. For example, last time when Congress approved extension of the program, I believe I sent an email out to the Board that, "Okay, we have final approval that the money for this next round is available."
- Director Santana: Okay. Thank you.

## **6. NEXT MEETING DATE AND TIME**

- To Be Determined

## **7. PUBLIC COMMENT**

- **WATTSTAR PROJECT PUBLIC COMMENT (REGARDING DISCUSSION ITEM 1)**

- Barbara J. Stanton
- Reynold Blight
- Charles Lidzbarski
- Symone Staw-Parker
- William Price
- Sandra Rahimi: The first speaker is Barbara Stanton on behalf of Wattstar. Since we don't have that many requests to speak, we will not limit the amount of time a speaker can speak.
- Barbara Stanton: Board members, staff, thank you for having us back. I'll be very brief. I think that the Wattstar is a great economic development project. I was born around the corner from the site. I have worked with my Board on quality entertainment, the jobs, and the apprentice and pre-apprentice programs. These are very important for the community so there's a whole floor of the Education Center dedicated to that. The small business we will build upstairs, a virtual incubator, will help to bring back the businesses that we lost in '65. Also, seniors in the community have not been able to go to the movies, because the theaters are too far. Growing up I caught two buses to get to a movie theatre, and the kids are still catching two buses. In addition, from 8 to 10 in the morning, we have 22 schools in a 3-mile radius, that's middle and high schools, and so we plan to offer programs to all of them in eight sessions throughout the year. I think that's critical for opening up your mind, laying your career path, so on.
- We have our permits and they are active. We have good relationships with the people around us. We are collaborating with the city youth programs, so that they can offer programs at our site or at their own site. I think that we make a very good partner for the City of Los Angeles, and all of the resources that we are able to bring, we consider the City our partner.
- I know that we're having problems. I think that no one can deny that we were all devastated by Annenberg choosing to pull out 30 days before we were done but all of our due diligence is done so that we are prepared to break ground. I think all of you know us, and I think that there are many, many supporters that could not be here today. I represent them. I represent the kids that are there and need introduction to these kinds of career paths. When I went to Jordan High School, when we asked out of 150 students who has done production of any type, only 2 students raised their hands because they have not been introduced to it. We've got to find a way to include these students, and I think that the Mayor's new agenda of keeping Hollywood and the film companies here will need our trainees, frankly, and so we're looking forward to that. And we are working with about five banks to finance the small businesses that we will be bringing up.
- So I'm here again, asking, pleading for the Wattstar because it's been 15 years now, and I think that once up, we are a totally self-sustaining, nonprofit project. We have at least a \$1.5 million revenue left after all expenses, not including the debt, but we can service the debt and the structure is interest-only for the first 7 years. At the end of that period, we plan to have raised \$5 million and then refinance the project for the rest of the loan term or, hopefully, pay the whole thing off. And so I'm asking on behalf of a whole lot of people, that you allow us to retain our credits and get our project done. Thank you so much.
- Sandra Rahimi: Thank you. Next is Reynold Blight on behalf of Wattstar.
- Reynold Blight: Good afternoon. Reynold Blight with Wattstar. I just wanted to reiterate my support for this project. I think it's a strong project. It's going to create a huge number of jobs and more importantly an economic development stimulus for the Watts area. I wanted to give you two pieces of information. One, just an hour ago, we received an email from Glen Davis at Northern Trust updating his term sheet, so that's still very much in play. He's looking for a guarantee, of course, but he is still with us and ready and able to go forward with this project once we get the guarantee. The other thing I wanted to point out to the panel is that City Council has a motion before it. It was at the Economic Development Committee last week. They approved it, sent it back to CLA-CAO for a report, I guess, to go to counsel, and part of that motion includes a request to this Board to maintain the allocation. Obviously if the City were going to provide a guarantee, they'd want the allocation to stay in place so that it would mean something, so that is I think a complication in all of this, but I certainly would hope the Council would want you to maintain the allocation to the Wattstar until they at least decide what they're going to do with the guarantee.
- Director Perry: Mr. Blight, could you email the revised term sheet to Sandra now so that we can maybe have somebody print it out? Well, we can enter it as part of the record. I'd like to see it.
- Reynold Blight: Okay, sure.
- Director Santana: What is the update on the term sheet?
- Reynold Blight: Basically it's the same. I haven't actually, frankly, gone through line-by-line but it's virtually the same as before except the Annenberg references have all been taken out because they're no longer providing the guarantee. There's also been some update on some of the terms. I need to review it carefully.
- Director Perry: Did they reduce their required guarantee?
- Reynold Blight: No, they haven't reduced it from the \$15.5 million. They've actually broken it up into two pieces, a \$13.5 million and a \$2.5 million, and it might be possible that the \$13.5 million would come first but obviously need to talk to him more directly, and more importantly I think the City staff needs to talk to him directly to figure out what the City can do vis-à-vis what he requires.
- Director Perry: So Sandra, what's your email?
- Sandra Rahimi: Okay. It's Sandra.rahimi@lacity.org, but unfortunately my cell phone is in the car so I don't have access.
- Director Perry: All right, so do you want him to send it to me?

- Sandra Rahimi: Sure, I mean if he could.
- Director Perry: I'd like to see it.
- Reynold Blight: Certainly.
- Director Perry: You can send it to jan.perry@lacity.org, and send it to all of us, and if you could do that right now?
- Reynold Blight: Okay.
- Director Santana: Could I ask one question before you go – did the Annenberg Foundation explain why they withdrew their guarantee?
- Reynold Blight: Well frankly, I wasn't involved directly in that conversation. I think other people, Barbara and other people could answer that question better.
- Director Perry: We need to get an answer.
- Director Santana: Yes, that would be helpful. Barbara, do you have an answer?
- Barbara Stanton: Well, what we were told was that Annenberg was trying to be totally done in seven years, and so they assumed that other foundations would come up with \$7 million in fundraising even before we got started. Frankly, it's very difficult to raise money for projects in Watts, and I've been approaching those other foundations for many, many years, so what we've done is we've restructured it. We've agreed to raise \$5 million by the end of our 7 years rather than in the beginning because if you put it in the beginning, then it would be very hard to raise. Plus the principle repayment in the original structure with Northern Trust was kicking in the third year whereas most new market tax credit deals, it's interest-only for the first seven years. So it was a very hard thing to do but at the end of the day, we were told is that the other foundations didn't come in, and Annenberg wanted them to come in. They are still working with us, they said they still want to do the project, but they want the leveraged loan to be totally repaid in seven years, and we couldn't guarantee that. We could try our best and either way we could make our debt service, so we weren't as worried about it as they were, just we were unsure about having an exit at the end of that seven-year period.
- Director Santana: I see. Did they submit their original commitment and their withdrawal in writing?
- Barbara Stanton: We have received nothing from them in writing.
- Director Santana: Either the commitment or the withdrawal?
- Barbara Stanton: I have had a commitment on their guarantee for years. 30 days before we were to close on August 30th is when we found out that they were pulling their guarantee.
- Director Santana: But you did have the original commitment in writing?
- Barbara Stanton: Oh, absolutely.
- Director Santana: Okay, got it.
- Barbara Stanton: In addition to giving us a written commitment, Annenberg had hired a construction manager and a fundraiser. They had committed other resources to support their guaranty; all of that has been in writing for years. One more point I want to make, sir – we were also the only entity left on the Obama Recovery Zone list. Unfortunately, the day before I went to City Council, Annenberg pulled that one, looking for a better deal. Of course we thought, well, their bank would be a better deal, and so I just wanted to share that we suffered two devastations.
- Director Santana: Got it.
- Barbara Stanton: Thank you.
- Director Perry: I just want to make sure I understand. I'm not sure who can answer this, but does the revised term sheet change the guarantee or support funding that might be necessary, either through the City or some other source?
- Barbara Stanton: We have to replace the guarantee. Our bankers would like to sit down and meet with the City people. Also Latham and Watkins is working with Natalie Brill and Marilyn Garcia to come up a strategy and how we can do this; Latham has a team appointed to identify, find, write up how much Northern Trust could fund without a guarantee. If it's less than \$15.5 million, then sure, we want to sit down and talk that through and see what they can do. The only reason that it's not that way now is because no one with the City has met with our bank yet, so once they do meet, I'm pretty confident that they're going to try to close this deal any way they can.
- Director Santana: Well, Natalie in my office has been talking with Northern Trust to try to reduce their requirement of \$15 million down to \$5 million.
- Barbara Stanton: Yes, we've been talking to Northern Trust too.
- Director Santana: And we have been unsuccessful in convincing them to reduce it down to \$5 million instead of the full \$15 million. Ms. Perry, have you had any more success than we have?
- Director Perry: No.
- Barbara Stanton: Right, and so we are, of course, going to other foundations. Will Smith has shown a great deal of interest. But for me, \$15 million for the 50 years that we've stood still in Watts, that's pennies per day per child. That's how I'm looking at it, but I know that might not be the right way. And once we're up, once we're built, then we can sustain ourselves. We've got \$1.5 million in revenue to fund our training programs and other things. Of course we'll apply for grants and government grants and all of the above but the fact that we will be independent the first year, we will not have to go back to find additional funding. And I think that that's significant, and I'm not sure how many other economic development projects can say that but we've been working with Warner Brothers and all those people, so we feel confident that if we can get the building up and the programs operational, praise the Lord.
- Director Santana: Is there a private operator secured for the movie theater?

- Barbara Stanton: We are interviewing people. We started out and we were going to be working with Regal, and Latham negotiated a contract with them for, I don't know, maybe six months. The problem for them was they were not prepared to do prevailing wage during construction and they were not prepared to do living wages after construction, which is in our DDA. If they had signed the agreement with us, it would have impacted all of their other theatres, and they got kind of shaky feet. Then they brought in a guy from Pennsylvania, and he wanted to go back into redesign. Well, we've already spent significant money going through plan check, and we are convinced that there is no way to lower the cost of our building, so that did not work. However Warner Brothers has taken the lead and they're bringing three people to us to interview, to see who we do want in Watts.
- Director Santana: As an operator?
- Barbara Stanton: As the manager of the movie theatres, and we have to have someone that will stay in compliance. We've come too far to not be in compliance with our agreements.
- Director Santana: Sure. Thank you.
- Sandra Rahimi: The next speaker is Charles Lidzbarski on behalf of Wattstar.
- Charles Lidzbarski: Good afternoon. I'm here to briefly speak in support of the Wattstar project. In light of the pending, ongoing City Council discussions that are taking place, which seem to be moving along, I'd just like to point out a couple of things. As has been mentioned, the need for having eight weeks to go through the actual closing process. That's something you might want to take a close look at because I remember in earlier meetings I've been at here, there was an August 30th deadline, and there was the same emphasis on the need of time to go through the closing process. Obviously August 30th has come and gone so I would just ask that that be taken into account as far as really how critical is that timeframe, because I realize the City Council is not right now but potentially in the next three or four weeks could be available. There was also mention of the CitiBank commitment. I don't know the details to that but that might be something that might need some additional looking into as far as exactly what the status of CitiBank is, so that's all I have to say.
- Sandra Rahimi: Thank you. The next speaker is Symone Staw-Parker.
- Symone Staw-Parker: I'm Dr. Symone Staw-Parker. I'm a resident of the Watts community. I grew up in the community. I have also worked as a director of social services and community development, as well as served as a former deputy to the Los Angeles City Council Member. This project was brought to our attention in the '90s, and we were in favor of the project then and are still in favor of the project, so I'm here just to support Wattstar and to just speak on behalf of the community residents who will benefit from this project. I just urge your support, and that you allow the Wattstar to continue to move forward so that it could benefit the youth as well as the citizens that are actually in the community that are hungry for projects like this that will help the youth to be trained in this area. We have a lot of talented youth in this community. I've seen this project evolve and evolve and evolve, and I have attended meetings after meetings after meetings, and we're so close to the finish line. So I just came to urge you to please continue your support so that we can get this project for the community who really, really will benefit and deserve to have it in their community. Thank you.
- Sandra Rahimi: Thank you. The next speaker is William Price for Wattstar.
- William Price: Good afternoon. As mentioned, my name is William Price. I am a former Project Manager with the Community Redevelopment Agency of the City of Los Angeles. I had the pleasure to work on the Wattstar project, and I just wanted to make a couple of comments in support of the project. Number one, I just wanted to say that it is my personal opinion it is a great project. It will help with the overall development of the community. There are a number of development projects planned for that community, which are all long overdue. This includes discussions about an area called the Cultural Crescent, which would include this site. What's important to me, I think, is that Wattstar will fit in and allow all those things to happen, will make the Wattstar destination location. This project, as everyone has mentioned, has been a long time coming but it's been done in a number of different phases, and as each phase moves along, the project has always improved as it dealt with these different individual challenges. I think the project as presented today will be a great project for the community. I'd also like to add that there's a lot of work that went into it especially in conjunction with the Community Redevelopment Agency, and especially in terms of entitlements and relationships, and if for some reason this project is not allowed to go forward, it's going to be very hard to duplicate this effort again in terms of pulling all this stuff together, especially considering that the Redevelopment Agency as it existed at the time this work was done, no longer exists. And there is no indication at this time of what will be a follow-up agency to take its place in terms of being responsible for redevelopment. And that's really about it, and I'd just like to thank you for your time.
- Sandra Rahimi: Thank you. That's the end of the speaker cards for Wattstar, unless there are any more questions?



#### **LANZIT PROJECT PUBLIC COMMENT (REGARDING DISCUSSION ITEM 1)**

- Rodney Shepard
- Albert Lemus
- Sandra Rahimi: So next speaker cards are in support of Lanzit. First is Rodney Shepard to represent the project.
- Rodney Shepard: Thank you. My name is Rodney Shepard. I'm the developer chosen by the City of Los Angeles for the Lanzit project. The Lanzit project is development of a 10-acre site in south-central Los Angeles. It's going to eventually be 150,000 square feet of industrial space. In the state of California, the rate of unemployment is like 9.0% but in Watts near Lanzit it's like 25.0%, so we're going to have 350 new jobs out there. We've actually submitted our plans to the City of Los Angeles for Building 3. Building 3 is a building that has been funded by a \$6 million HUD 108

loan from the City of Los Angeles. We're going to utilize that to build Building 3. We've already submitted our plans to the City. We've got the plans back and we'll build it starting in November. The final project by itself, like I said, will bring 350 jobs to the site, and for Watts, that's unthinkable. We've been needing economic development in the area for years, and to be able to get this type of employment at that site is very important. Thank you for your time.

- Sandra Rahimi: Thank you. I just want to clarify one thing, the 350 jobs is for the full build-out of the site, and we're only proposing to build out half of the site because even with the NMTC funding there's only money and a tenant for half the site, 75,000 square feet. The next speaker is Albert Lemus for Lanzit.
- Albert Lemus: Good afternoon. My name is Albert Lemus. I'm with Lowe Enterprises in Los Angeles. We are serving as the new market's consultant for the Lanzit project. I just wanted to mention a couple of things as it relates to new market tax credits in particular. We are currently seeking, as it's indicated in your packet, \$12.2 million in allocation for a 75,000 square foot project. We've been before this Board on a couple of different occasions, and have previously been placed on the wait list as a backup project. As such, we've been diligently working with the project sponsor to secure all the necessary documentation to advance their application for consideration as a new markets investment. Lowe Enterprises is also a CDE and we're very active in the business of applying for allocation and securing additional allocation so I wanted to mention just a couple of things that pertain to our project and that are maybe important to a CDE. The current phase of this project would provide in excess of 10 jobs per \$1 million dollars of allocation. This is very, very important because for the CDFI Fund, the agency making new awards, this is probably the single most important consideration. They consider the community impacts of the number of jobs are created and also how many of those jobs are "quality jobs." Lowe frequently reviews many, many projects, and the 10 jobs per million created by Lanzit is really at the very, very top of the list in terms of total number of potential jobs created. We've continued to work diligently to secure commitments of allocation in addition to the City's, and we have secured commitments from two other CDEs that have expressed interest in participating in this project. If \$10 million in allocation is available from the City, that would be amazing, but we do believe that there is the possibility that we could work with less than \$10 million in allocation from the City, but I don't know how that affects the total project. Again, as has been noted, the tenant has submitted all their information, and we're working, expecting our answer from EDD on the tenant status in less than a week. Thank you very much.
- Sandra Rahimi: So are there any questions about Lanzit before we move on to the next project?



#### **LA PREP / KITCHEN PROJECT PUBLIC COMMENT (REGARDING DISCUSSION ITEM 1)**

- Brian Albert
- Mott Smith
- Robert Egger
- Michel Algazi
- Tim Karp
- Sandra Rahimi: The next project is LA Prep/Kitchen. The first speaker is Brian Albert.
- Brian Albert: Good afternoon. My name is Brian Albert. I am part of Civic Enterprise Development, which is the sponsor of the project, and we just want to urge you to consider our project. We are in a state of project readiness that I think really makes closing by the end of the year not a problem. We've already got our leverage lenders established. We have the tax credit investor, who is USBank and who is actually present today. We've got our other allocation all lined up and so this is really the last piece and then we're ready to go. So our project is, as you probably know, an incubator – not really an incubator but a place where food businesses can develop and thrive, and one of our partners will speak just after me to describe that, but really what our project will do is create opportunities for new food businesses in LA. I'm also the Board Chair of Proyecto Pastoral, which is a community-based organization located in Boyle Heights. One of the things we will be doing at our facility, in addition to providing a facility that will provide a lot of jobs for all of these new food businesses, will also be to provide opportunities for nonprofits to locate their food production business at our site. As you know, in many of our immigrant communities and many other communities in general, the food business is an easy way into establishing oneself. In the Boyle Heights community, which I'm familiar with, we have a lot of demand for places where people can really get started, including community-based organizations. Proyecto has a women's cooperative that provides food and catering services to the community and was started by a number of local women. They are an example of the perfect tenant for our facility, and there are a lot of other community members who work in the food service industry already for whom our facility will provide a great opportunity to liberate a lot of the businesses which are currently hindered by their lack of facilities. This production opportunity will be an opportunity to allow people in these low income communities to find jobs and to start their own businesses.
- Sandra Rahimi: Thank you. The next speaker is Mott Smith on behalf of LA Prep/Kitchen.
- Mott Smith: Thank you. Brian is my business partner and I won't repeat what he has already stated. However I want to describe what this project is going to do. We're going to create 51 wholesale-ready kitchens focused on small food businesses. In LA we have the most small food businesses of any part of the country but we also have the hardest time getting those businesses launched and turning them into real job-creation and economic-development machines. It can take a year and a half-million dollars to start a small food business. Whether you're making bean pies or tamales or salsa or soups or any of the things that our future tenants make, it can take you that long to get yourself into a legal kitchen where you can legally sell to the markets that will buy your stuff. Our facility, which has already received draft approval from the LA County Health Department, will be the only place in LA and in fact the only place in the country where this sort of small food business can go, and within a matter of weeks and for a couple thousand

dollars, can begin their production process. We estimate that we're going to create in the LA Prep Kitchen side about 150 permanent jobs. Our tenant, LA Kitchen – our anchor tenant who's going to speak after me – estimates it will create another 150 jobs, and so when you look at it on jobs-per-million-dollar basis, we're at 30 jobs per million dollars of allocation. To give you an idea of the depth of the need and the depth of the demand for this, we put out a call for interest among small food processors just to show our leverage lenders the sort of interest that was out there, and within 48 hours, we had a stack of LOIs from prospective tenants that were sufficient to more than exceed our pro forma occupancy numbers. I also want to clarify. We will convert a 60,000 square foot property in Lincoln Heights. It's a block from the Gold Line and we will have more than 50 parking spaces. The project is also in the Cornfield Arroyo Seco Specific Plan area. We're excited because I think we're going to be the first project that goes through that approval process as well, and from what we understand from the Planning Department, this is the sort of project that the CASS was created to facilitate, so we're excited. But about a third of the building, about 20,000 square feet is going to be allocated to the LA Kitchen, which is the nonprofit anchor tenant, and about an equivalent amount will be allocated to LA Prep Kitchen which is the 51 wholesale kitchens that I referred to. The remaining space is going to be common area, warehouse facilities, bathrooms, changing areas, things like that. So as Brian said, this vote today, if you vote yes, will be the last thing that we need to move forward, and we hope that you will approve the project. We're very excited to be in Los Angeles, and we're excited to do this with you, so thanks very much.

- Sandra Rahimi: The next speaker is Robert Egger for LA Prep Kitchen.
- Robert Egger: Good afternoon. I represent LA Kitchen and we are 100% dedicated to this partnership. This is a tremendously good piece of business. I really want to emphasize, while we are a nonprofit, I operate a business. I'm not here to do charity. I'm here to create jobs and really start to push the economy in a very different direction. The LA Kitchen is based on a program I pioneered in Washington, D.C., and led for the past 25 years. The D.C. Central Kitchen has been replicated in 60 other cities – not Los Angeles. The idea was to bring a very similar model, which is basically social enterprise, job training, and business, but take it to a different level here. The idea is very simply to partner with local small family farms and food service companies that now throw away a significant amount of food and produce because it's cosmetically imperfect or geometrically irregular. The idea is to be able to have these donated or purchase them at a significant discount for use in a system that will process and prepare meals which will be distributed to nonprofit partners free of charge or under a contract, which is where we will anticipate creating significant jobs. As was mentioned, our job training program will be unique, and we want to pair our young men and women coming out of foster care with older men and women coming back from decades of incarceration, creating, if you will, a mentorship program within the job training program so that each can keep each other going forward. We anticipate a need to create a significant number of jobs for the older men and women coming home because as you probably know, if you're over 50 in America, good luck; if you're over 50 and you're a felon, really good luck. So we're going to create those jobs; and more importantly, we anticipate strong demand for our food which will be a separate revenue-generating business which will be organized with profit-sharing so that we can create a dedicated stream of revenue for retirement accounts, so that the older men and women who come in to help us prepare healthy meals for a rapidly-aging Los Angeles community won't need our services themselves. Also I came from Washington. I grew up in the community here and I've spent 40 years in Washington, and I returned to Los Angeles with the first-ever million-dollar startup grant from AARP primarily because of their interest in our concern with redefining senior meals in America starting from a base here in LA. Thank you all very much.
- Sandra Rahimi: Thank you. The next speaker is Michael Algazi on behalf of LA Prep Kitchen.
- Michel Algazi: Good afternoon. My name is Michel Algazi. As Mott and Brian have mentioned, I'm a partner in the project as well. I have been involved in food production for the last ten years, initially as an entrepreneur having founded Palapa Azul, a Mexican-style ice cream company based on the recipes that I grew up with in Mexico. I've also grown in the last ten years an organization called the Fine Foods Group which now has about 1,000 member companies, all of them early-stage food companies, all of them going through the same issues as far as trying to get started in this marketplace. Early-stage food companies face a great number of barriers to get started, one of which is getting access to a permitted facility to start producing their products. Hundreds of my members as well as myself have gone through the process of having to use either shared commercial kitchens with imperfect food safety arrangements to having to lease out spaces in restaurants over night or in catering kitchens during the middle of the night to be able to produce products. This facility is going to provide a turnkey solution for these small food companies that will allow them to get going within a few weeks as opposed to six to eight months, which is what it took me to get approval to produce in a shared facility. That difference between two weeks and eight months can be the difference between success and failure. In addition to the space, which will be fully permitted as Mott Smith was saying, companies are going to have co-located warehousing and access to, for example, buying power through aggregation of demand. All of these people are going to group together and have access to lower cost bulk ingredients and components, again, to contribute to a more profitable business. The majority of my organization's members are minority-owned businesses, and we expect to provide a pathway for all these businesses to be successful. The failure rate in food production is extremely high. We expect to help make it much, much lower. I strongly endorse this project, and I hope you will approve it as well. Thank you very much.
- Sandra Rahimi: Thank you. The final speaker card we have is for Tim Karp. He is with US Bank, the investor on LA Prep Kitchen.
- Tim Karp: Good afternoon, and thank you for your time. My name is Tim Karp and I work with the US Bank Community Development Corporation. We would serve as tax credit investor if this project does move ahead. The development team has spoken very eloquently about the impacts that I think we all can agree are very apparent. I can speak to some of the more project-specific items that we have. We've brought together a great consortium of California-based CDFI lenders to serve as leverage lenders in the deal. They have all issued term sheets for the project. On the construction side of things everything is ready to go. We've got a great partnership with LADF with past closings in Discovery Science Center and the La Kretz Innovation Campus, both of which we closed in a relatively

short period of time, and we've worked with the development team from the time this project was very much a vision to now seeing it become reality. Us bank is strongly supportive of this project and I urge your support for the project in allocating the remaining \$10 million.

- Sandra Rahimi: Thank you.



#### GENERAL PUBLIC COMMENT

- Joyce Dillard
- Sandra Rahimi: We have one card for a general public comment from Joyce Dillard.
- Joyce Dillard: I know already this is a big issue but also I'd like to see you look at the fact that some of these projects have collected dust for so many years, you know, it's like are they ever really truly executed, that's one thing to look at. But you also have to look at it fitting into the area. Is it really going to provide jobs for the people in the surrounding area, that's what I'm concerned about. I followed the HUD money for years, and I see very little results, and with this, I'm concerned that we're not getting into an area that technology has made obsolete, like robots for manufacturing. Are we really going to have jobs for people in the area or is it going to turn robotic and they have to have technology experience, which they may not be able to satisfy. I think that you need to approach investments with what the markets are now. I'm concerned about LA Prep, which is in my area, because what I'm seeing is that the people who have their little restaurants, you know, on the corner, and they prepare food on a fire have disappeared from my area, I think in preparation for this project coming into the area. Can they reach the people who really need to get that start to feed their families? I mean, what I'm hearing is an organized aspect of this and will it really affect the area? It's more than Hispanic, my area, it's Asian also, Chinese, and I don't think there's been enough outreach. Like I said, I've watched this property for years so I'm not surprised this is coming in but I want to see it really affect the area. We need the jobs. We're getting gentrified. Homes are going up to \$400,000, which I mentioned in the last meeting. We need jobs, in whatever area of the city you decide to invest in, that really show a result for the city of LA. It's poor, it's rich, it's getting old, and I talk about it outside of the city. I talk about it with other people too, because there has to be a concerted effort to make an attempt to use the money properly. This is a federal allocation, and it's very important that that federal allocation reach something beneficial in the long run. This is supposed to be the example city. I don't see it being an example city. I just see the deals being cut, and I'd like to really see it be productive. Thank you.
- Sandra Rahimi: Thank you. That was our last public comment.

#### 8. ADJOURNMENT

- Meeting was adjourned at **3:28 pm**.

## LOS ANGELES DEVELOPMENT FUND

MINUTES OF THE MEETING OF THE GOVERNING BOARD AND ADVISORY BOARD OF LADF AND LADF MANAGEMENT, INC  
THURSDAY, DECEMBER 5, 2013

### LADF STAFF PRESENT:

- Sandra Rahimi
- Chris Chorebanian

1. **WELCOME AND CALL TO ORDER** – Los Angeles Development Fund (LADF) Director Cervantes called the meeting to order at **3:10 pm**.

### 2. ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Cervantes (Chairman)
- Director Santana
- Director Perry

The following Advisory Board directors were present at the meeting:

- Director Espinoza
- Sandra Rahimi: Let the record show that for the Advisory Board, only Director Espinoza is present. There is not a quorum of the Advisory Board.

### 3. APPROVAL OF MINUTES FOR BOARD MEETING(S) ON:

March 27, 2013 – Governing Board Meeting

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

### 4. DISCUSSION ITEMS

#### ➤ DISCUSSION ITEM 1 – LADF PIPELINE UPDATE

- Sandra Rahimi: I want to give a brief update on the three other deals we were considering at the last meeting. District Square is continuing to move forward. They're focusing now on permitting and getting all of the constructions items. They've said that they may come back and revisit new market tax credits later when they get all the other items taken care of. On Lanzit the tenant pulled from the project, so now it could only move forward as a spec building and EDD is not supportive of that.
- Director Perry: When did the tenant fall out on Lanzit?
- Sandra Rahimi: I asked Joanne Lu in EDD and she said that the tenant didn't want to provide the financials EDD was requiring to accept them as a tenant.
- Director Perry: Well the reason I'm asking is because Mr. Shepard came to see me within the last two weeks and he said he had a tenant to fill the rest of the project. I don't know whether he didn't comply with the documentation or the tenant was unacceptable.
- Sandra Rahimi: As far as I know, EDD hasn't received new documentation to get approval for that tenant. But Mr. Shepard is moving forward with permitting for the one building for which the HUD108 money is sufficient to build. The NMTC financing was going to leverage the 108 dollars so that he could build the two buildings. Construction of the one building will probably begin in January on a spec basis. And then the idea is that once potential tenants actually see dirt moving, Mr. Shepard will be able to attract a tenant. And the New Market Tax Credit Program does allow for a 24-month look-back window. So if he starts in January with construction and we close something in June or July, he can get reimbursed for those 6 months, and then he has 18 months moving forward to complete it.
- Director Perry: And that will give them time to provide whatever it is they need too.
- Sandra Rahimi: Right.
- Director Perry: Okay.

- Sandra Rahimi: And then Wattstar continues to work with the city to try and find some solution to problem with the guarantee for the leverage loan. So that's just the general update of the projects that were under consideration.
- Chairman Cervantes: Great. Thank you, Sandy.

## 5. ACTION ITEMS

### 1. ACTION ITEM 1 – REQUEST FOR APPROVAL OF \$10 MILLION SUB-ALLOCATION OF NEW MARKETS TAX CREDITS FOR THE LA PREP / KITCHEN PROJECT

- Sandra Rahimi: At the previous meeting the board approved a project to move forward with, and this meeting is the final actual approval of that investment. Typically, other CDEs have their advisory board meet at a separate meeting, and then the minutes or feedback from that meeting is provided to the governing board prior to them making an investment decision. Unfortunately, at this moment, we don't have a quorum of our advisory board; and I've just been advised by our attorney that that means that our advisory board cannot advise – which does not mean that Director Espinoza as an individual can't provide his feedback, but it doesn't count as the advisory board advising. But having said that, the advisory board is familiar with this project. This project and its community benefits were discussed at the September 4<sup>th</sup> joint meeting at which we had a quorum of both boards. At that meeting the advisory board had the opportunity to provide input to the governing board.
- Director Santana: Well my recommendation is that we hear from advisory board member Rudy Espinoza to any thoughts or questions that he may have in this project and have the board take action.
- Sandra Rahimi: Okay.
- Chairman Cervantes: I agree.
- Sandra Rahimi: I would like to give a brief overview of the project. LA Prep Kitchen is roughly an \$18 million project. It involves the substantial rehab of existing real estate that's currently being used for clothing manufacturing. The site was as previously used to produce plastic. It's in Lincoln Heights. The improvements are 64,000 square feet, 20,000 of which will be leased to L.A. Kitchen. And then the remaining 42,000 square feet will be built out for 50 stations for food preparation, and there will also be 1,500 square feet set aside for Food Centricity, which is the non-profit that helps new food producers establish and grow their business. The targeted tenant would be small food producers who would lease the space on month-to-month. The sponsor commissioned a market study that found that potentially the second user would be food trucks, and then possibly there would be small restaurants or caterers that might also want the space. But they are predominantly targeting small food producers who would be producing food products for wholesale, ideally getting into the grocery stores and growing and moving out of the space, and having full manufacturing – kind of like an incubator for food production. The benefit here obviously is lower cost. They can go in a month-to-month space versus having to rent a commercial kitchen somewhere. And also the overall site is licensed with the Health Department, which helps expedite the licensing of the individual tenant. That will create 140 permanent jobs overall in the site, and there will be 30 to 40 construction jobs. We have set asides for best efforts to provide the construction jobs to minority-owned businesses, women-owned businesses, small businesses, local businesses. Also 20 percent of the tenants would be offered below market rents, 20 percent of any combination of the nonprofit, or the food producers, or a minority-owned business, or a woman-owned business. If the board takes action today, we are moving towards a year-end close to meet our deadline with the CDFI Fund, but there are a few issues that could potentially make closing fall over to the beginning of next year. I expressed to the group that that was not our preference, but the methodology used by the appraiser wasn't acceptable to the leverage lenders. Also, there are four leverage lenders and they spent some time working out their relationship. And there also is an environmental issue on the site because of the previous use for plastics production; and the sponsors are working with the seller for the cost of remediation to be taken into a consideration in the sales price. There will be funds held in the budget to cover the remediation cost and they're going to be getting environmental insurance. The timeline of the various items that are still outstanding is on Page 17 of the board memo. They are in plan check, and because of the location and because it's a rehab, not new construction, the building permit process is expedited. So they expect to have building permits in February and to commence constructions then and be open for business by fall of next year. Are there any questions from the board? And we do have a public comment request.
- Chairman Cervantes: Why don't we hear the public comment first, and then open it up for questions.
- Sandra Rahimi: Joyce Dillard.
  - *Public Comment:*
  - Joyce Dillard: I'll start off with the financials. I'm concerned about the guarantees I see in here from Civic Enterprise, Mott Smith, and the other name who I can't remember right offhand. I don't quite understand what the guaranteed amount is and what they show as assets look like a household assets to me. It shows no liability. So what kind of guarantee do you really have on this? I think it's very weak, and I think it needs to be determined how much you need for the guarantee, and really if there's liabilities against these assets. Because if they're encumbered by a mortgage, you're not going to see them as a guarantee. And I think that needs to be cleared up for any project. I go to the Northeast LA Riverfront Collaborative as you know which is part of the Urban Waters Partnership. They didn't know about this project, okay. So right there, that's the group to see what economic opportunities there are for the surrounding area, and they don't even know about it; which means the sponsors of this project have not done outreach. I said that to them yesterday after a meeting. So that's very weak because it's a Mexican grocery area basically. And I think unless there's outreach, you're probably going to get some hassle about why they're putting that in there. I don't see any outreach to people who sell food on the street, which is where I see a need, because I live right near there, you know. I see a need for those tamale makers on

that corner. They cook their meat on the spot. There is a need, but I don't see this meeting the need. It just can't be for food in the area. They haven't reached out to the Asian community which has their own style of food. Everything is different in ethnic communities. Young Nak is moving in across the street. Even though with CASP [Cornfield Arroyo Seco Specific Plan] there may not be problems with parking I think there may be future problems with parking. The first TOD in the area went in across the street. It had environmental problems and now there is no parking. So I think you're going to see some future pushback on this. Can it expand to help people to expand their business economically? That's the way I'm looking at it. And I think it wouldn't hurt embracing the Yong Nak community since they are a major part of Lincoln Heights. And Lincoln Heights really isn't East LA. It's Northeast LA. East LA is Boyle Heights, it has a little different feel than this. And even though I see that in there, it's really not the feel of the area. It's getting very mixed. In fact, it's getting to be where I said before, the middle-class are moving because the home prices are going so high. So I just think there needs to be a lot more done. I don't see it succeeding as it is, unless it's for the hotels that are planned to come in the area, and that this is just about hotel development which everyone knows is going on in our area. It really needs to get to the people and that's what new market tax credit is about. Thank you,

- Chairman Cervantes: Great. Thank you for your comments. Any questions? Rudy, do you have any comments or questions about the project?
- Director Espinoza: I want to start off with a full disclosure. I'm actually in the process of joining the Board of Directors of the L.A. Kitchen, which is the tenant of this property. I told Sandy that right before the session. I think that it's a good project, and we should be leveraging the resource of the city to support projects like this. There are two reasons for that in my opinion. The first is that we need to create better food systems for people to eat; and especially in areas like the east side, there is a lack of good grocery stores, and these folks are really trying to figure out how they can sort bring better food to these communities and develop systems for that. The second thing is that it creates a space for entrepreneurs. It's really difficult for food entrepreneurs to find a legal space to do their work and to build their business. And incubators like this are a great opportunity to support entrepreneurs that have good ideas and good products. So I like this project and I'm a supporter of the folks that are behind it.
- Sandra Rahimi: I just would like to add a couple of things. One, the Council Office has been involved in this project and is familiar with the project, as is the Mayor's Office. The Mayor's staff and the Department of Economic Development, they're both aware of this. And Food Centricity, which is a nonprofit that's part of the site and will be helping the food producers take advantage of the opportunities there, as well as the buying in bulk and those kinds of things, already operates in that market niche in Southern California. So they have contacts among the small food producers within Los Angeles.
- Moved by Director Santana. Seconded by Director Perry.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

**2. ACTION ITEM 2 – REQUEST FOR APPROVAL TO JOIN NMTC COALITION AND FOR SANDRA RAHIMI TO REPRESENT LADF AT THE COALITION'S ANNUAL CONFERENCE, DEC 12 & 13, 2013**

- Sandra Rahimi: The next item is request to join the New Market Tax Credit Coalition and for me to attend the New Market Tax Credit Coalition conference in December. Just a little background on the coalition – it's basically the lobbying group for the New Market Tax Credit Program. They organize meetings with the Congressional representatives and their staff, targeting those who will be voting on appropriations for the program and extending the program. Basically at the meetings Coalition members explain the investments that we have made in the various Congressional districts so that they see how the program is benefitting their constituency. Also at the meeting, you hear from representatives from the IRS and Treasury and the CDFI Fund about how they're viewing tax reform and those kinds of things. There is one revision to the board memo. The price of the airplane ticket has gone up to around \$900 since this memo was drafted. I just wanted the board to be aware of that.
- Moved by Director Santana. Seconded by Director Perry.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

**3. ACTION ITEM 3 – REQUEST FOR APPROVAL OF SANDRA RAHIMI, CHRIS CHOREBANIAN, AND RUSHMORE CERVANTES TO REPRESENT LADF AT NOVOGRADAC'S NMTC CONFERENCE IN SAN DIEGO JAN 23 & 24, 2014**

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

**4. ACTION ITEM 4 – REQUEST FOR APPROVAL OF TWO OR MORE OF THE FOLLOWING INDIVIDUALS AS AUTHORIZED SIGNERS FOR THE BANK ACCOUNTS OF LADF, LADF MANAGEMENT, INC., AND AFFILIATES: A) JAN PERRY, B) MIGUEL SANTANA, C) KAREN KALFAYAN, AND D) KATHY GODFREY**

- Sandra Rahimi: We've been pushing to increase the number of signers on LADF's bank accounts because we have had a lot of turnover in our board, and signing checks was especially problematic when Patty Huber was out ill. Our policy is to have two signers on every check. So not that we want everybody on the board to be the day-to-day signers, but we think it's useful to have sufficient backup signers so that if something happens or someone's not available, we can find two authorized people able to sign. And this is worded this way: "The board can choose any and all of these people." And I just want to point out that at the current moment, although Patty Huber stepped down as a member of the board, she still is the CFO; and that is possible, because in the past, our President and CFO were not on the board. Anyway, so it's not a conflict or an issue for her to remain as CFO if she would like to, and in that capacity, to remain as a signer on our checking accounts. But staff would request to have additional backup approved.
- Moved by Director Santana. Seconded by Director Perry.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

**5. ACTION ITEM 5 – REQUEST FOR APPROVAL FOR AMENDMENT TO THE LADF ADMINISTRATIVE AND OPERATING PROCEDURES TO ALLOW FOR THE TIMELY PAYMENT OF ALL TAXES AND FEES TO THE IRS, STATE OF CALIFORNIA, STATE OF DELAWARE, AND CITY OF LA THROUGH ELECTRONIC SUBMISSION, AS SUCH TAXES AND FEES MAY ARISE IN THE ORDINARY COURSE OF BUSINESS FOR LADF, LADF MANAGEMENT, INC., AND AFFILIATES**

- Sandra Rahimi: So the final item regards paying LADF's taxes. When we get tax notices, we often get them very shortly before the time that they are due, and our payment process is cumbersome because we only process payment requests once a month. So we have in the past incurred penalties because we haven't been able to pay on time just because the tax payment hasn't been able to move through our payment process rapidly enough. The various tax entities allow for online payment of taxes, and obviously the taxes are what the taxes are and they're due. There's nothing subjective about the taxes so that the people signing the payment request are unlikely to question the payment. So we're proposing approval to pay taxes online, and then we would include the receipt and evidence that we had paid them in the next payment request so that those signers would see what had been paid. And this, again, would just be for taxes.
- Moved by Director Santana. Seconded by Director Perry.
- Roll Call: AYES: 3; NOS: 0 ABSENT: 2; ABSTAIN: 0; APPROVED.

**6. REQUEST FOR FUTURE AGENDA ITEMS**

- Sandra Rahimi: We have no requests for future agenda items?

**7. NEXT MEETING DATE AND TIME**

- To Be Determined

**8. PUBLIC COMMENT**

- Ms. Joyce Dillard: *(Discussion Item 1 – general comment)*

**9. ADJOURNMENT**

- Meeting was adjourned at **3:31 pm.**

# Tab 3

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# LADF

LOS ANGELES DEVELOPMENT FUND

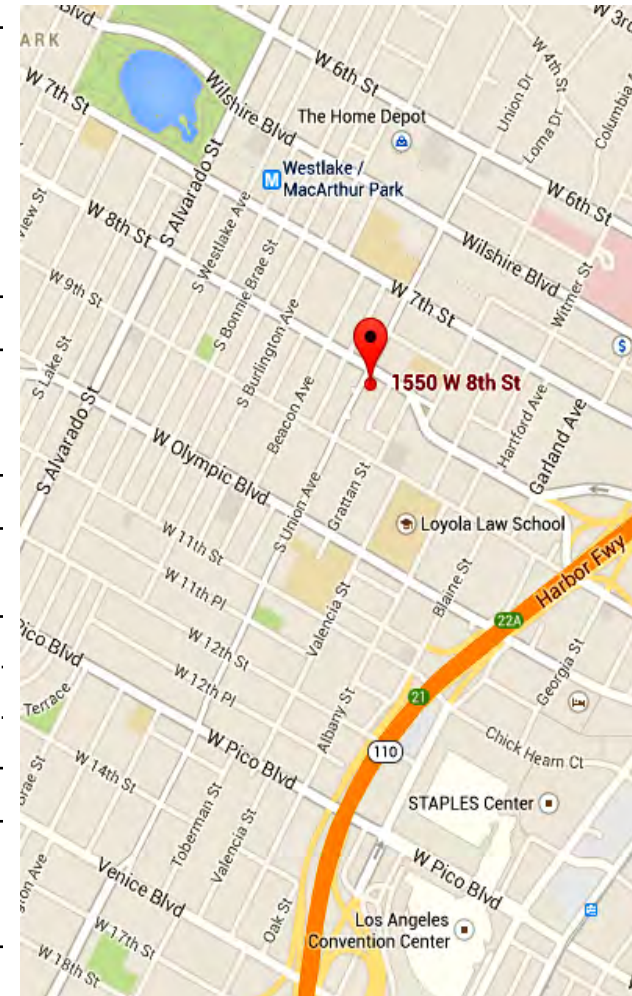
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## PIPELINE PROFILES

LADF Board of Directors Meeting  
April 9, 2015

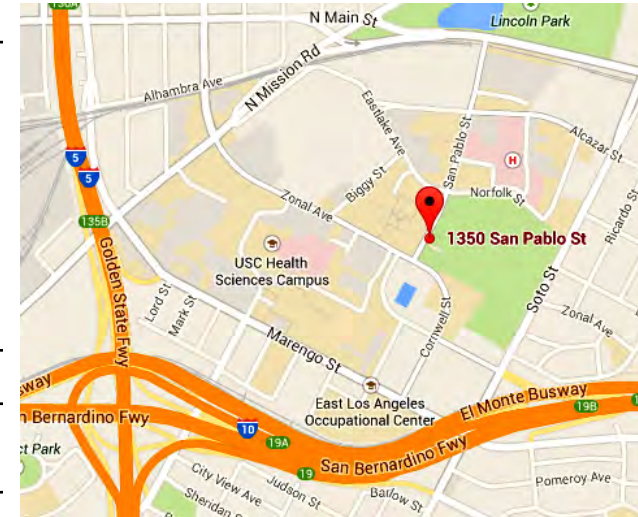
# LEGAL AID FOUNDATION OF L.A.

Developer:	Legal Aid Foundation of Los Angeles (LAFLA)
Project Type:	Class A Office, New Construction
Description:	Project will demolish an existing 9,000 SF LAFLA location to build a 57,000 SF, 4-story building. The new facility will consolidate 2 other service locations into a modern & client-friendly HQ facility. LAFLA is the frontline law firm for poor & low-income people in LA, committed to equal access to justice for all. Through their 6 existing offices, 3 courthouse domestic violence clinics and 4 Self-Help Legal Access Centers, LAFLA serves as the first stop for thousands of people when legal problems threaten their homes, health, and livelihoods.
Location:	1550 W. 8 <sup>th</sup> Street, Los Angeles, CA 90017 (CD 1)
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> <li>➤ <b>42.0%</b> Poverty Rate (<i>greater than 30%</i>)</li> <li>➤ <b>36.0%</b> of Metro/State Median Income (<i>less than 60%</i>)</li> <li>➤ <b>1.66x</b> National Avg. Unemployment (<i>greater than 1.5x</i>)</li> </ul>
Estimated TDC:	\$ 19,000,000
Estimated NMTC Allocation:	Total QEI: \$19,000,000 LADF QEI: \$10,000,000
Potential Sources of Funds:	Sponsor Equity: \$ 5,500,000 Construction Loan : \$ 7,200,000 NMTC Equity (\$0.85 / NMTC): \$ 6,300,000
Projected Closing:	Summer 2015
Current Status:	<ul style="list-style-type: none"> <li>➤ Sponsor controls site, design &amp; construction docs 100% complete</li> <li>➤ Entitlements approved, in final stage of plan check approval</li> <li>➤ Demolition near completion, negotiating contract with GC</li> </ul>
Community Benefits/Impact:	<ul style="list-style-type: none"> <li>➤ Permanent Job Creation: Consolidate <b>85</b> FTEs Onsite – Expect to increase staff with additional capacity in new HQ facility</li> <li>➤ Construction Job Creation : <b>150</b></li> <li>➤ Legal services provided to low-income persons</li> <li>➤ New facility will enhance the capacity of services housed there</li> </ul>



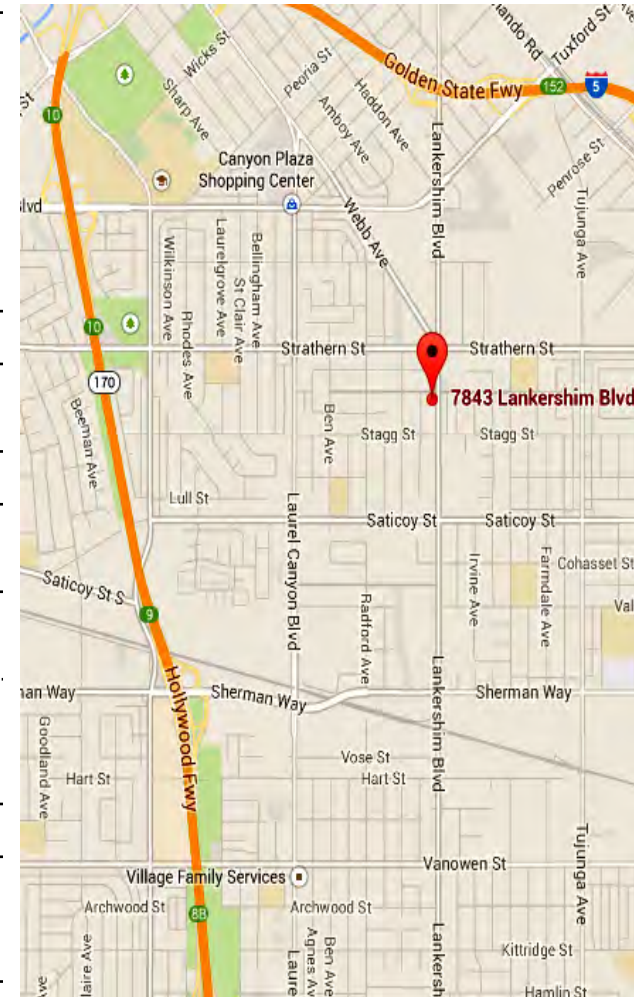
# LEGACY LA

Developer:	Legacy LA
Project Type:	Community Facility (Teen Center), Rehabilitation
Description:	<p>Rehabilitation of a 35,000 SF building (former federal armory) in Boyle Heights. Project includes classroom &amp; office spaces, computer labs, video/sound studio, academic counseling/tutoring rooms, industrial kitchen for culinary training, student-run cafe, theater, library, art studios/galleries, gym &amp; basketball court, and other amenities.</p> <p>Legacy LA will provides services to the youth of the Ramona Gardens Housing Project. In the last 5 years Legacy LA served over 1,000 youth through gang intervention, leadership development, advocacy, workforce readiness and academic supports.</p>
Location:	1350 N San Pablo St, Los Angeles, CA 90033 (CD 14)
Census Tract Eligibility (2010):	<p>➤ <b>55.9%</b> of Metro/State Median Income (<i>less than 60%</i>)</p> <p>➤ <b>1.54x</b> National Avg. Unemployment (<i>greater than 1.5x</i>)</p>
Estimated TDC:	\$ 8,000,000
Estimated NMTC Allocation:	<p>Total QEI: \$ 8,000,000</p> <p>LADF QEI: \$ 8,000,000</p>
Potential Sources of Funds:	<p>Sponsor Equity: \$ 400,000</p> <p>City of Vernon Grant: \$ 5,000,000 (<i>30% disbursed</i>)</p> <p>NMTC Equity (\$0.85 / NMTC): \$ 2,600,000</p>
Projected Closing:	2015
Current Status:	<p>➤ Developer controls site by way of a 50-yr MOU with City of LA</p> <p>➤ Developer and City of LA agreed to terms for 35-year Lease Agmt</p> <p>➤ Lease Agmt will need approvals by Rec &amp; Parks and City Council</p>
Community Benefits/Impact:	<p>➤ Job Creation/Retention: <b>10</b> Permanent – <b>50</b> Construction</p> <p>➤ 50% of Permanent &amp; Construction Jobs to be filled by low-mod</p> <p>➤ Sponsor will partner with other organizations to provide services to youth of Ramona Gardens (ex: local coffee house owner has committed to teaching youth how to roast coffee)</p>



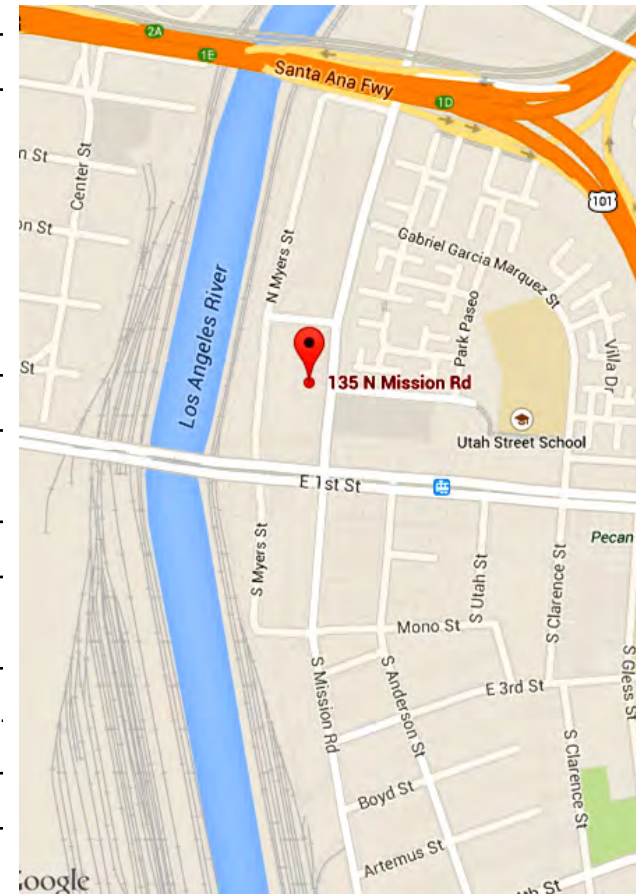
# THE CAMPUS AT L.A. FAMILY HOUSING

Developer:	L.A. Family Housing (LAFH)
Project Type:	Community Facility, Rehabilitation and New Construction
Description:	Project will be a social service and housing resource center for homeless individuals & families in the San Fernando Valley. Construction will be phased: <b>Phase 1</b> – Rehab of existing 30,000 SF facility. Uses will include transitional housing / homeless shelter and coordinating entry system space for new clients. <b>Phase 2</b> – Demolish existing bldg & construct new 26,000 SF facility (including housing financed by LIHTC). Uses will include a federally qualified health care center, office space for sponsor HQ and social service space for employment counseling, legal advocacy & housing resources.
Location:	7843 Lankershim Blvd., North Hollywood, CA 91605 (CD 6)
Census Tract Eligibility (2010):	Project will serve <b>Targeted Populations</b> ➤ Pursuant to Sect. 3.2(h)(v) of NMTC Allocation Agreement
Estimated TDC:	<b>Phase 1:</b> \$ 9,500,000 <b>Phase 2:</b> \$ 20,000,000
Estimated NMTC Allocation:	<b>Phase 1:</b> Total QEI – \$ 9,500,000 / LADF QEI – \$ 9,500,000 <b>Phase 2:</b> Total QEI – \$ 20,000,000 / LADF QEI – \$ 10,000,000
Potential Sources of Funds:	<div> <b>Phase 1:</b>  \$ 6,400,000 (Land Value Contrib.)  \$ 3,100,000 (\$0.85 / NMTC Equity) </div> <hr/> <div> <b>Phase 2:</b>  \$ 3,500,000 (Land Value Contrib.)  \$ 10,000,000 (Capital Campaign)  \$ 6,500,000 (\$0.85 / NMTC Equity) </div>
Projected Closing:	<b>Phase 1:</b> Spring 2015 <b>Phase 2:</b> Spring 2016
Current Status:	➤ Sponsor controls site, preliminary concept designs complete ➤ <b>Phase 1:</b> Entitlement package submitted, approvals exp. May '15 ➤ <b>Phase 2:</b> Timing driven by LIHTC, sponsor to apply in June-July '15
Community Benefits/Impact:	➤ Permanent Job Creation: <b>50 FTE Retained / 10 FTE Created</b> ➤ LAFH will serve 2,000 more people and healthcare capacity will increase to 10,000 visits per year ➤ Housing: 50 new permanent units / 250 renovated shelter units



# PROYECTO PASTORAL

Developer:	Proyecto Pastoral
Project Type:	Community Facility, Acquisition/Rehab
Description:	<p>New construction of a 5-story, 50,000-sf facility that can meet many community needs including: after school &amp; summer services; early education/child care center; recreation/gym; commercial-community kitchen; training café; technology center; classrooms; and community meeting and office space.</p> <p>Proyecto Pastoral also operates youth education programs designed to address 69% high school dropout rate in 30-block target area of Boyle Heights (lead the Promesa Boyle Heights initiative).</p>
Location:	135 N Mission Rd, Los Angeles, CA 90033 (CD 14)
Census Tract Eligibility (2010):	<p>➤ <b>35.1%</b> Poverty Rate (<i>greater than 30%</i>)</p> <p>➤ <b>39.4%</b> of Metro/State Median Income (<i>less than 60%</i>)</p>
Estimated TDC:	\$ 12,000,000
Estimated NMTC Allocation:	<p>Total QEI: \$ 12,000,000</p> <p>LADF QEI: \$ 10,000,000</p>
Potential Sources of Funds:	<p>Donations (<i>campaign pending</i>): \$ 8,000,000</p> <p>NMTC Equity (\$0.85 / NMTC): \$ 4,000,000 (<i>no commitment</i>)</p>
Projected Closing:	2015
Current Status:	<p>➤ Developer owns site and operates in existing 9k SF building onsite</p> <p>➤ Developer to begin raising capital through donations and grants</p> <p>➤ Permitting and construction start expected in Fall 2015</p>
Community Benefits/Impact:	<p>➤ Job Creation: <b>35</b> Permanent – <b>150</b> Construction</p> <p>➤ Permanent Jobs: 70% provide Living Wages, 100% provide full benefits, and 75% filled by residents of Low-Income Communities</p> <p>➤ 100% of families served by project are low-income persons</p> <p>➤ Project expected to serve 4,250 individuals annually</p> <p>➤ Healthy foods component (15-20%) through kitchen and café</p>



# JORDAN DOWNS RETAIL/COMM. CTR.

Developer:	Primestor Development, Inc.
Project Type:	Retail and Community Center, New Construction
Description:	<p>Development of a 101,000 SF retail center with a grocery store and pharmacy as anchor tenants. Inline tenants will include soft goods retailers and restaurants.</p> <p>Project is part of redevelopment of Jordan Downs (a 700-unit public housing community) into a mixed-income, mixed-use environment with housing density up to 2,100 housing units. Over 14 acres of land designated for commercial uses such as retail/office/manufacturing.</p>
Location:	9901 South Alameda Street, Los Angeles, CA 90002 (CD 15)
Census Tract Eligibility (2010):	➤ <b>42.6%</b> of Metro/State Median Income ( <i>less than 60%</i> )
Estimated TDC:	\$ 30,000,000
Estimated NMTC Allocation:	Total QEI: \$ 30,000,000 LADF QEI: \$ 10,000,000
Potential Sources of Funds:	Sponsor Equity: \$ 5,100,000 Construction Loan: \$ 15,000,000 ( <i>lender not identified</i> ) NMTC Equity (\$0.85 / NMTC): \$ 9,900,000 ( <i>no commitment</i> )
Projected Closing:	TBD
Current Status:	➤ Developer is seeking a lender to provide a construction loan ➤ Site is undergoing environmental clean-up ➤ Infrastructure improvements ongoing (i.e. Century Blvd extension)
Community Benefits/Impact:	➤ Job Creation: <b>220</b> Permanent – <b>120</b> Construction ➤ Project to implement local hiring, training & job readiness program ➤ Provide needed neighborhood-serving retail & community facility ➤ Fresh foods to be provided by grocery store anchor in a USDA designated <b>Food Desert</b>



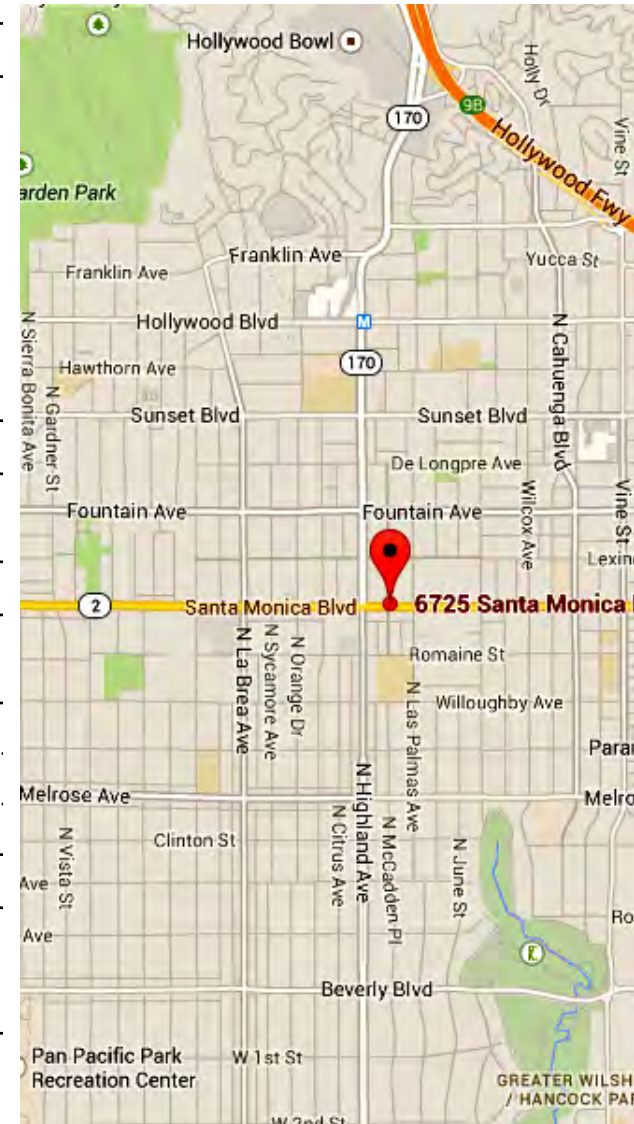
# ROLAND CURTIS GARDENS COMMERCIAL

Developer:	Abode Communities
Project Type:	Community Facility, construction
Description:	<p>Construction of 8,000 SF commercial space within a mixed-use, TOD affordable housing project that will provide 140 affordable family rental homes. Commercial component will include a 6,500 SF FQHC to be occupied &amp; operated by <b>St. John's Well Child &amp; Family Center</b>. Services offered will include general primary medical care, well child services, voluntary family planning services, immunizations, gynecology services, diagnostic laboratory procedures, oral health services, mental health services, case management, preventative health education, and community outreach and education.</p> <p>The remaining 1,500 SF of commercial space is anticipated to be occupied by community serving retail.</p>
Location:	1077 W. 38 <sup>th</sup> Street, Los Angeles, CA 90037 (CD 8)
Census Tract Eligibility (2010):	<ul style="list-style-type: none"> <li>➤ <b>42.5%</b> Poverty Rate (<i>greater than 30%</i>)</li> <li>➤ <b>37.0%</b> of Metro/State Median Income (<i>less than 60%</i>)</li> <li>➤ <b>2.82x</b> National Avg. Unemployment (<i>greater than 1.5x</i>)</li> </ul>
Estimated TDC:	\$ 8,000,000
Estimated NMTC Allocation:	Total QEI: \$8,000,000 LADF QEI: \$8,000,000
Potential Sources of Funds:	Leverage Loan: \$ 5,400,000 ( <i>capital campaign</i> ) NMTC Equity (\$0.85 / NMTC): \$ 2,600,000 ( <i>no commitment</i> )
Projected Closing:	Fall 2016
Current Status:	<ul style="list-style-type: none"> <li>➤ Sponsor controls site</li> <li>➤ Capital campaign and RE predevelopment work underway</li> <li>➤ LIHTC application for financing the affordable housing component has been pushed out to a later round in 2016</li> </ul>
Community Benefits/Impact:	<ul style="list-style-type: none"> <li>➤ Permanent Job Creation: TBD</li> <li>➤ Comprehensive health services for 10,000 low-income individuals and families in the area.</li> </ul>



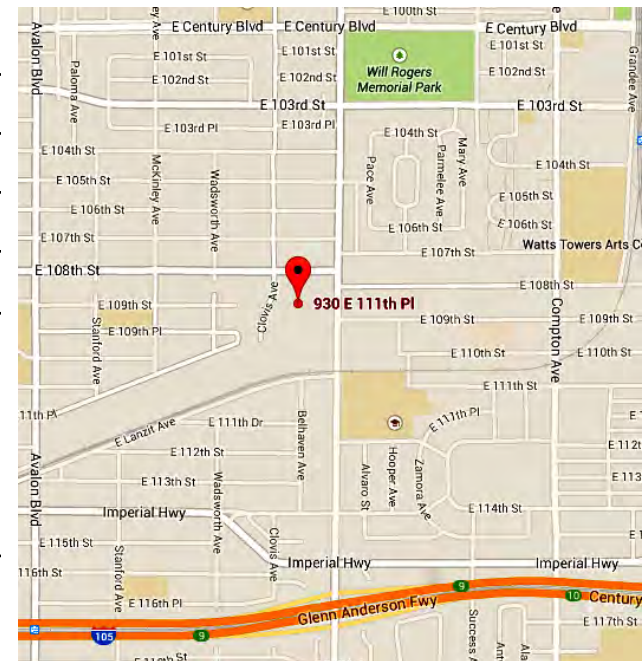
# McCADDEN PLAZA (L.A. LGBT Center)

Developer:	Los Angeles LGBT Center
Project Type:	Community / Retail (w/ Affordable Hsg), Acquisition / Rehab
Description:	<p>Project will provide ground floor retail and community space, with low-income housing for seniors on the upper floors. Sponsor operates 5 existing locations and provides the following services:</p> <p><b>Health:</b> one of the nation's largest and most experienced providers of LGBT health and mental healthcare</p> <p><b>Social Services / Housing:</b> (1) offer food, clothing, counseling, medical care and a wide range of services to help homeless LGBT youth; (2) help meet many of the basic and life-sustaining needs of the growing number of LGBT seniors; (3) one-on-one mentoring for LGBT youth and college scholarships, workshops and social activities</p>
Location:	6725 W. Santa Monica Blvd., Los Angeles, CA 90025 (CD 4)
Census Tract Eligibility (2010):	<p>➤ <b>74.0%</b> of Metro/State Median Income (<i>less than 80%</i>)</p> <p>➤ Located in a <i>State Enterprise Zone</i> and <i>Revitalization Zone</i></p>
Estimated TDC:	\$ 40,000,000
Estimated NMTC Allocation:	<p>Total QEI: \$ 40,000,000</p> <p>LADF QEI: \$ 10,000,000</p>
Potential Sources of Funds:	<p>Sponsor Equity: \$ 11,700,000 (<i>land value contrib</i>)</p> <p>Donations: \$ 25,000,000 (<i>\$22mm raised</i>)</p> <p>NMTC Equity (\$0.85 / NMTC): \$ 13,300,000 (<i>no commitment</i>)</p>
Projected Closing:	Spring 2016
Current Status:	<p>➤ Sponsor controls site; design development &amp; entitlements ongoing</p> <p>➤ Architects selected through competitive RFP process</p> <p>➤ Entitlements documents submitted Feb/Mar 2015 for review</p>
Community Benefits/Impact:	<p>➤ Job Creation: <b>80</b> Permanent – <b>330</b> Construction</p> <p>➤ Provide retail and community space to underserved community</p> <p>➤ Address the need for social services and housing for a growing number of LGBT seniors</p>



# LANZIT CENTER

Developer:	Lanzit Industrial Park, LLC (RSS Development)		
Project Type:	Light Industrial and Office, New Construction		
Description:	150,000 SF Built-to-Suit Industrial Park, 9.1-acre lot Proposed Phase I – Bldg 2 [30,000 SF] and Bldg 3 [46,000 SF]		
Location:	930 East 111 <sup>th</sup> Place, Los Angeles, CA 90059 (CD 8)		
Census Tract Eligibility (2010):	<div>➤ <b>52.3%</b> of Metro/State Median Income (less than 60%)</div> <div>➤ <b>1.94x</b> National Avg. Unemployment (greater than 1.5x)</div> <div>➤ Located in a <i>State Enterprise Zone</i> and <i>Revitalization Zone</i></div>		
Estimated TDC:	\$12,000,000		
Estimated NMTC Allocation:	Total QEI: \$12,000,000 LADF QEI: \$10,000,000		
Potential Sources of Funds:	CDBG R Grant:		\$2,200,000
	HUD 108 Loan:		\$6,000,000
	NMTC Equity (\$0.85 / NMTC):		\$3,900,000
Projected Closing:	TBD		
Current Status:	<div>➤ EWDD’s HUD 108 loan and CDGB proceeds have been funded.</div> <div>➤ Project has received permitting to construct one building</div> <div>➤ Phase I to begin on spec basis to entice tenants</div> <div>➤ EWDD is in negotiations to engage a project manager to complete the project through construction and leasing</div> <div>➤ New agreement will require City Council approval</div>		
Community Benefits/Impact:	<div>➤ Job Creation: <b>171</b> Permanent – <b>65</b> Construction</div> <div>➤ 51% of Permanent Jobs to-be-made available to low-to-moderate income persons</div>		



# OTHER PROJECTS UNDER CONSIDERATION

- Digital Learning Academy (Sponsor – YWCA of Greater Los Angeles)
  - Est. TDC: \$11,000,000
  - Total QEI: \$11,000,000
  - Expansion of an existing program that provides free academic instruction and job training to low income youth/young adults (ages 16-24) in a residential setting
  - Program places low-income youth into digital field careers with high wage employment

# Tab 4

# MEMORANDUM

TO: LADF Board of Directors  
FROM: Sandra Rahimi, LADF Secretary  
DATE: April 9, 2015  
SUBJECT: AWARD CONTRACTS TO NOVOGRADAC & COMPANY LLP TO PROVIDE  
AUDIT AND TAX PREPARATION SERVICES FOR A TWO YEAR PERIOD,  
WITH TWO 12-MONTH EXTENSION OPTIONS, IN THE COMBINED AMOUNT  
NOT TO EXCEED \$750,000

## RECOMMENDATION

That the Los Angeles Development Fund (LADF) Board of Directors:

1. Authorize the President, or designee, to award a contract to Novogradac & Company LLP (Novoco) to prepare and examine the financial statements of LADF and its related entities in accordance with auditing standards generally accepted in the United States of America, prepare and submit City, State and Federal tax returns for LADF and its related entities, and provide any other tax, accounting and financial advisory services as requested by LADF. The term of the contract will be for 24 months (commencing in November 2015 and continuing through October 2017) with two 12-month extension options (see Exhibit B for specific Scope of Services).
2. Authorize the expenditure of an amount not to exceed \$750,000 for tax return preparation, and auditing services provided by the selected firm subject to the availability of funds.

## SUMMARY

On February 27, 2015, the Los Angeles Development Fund received two (2) statements of qualifications in response to Request for Proposals (RFP #004): Audit and Tax Preparation Services. Both firms were evaluated. The written statements were evaluated based on each firm's qualifications and experience with the New Markets Tax Credit (NMTC) program, as further described in Exhibit A – Qualifications Required & Evaluation Criteria. Areas evaluated included the firm's documented and demonstrated capabilities, including qualifications and experience with municipally-controlled Community Development Entities (CDEs); demonstrated ability to perform in accordance with the scope of services as enumerated in Exhibit B; and, proposed costs for services.

Based on the submitted proposals, overall cost, and telephonic interviews of each firm's proposed team, staff recommends that LADF engage Novoco as the contractor for this scope of services.

### Cost and Budgeting

Work will be performed pursuant to a purchase order issued by LADF. The authorized total contract amount of \$750,000 should be sufficient to fund tax preparation and auditing services over the contract period, including extensions.

For tax preparation and auditing services, the annual fee per entity will be fixed; however, it is anticipated that the number of LADF related entities requiring auditing services will increase over the term of the contract. The annual fee associated with a given sub-CDE is reimbursed by the QALICB of the project funded by that sub-CDE.

Sufficient funds will be budgeted by the LADF each year in its annual budget to cover anticipated auditing and tax preparation costs for LADF, LADF Management, Inc. and unfunded sub-CDEs.

## **Novogradac & Company LLP**

Founded in 1989, the Novogradac & Company (Novoco) is a full-service CPA and business advisory firm. Novoco, headquartered in San Francisco, maintains 18 office locations nationwide, including an office in Long Beach where the proposed LADF project team is located. The company has been involved with the NMTC program since its inception in 2000. Novoco is consistently ranked by *Accounting Today* and *Inside Public Accounting* as one of the top 40 Accounting Firms in the nation. Novoco provides audit and tax services to over 100 NMTC allocatees, including more than 25 non-profit allocatees and 14 government-controlled allocatees. In its practice, Novoco serves a broad range of clients but has an emphasis on the real estate sector and the various tax credit programs. Annually, Novoco hosts numerous conferences and workshops for LIHTC, NMTC, HTC and renewable energy. Novoco's longstanding national reputation in providing tax credit advisory services has made them one of the key advisors to the CDFI Fund and advocacy groups such as the NMTC Coalition in developing the New Markets Tax Credits program.

### Project Team

The Novoco team to be assigned to LADF is located in Long Beach. Unlike other CPA firms, Novoco does not outsource any portion of the services to be provided to LADF.

#### *Diana R. Letsinger, CPA: Partner, Long Beach*

Diana Letsinger, CPA, will be leading the Novoco team working with LADF. Ms. Letsinger is a partner in the Long Beach office of Novoco. She specializes in community development and affordable housing, including the NMTC, LIHTC, historic rehabilitation credit, and renewable energy tax credit industries. She consults on projects within the NMTC industry and supervises work on a number of complex real estate engagements. Ms. Letsinger also manages consulting projects with several major equity syndicators and large national investors. She attended the University of California at Berkeley and graduated with a B.S. in business administration in 1996. Ms. Letsinger is licensed as a CPA in California.

Ms. Letsinger provides a broad range of advisory services to CDEs, including completing financial statement audits and tax returns, establishing CDEs, drafting NMTC applications, development and implementation of internal compliance policies and procedures, compliance review and CDFI reporting. In addition, Ms. Letsinger provides deal structuring, financial and cash flow modeling for NMTC transactions. She has negotiated business and deal terms on behalf of investors, CDEs and developers utilizing the NMTC leveraged structure, including transactions that combine the NMTC with historic tax credits.

Ms. Letsinger is a technical editor of the *New Markets Tax Credit Handbook*, which discusses key issues such as crucial dates, structure of the program, key players, allocation process and credit recapture. Ms. Letsinger is also a frequent contributor to the Novogradac Journal of Tax Credits, a monthly publication by Novoco, which addresses regulatory, legislative and industry issues. Ms. Letsinger is a frequent speaker at industry-sponsored conferences and workshops.

Years with Novogradac & Company LLP: Since 1997.

#### *Bryan Hung: Principal, Long Beach*

Mr. Bryan Hung, CPA, is a principal in the Long Beach office of Novoco. Prior to joining Novoco, Mr. Hung worked two years as an accounting associate at the Central American Resource Center (CARECEN), a nonprofit 501(c)(3) organization. Mr. Hung has experience in providing audit, tax, and consulting services in the NMTC, historic rehabilitation credit, and renewable energy industry. In addition, Mr. Hung has extensive experience in deal structuring and preparing complex financial forecasts for NMTC, historic rehabilitation, and renewable energy transactions including transactions with various combinations of NMTC, historic tax credits, and/or investment tax credits. He received a double B.S. in accounting and business administration with an emphasis in finance from the University of Southern California in 2005. Mr. Hung is licensed as a CPA in California.

Years with Novogradac & Company LLP: Since 2005.

*Tamara Forman: Manager, Long Beach*

Ms. Tamara Forman, CPA, is a manager in the Long Beach office of Novoco. Ms. Forman, whose experience is in the community development industry, including the areas of NMTCs, HTCs, and renewable energy, has worked extensively on financial statement audits, tax return preparation, final cost certifications, compliance reporting and NMTC allocation applications. Ms. Forman has experience preparing financial forecasts for NMTC transactions that include forecasting sources and uses of cash, net operating income, taxable income, summary of tax benefits available to the investor and estimated tax credits. She received a bachelor's degree in accounting from San Diego State University in 2008. Ms. Forman is licensed in California as a CPA.

Years with Novogradac & Company LLP: Since 2009.

*Stephanie Chow: Supervisor, Long Beach*

Ms. Stephanie Chow, CPA, is a supervisor in the Long Beach office of Novoco. Ms. Chow specializes in the NMTC and HTC industries. She has worked extensively on financial statement audits, tax return preparation, final cost certification audits, financial forecasts, and compliance reporting. She received a bachelor's degree in accounting from California State University, Long Beach in Long Beach in 2010. Ms. Chow is licensed as a CPA in California.

Years with Novogradac & Company LLP: Since 2010.

The Novoco team has the depth of experience and knowledge that LADF staff strongly believes will help ensure that it remains in compliance with NMTC program regulations and reporting requirements, including financial reporting for the Los Angeles Development Fund and related entities and their projects.

## **BACKGROUND**

At the December 10, 2009 Board meeting and after reviewing responses to LADF's Request for Proposal (RFP #003), the LADF Governing Board awarded the contract for audit and tax services to the Reznick Group. In January 2010, LADF executed a purchase order (P.O. 09-0012) with the Reznick Group for an initial term of two years with two 1-year extension options.

This contract has expired, so with Governing Board approval LADF staff issued a Request for Proposals (RFP #004) on January 20, 2015 to solicit responses from CPA firms that provide audit and tax services to CDEs. The RFP was issued to three (3) firms and was posted on LADF's website. By the submission closing date of February 27, 2015, LADF had received two (2) statements of qualifications in response to the RFP.

Staff evaluated the statements of qualifications received based on the following criteria, as listed in the RFP:

- Qualifications, skills, education, and experience of the firm and the personnel who would be assigned to perform the services required herein.
- Documented past performance in terms of quality of services, product, timeliness, responsiveness, and completeness.
- Proposed costs and fees, including overall financial feasibility of cost proposal.
- Quality of the proposal, including thoroughness, logic, completeness, clarity, and methodology/approach, appropriate level of detail and overall responsiveness.

Staff reviewed the responses and conducted phone interviews with both firms. Based on this review of both quantitative and qualitative measures, the evaluation team recommends awarding of the contract to Novogradac & Company.

#### **EXHIBITS**

Exhibit A – Qualifications Required & Evaluation Criteria

Exhibit B – Statement of Work

## EXHIBIT A

### QUALIFICATIONS REQUIRED & EVALUATION CRITERIA

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#### Qualifications Required

1. Professional personnel with substantial experience providing financial auditing and tax preparation services to CDEs with NMTC allocations. National certified public accounting firms that have provided comparable services to at least twenty (20) CDE clients are preferred.
2. Professional personnel with experience providing financial auditing and tax preparation to non-profit, 501(c)(3) corporations. National certified public accounting firms that have provided comparable services to non-profits that are municipally-controlled CDEs, of size and complexity comparable to the LADF are preferred.

#### LADF Evaluation Criteria.

The LADF will evaluate all proposals received in response to this RFP based on the following criteria:

1. Qualifications, skills, education, and experience of the firm and the personnel who would be assigned to perform the services required herein.
2. Documented past performance in terms of quality of services, product, timeliness, responsiveness, and completeness.
3. Proposed costs and fees, including overall financial feasibility of cost proposal.
4. Quality of the proposal, including thoroughness, logic, completeness, clarity, and methodology/approach, appropriate level of detail and overall responsiveness.

**EXHIBIT B**  
**STATEMENT OF WORK**  
**NEW MARKETS TAX CREDIT**  
**AUDIT AND TAX PREPARATION SERVICES**

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Scope of Services

1. Financial audit - The Auditor will examine the financial statements of the LADF and its related entities in accordance with auditing standards listed below in the subsection "Auditing Standards to be Followed". The examination shall result in the preparation of financial statements for the audited records of the LADF with the auditors' opinion thereon. The Auditor's opinion shall be unqualified and the auditors shall furnish to the LADF, on a timely basis, its reasons for disclaiming an opinion, issuing a qualified opinion or rendering an adverse opinion.
2. Compliance audits - The Auditor shall also conduct the examination in accordance with Government Auditing Standards, State and Local laws, and IRS, CDFI Fund and New Markets Tax Credit regulations for Certified Community Development Entities, if applicable.
3. Report on Internal Controls - The Auditor shall issue a report on internal controls to the LADF's Board of Directors containing recommendations to strengthen internal controls.
4. Submission of reports - The Auditor shall provide an original (along with an electronic copy) of the financial statements and auditors' report for the LADF not later than April 30, of each year.
5. Prepare and submit City, State and Federal tax returns for LADF and its related entities in a timely manner, and making best efforts to file such tax returns within their original filing deadlines and without the use of filing extensions.
6. Provide any other tax, accounting and financial advisory services as requested by the LADF.

*Auditing Standards to be Followed*

To meet the requirements of this RFP, the audit shall be performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

*Reports to be Issued*

1. Reports Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

- A report on the fair presentation of the LADF's financial position, results from operation and cash flows in conformity with generally accepted accounting principles

- A report on compliance and internal controls over financial reporting based on an audit of the financial statements.
- In the required report(s) on compliance and internal controls, the Auditor shall communicate any reportable conditions found during the audit. Reportable conditions that are also material weaknesses shall be identified as such in the report. Non-reportable conditions discovered by the auditors shall be reported in a separate letter to management, which shall be referred to in the report(s) on compliance and internal controls. The Auditor shall be required to make an immediate, written report of all irregularities and illegal acts, or indications of illegal acts, of which they become aware to the LADF's Board of Directors.

## 2. Reporting to the Board of Directors

From time to time, the LADF may request that the Auditor be available to report to LADF's Board of Directors at one of its regularly scheduled meetings. Pursuant to such request, the Auditor may be asked to inform LADF's Board of Directors about any or all of the following:

- The auditor's responsibility under generally accepted auditing standards;
- Significant accounting policies;
- Management judgments and accounting estimates;
- Significant audit adjustments;
- Other information in documents containing audited financial statements.

# Tab 5

# MEMORANDUM

TO: LADF Board of Directors  
FROM: Sandra Rahimi, LADF Secretary  
DATE: April 9, 2015  
SUBJECT: APPROVE SELECTION OF FIVE (5) LAW FIRMS TO PROVIDE  
TRANSACTIONAL LEGAL SERVICES TO THE LADF FOR A FIVE YEAR  
PERIOD WITH NO EXTENSIONS

## RECOMMENDATION

That the Los Angeles Development Fund (LADF) Board of Directors approves the selection of the following five (5) law firms to provide transactional legal services to the LADF for a five-year period, with no extensions options:

1. Beth Bergman and Michael Allderdice  
**Bergman & Allderdice**  
1200 Wilshire Blvd., Suite 610  
Los Angeles, California 90017  
Email: [bbergman@b-alaw.com](mailto:bbergman@b-alaw.com)  
Email: [mallderdice@b-alaw.com](mailto:mallderdice@b-alaw.com)
2. Sarah C. Perez  
**Buchalter Nemer**  
55 Second Street, Suite 1700  
San Francisco, CA 94105-3493  
Email: [scperez@buchalter.com](mailto:scperez@buchalter.com)
3. A. Ann Hered and Thane Hodson  
**Butler Snow LLP**  
4600 South Syracuse, 9<sup>th</sup> Floor  
Denver, CO 80237-2719  
Email: [ann.hered@butlersnow.com](mailto:ann.hered@butlersnow.com)  
Email: [thane.hodson@butlersnow.com](mailto:thane.hodson@butlersnow.com)
4. John A. Henry, Jr.  
**Kutak Rock LLC**  
1801 California Street, Suite 3000  
Denver, CO 80202-2626  
Email: [john.henry@kutakrock.com](mailto:john.henry@kutakrock.com)
5. Sonia Nayak  
**Nixon Peabody LLP**  
555 West Fifth Street  
Los Angeles, CA 90013  
Email: [snayak@nixonpeabody.com](mailto:snayak@nixonpeabody.com)

## SUMMARY

By March 2, 2015, the Los Angeles Development Fund (LADF) had received five (5) Statements of Qualifications in response to Request for Qualifications (RFQ #002): Transactional Legal Representation. The written statements were evaluated based on each firm's qualifications and

experience with the New Markets Tax Credit (NMTC) program, as further described in Exhibit A. Areas evaluated included the firm's documented and demonstrated capabilities, including qualifications and experience with municipally-controlled Community Development Entities (CDEs); demonstrated ability to perform in accordance with the scope of services as enumerated in Exhibit B; and, proposed costs for services.

Based on the submitted proposals staff recommends that LADF enter into Agreements for Professional Legal Services ("Agreements") with all five (5) responding firms. While transaction counsel is paid by the QALICB as part of the closing costs of each NMTC transaction, LADF will endeavor to negotiate Agreements with moderate hourly billable rates for the Primary Contact (\$400 per hour or less).

The following is a summary of each firm recommended.

### **Bergman and Alderdice**

Founded in 2005, Bergman and Alderdice is a local women-owned law firm with extensive experience in nonprofit law, and real estate transaction law including NMTC, Low Income Housing Tax Credits, Historic Tax Credits, CDFI- and CDE-source financing, bond financing and federal, state and local grant and subsidy programs. The firm also has experience forming nonprofits, qualifying organizations for tax exempt status and handling on-going governance matters for 501(c) 3 corporations. The firm's sole location is in downtown Los Angeles. Bergman and Alderdice have served as LADF's **organizational counsel** since 2009.

LADF's primary contact person will be the managing partner, Beth S. Bergman. Ms. Bergman has over 22 years of experience; including previous work with Mayor Tom Bradley's administration, the Los Angeles Housing Department and Quateman and Zidell LLP. Ms. Bergman is a graduate of Harvard Law School and is admitted to the bar in California, Washington, DC and New York.

Michael Alderdice is also a partner and has over 30 years experience in law, including 20 years as counsel to the Redevelopment Agency of the City of Long Beach.

Since 2012 Bergman and Alderdice acted as LADF's **transactional attorney** on several NMTC financings.

### **Buchalter Nemer**

Founded in 1948, Buchalter Nemer is a full-service business law firm representing national and global clients in several major areas of practice, among them, Real Estate and Tax, Bank and Finance, Business Practices, Financial Restructuring & Insolvency, Litigation, Labor and Employment and Intellectual Property. The Firm has offices in Los Angeles, San Francisco, Orange County and Scottsdale, Arizona.

Buchalter Nemer has had a thriving NMTC practice representing CDEs, QALICBs, leverage lenders and investors since the inception of the NMTC program. The firm has done significant and complex transactions including combining Historic Tax Credits and NMTCs.

Sarah C. Perez will serve as the key contact person at the firm and a project lead. Ms. Perez is an Associate in the firm's Real Estate Practice Group in San Francisco. Ms. Perez has extensive experience representing developers and investors in real estate finance including structured finance, tax-advantage investing, tax credit syndication, community development, and affordable housing transactions. Her current practice focus is on real estate transactions that generate low income, New

Markets and Historic Tax Credits. In addition, Ms. Perez regularly advises nonprofits on a variety of issues including 501 (c)(3) tax exemption rules, lobbying limitations and good governance.

### **Butler Snow**

Founded in 1954, Butler Snow recently ranks 171st in the National Law Journal's Top 250 list. The firm currently employs more than 300 attorneys and the NLJ has deemed Butler Snow the second fastest growing firm in the United States. In addition to an office in London, the firm currently has 17 offices in the United States and is headquartered in Ridgeland, Mississippi. The team assigned to LADF is located in the Denver office. Ann Hered would be LADF's principal contact. Since 2009, LADF has closed multiple NMTC transactions with Ms. Hered and Thane R. Hodson when they were employed at Kutak Rock's Denver office.

Butler Snow has been actively involved in both the federal and multiple state NMTC programs since their respective adoptions. They have represented CDEs, tax credit investors, leverage lenders and qualified businesses in connection with the structuring and closing of qualified investments for construction, renovation and working capital needs. The firm provides the full range of legal services required to complete NMTC transactions successfully.

In 2014, Butler Snow's tax incentives group was involved in closing transactions involving approximately \$290,000,000 in NMTCs.

### **Kutak Rock**

Kutak Rock is a national law firm founded in 1965. The firm currently employs more than 500 attorneys with locations in 17 cities nationwide, including Los Angeles and Irvine. The firm has a nationally recognized tax credit practice, and is one of the most experienced law firms in the nation in the area of NMTCs. Our tax and transactional attorneys have been industry leaders in NMTC transactions since the earliest years of the program and have participated in more than 300 NMTC transactions nationwide.

John A. Henry, Jr., a partner located in Kutak Rock's Denver office, would be LADF's primary contact. Mr. Henry focuses on complex public and private financing transactions involving NMTCs, tax-exempt bonds and other tax-incentivized financing tools. Mr. Henry represents CDEs, tax credit investors, leveraged fund lenders and QALICBs in all types of NMTC financings.

### **Nixon Peabody LLP**

Nixon Peabody is a firm with nearly 150 years of history behind it; Nixon Peabody took its present form in 1999. With more than 700 attorneys in 17 offices across the U.S., Europe, and Asia, Nixon Peabody handles complex challenges in areas including, but not limited to, real estate, affordable housing, corporate law, intellectual property, finance, and litigation.

The firm has been involved with the NMTC program since its inception in 2000. Nixon Peabody attorneys and advisors have previously worked in legal and policy positions at the IRS and Treasury, including providing input on writing the rules of the NMTC program. Members of the firm's NMTC team have extensive experience representing CDEs, project sponsors/QALICBs, leverage lenders, and investors in this program.

Sonia Nayak, located in Nixon Peabody's Los Angeles office, would be the primary contact for LADF transactions. Ms. Nayak's practice centers on real estate and real estate financing, including NMTCs, affordable housing and commercial lending. LADF has closed one NMTC transaction using Ms. Nayak as its transaction attorney.

## **BACKGROUND**

In May 2009, LADF issued an RFQ to identify a pool of pre-approved **transaction attorneys** to assist LADF in closing NMTC transactions. At its July 9, 2009 meeting, the LADF Governing Board pre-approved three law firms to provide transactional legal services to LADF: Bergman and Allderdice, Kutak Rock, and Lane Powell. Agreements were negotiated and executed with Bergman and Allderdice and Kutak Rock.

LADF has closed transactions using Bergman and Allderdice and Kutak Rock (Ms. Hered and Mr. Hodson). In order to reduce closing costs for the QALICB, as an exception, LADF also closed one transaction using Nixon Peabody.

In 2013, the NMTC attorneys at Kutak Rock left the firm and joined Butler Snow. Since the pre-approval of Kutak Rock was based on the qualifications of these NMTC attorneys, this effectively reduced LADF's pool of pre-approved **transaction attorneys** with executed legal services agreements to one firm.

In order to create a larger, more efficient pool of transaction attorneys from which LADF can choose representation, with Governing Board approval, LADF staff issued a Request for Qualifications (RFQ #002) on January 30, 2015 to solicit responses from law firms active in the NMTC industry. The RFQ was issued to eight (8) firms and was posted on LADF's website. By the submission closing date of March 2, 2015, LADF had received five (5) Statements of Qualifications in response to the RFQ.

Staff evaluated the Statements of Qualifications received based on the criteria listed in the RFQ (see Exhibit A).

Staff reviewed the responses and based on this review of both quantitative and qualitative measures, the evaluation team recommends entering into Agreements with all five responding law firms.

## **EXHIBITS**

Exhibit A – Qualifications Required & Evaluation Criteria

Exhibit B – Scope of Services

## EXHIBIT A

### QUALIFICATIONS REQUIRED & EVALUATION CRITERIA

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#### Qualifications Required

1. Demonstrated experience with the NMTC Program guidelines, CDFI Fund compliance requirements and IRS Section 45D and other IRS regulations.
2. Professional personnel with substantial experience providing transactional legal advisory services to CDEs with NMTC allocations. Highly-qualified firms that have provided comparable services to at least twenty (20) CDE clients are preferred.
3. Professional personnel with experience providing legal counsel to non-profit, 501(c)(3) corporations. Highly-qualified firms that have provided comparable services to non-profits that are municipally-controlled CDEs, of size and complexity comparable to the LADF are preferred.
4. Professional personnel who are California Bar Association members with active status.

#### LADF Evaluation Criteria.

1. Qualifications, skills, education, and experience of the firm and the personnel who would be assigned to perform the services required herein.
2. Documented past performance in terms of quality of services, product, timeliness, responsiveness, and completeness.
3. Proposed costs and fees, including overall financial feasibility of cost proposal.
4. Quality of the response, including thoroughness, logic, completeness, clarity, methodology / approach, and appropriate level of detail.

## **EXHIBIT B**

### **SCOPE OF SERVICES**

#### **NEW MARKETS TAX CREDIT TRANSACTIONAL LEGAL ADVISORY SERVICES**

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The firm will be required to provide knowledgeable personnel who have successfully provided the professional services of a transactional counsel to other Community Development Entities (CDEs), particularly, municipally-controlled and nonprofit CDEs. The attorney(s) providing representation will be required to perform legal analysis of complex issues and provide advice, recommendations and legal opinions; prepare correspondence and written reports, draft and review contracts, interact with staff and the LADF Governing Board of Directors and Advisory Board of Directors, make public presentations, and attend public meetings.

The anticipated scope of services encompasses legal advice, guidance and representation on all business and legal matters related to the closing of NMTC transactions, including but not limited to:

1. Provide advice, written and oral, to the LADF on specified areas of law, as requested.
2. Assist the LADF with the negotiation, preparation and review of agreements, including, but not limited to Leveraged Fund Operating Agreements, CDE Operating Agreements, Leveraged Fund Loan and Security Agreements, QLICI Loan and Security Agreements, Loan Servicing and Compliance Monitoring Agreements, Fee Agreements, Put and Call Agreements, Guarantees and other NMTC and real estate transaction related exhibits, attachments and other documents.
3. Provide any and all legal opinions typically required of legal representatives of CDEs in connection with the closing of NMTC transactions.
4. Attend meetings as requested with LADF staff, developers, property owners, financial institutions, CDEs, investors, other lenders, governmental entities, and funding recipients.
5. Attend meetings of the LADF Governing Board, committee meetings of the Board, and other boards or entities as necessary and as requested.
6. Attend any other meetings as requested by the LADF staff.

# Tab 6

# MEMORANDUM

TO: LADF Board of Directors  
FROM: Sandra Rahimi, LADF Secretary  
DATE: April 9, 2015  
SUBJECT: LADF attendance at three upcoming industry conferences (1. CohnReznick's NMTC Conference in Miami on May 12 & 13, 2015; 2. NMTC Coalition's Policy Conference in Washington D.C. on June 9, 2015; and 3. Novogradac's NMTC Conference in Washington D.C. on June 11 & 12, 2015), including LADF membership in the NMTC Coalition.

## RECOMMENDATION

*ACTION ITEM #3:* That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes Sandra Rahimi to represent LADF at CohnReznick's NMTC conference in Miami on May 12 & 13, 2015.

*ACTION ITEM #4:* That the LADF Governing Board of Directors authorizes Sandra Rahimi to represent LADF at the NMTC Coalition's policy conference in Washington D.C. on June 9, 2015.

*ACTION ITEM #5:* That the LADF Governing Board of Directors authorizes Sandra Rahimi to represent LADF at Novogradac's NMTC conference in Washington D.C. on June 11 & 12, 2015.

Cost for the conference for Action Items #3, #4, and #5 would be paid from LADF's marketing budget.

*ACTION ITEM #6:* That the LADF Governing Board of Directors authorizes LADF extending its membership in the NMTC Coalition. Cost for the annual membership dues would be paid from LADF's marketing budget.

## SUMMARY AND BACKGROUND

Novogradac & Co. and CohnReznick are the two largest CPA firms in the New Markets Tax Credit (NMTC) industry. Their conferences are well-attended by all categories of industry experts, and staff attendance will provide invaluable marketing opportunities for the LADF. The conferences are attended by developers, investors, CDFI Fund staff and other NMTC allocatee partners. The conferences provide up-to-date information on the status of the NMTC program and industry best practices. They are also great opportunities to hear about projects and build relationships with the potential partners active in the NMTC world. LADF has developed a presence at these industry conferences, where LADF representatives often attend several meetings to voice City support of projects located in Los Angeles. This industry exposure resulted in a very strong LADF pipeline for the most recent 2014 NMTC application round.

The NMTC Coalition is also holding its policy conference in Washington D.C. right before the Novogradac conference. The NMTC Coalition is a national membership organization founded in 1998 to advocate on behalf of the NMTC program. The Coalition, which includes more than 150 members, is managed by Rapoza Associates, a public interest lobbying, policy analysis and government relations firm located in Washington, DC that specializes in providing comprehensive legislative and support services to community development organizations, associations and public agencies.

The NMTC Coalition's policy conference will provide attendees with the opportunity to hear from Treasury Department officials, NMTC investors, and law firm experts. Additionally, key congressional

staff will be invited to provide insight on the state of NMTC in the 114th Congress. Attendees will also have time to meet with their members of Congress during the lobby visit portion of the conference. Rapoza Associates will facilitate these meetings between conference attendees and key members of Congress to brief policymakers on the value of the NMTC program and to encourage the extension and permanency of the program.

#### Cost

Due to the distances and the networking events, Ms. Rahimi would require the following number of nights of hotel stay and days of travel for each conference:

- CohnReznick NMTC Conference (Miami, FL): **3 nights hotel stay – 2 days travel**
- NMTC Coalition Policy Conference (Washington, D.C.): **1 nights hotel stay – 2 days travel**
- Novogradac NMTC Conference (Washington, D.C.): **4 nights hotel stay**

Regarding travel days for the Novogradac conference, the airfare is included in the total cost for the NMTC Coalition conference because both conferences will be held during the same week and in the same location (Washington D.C.).

Ms. Rahimi would attend the conferences and networking events on behalf of LADF. The total cost for each conference is broken down in the following three tables.

#### *ACTION ITEM #3 – COHNREZNICK'S NMTC CONFERENCE IN MIAMI ON MAY 12 & 13, 2015*

<b>Description</b>	<b>Cost</b>
Conference Fee <sup>1</sup>	\$ 500
Airfare	\$ 500
Baggage fee	\$ 50
Hotel ( <i>approx. \$282 per night</i> )	\$ 845
Taxi	\$ 180
<i>Per diem</i>	\$ 193
<b>TOTAL COST</b>	<b>\$ 2,268</b>

#### *ACTION ITEM #4 – NMTC COALITION'S CONFERENCE IN WASHINGTON D.C. ON JUNE 9, 2015*

<b>Description</b>	<b>Cost</b>
Conference Fee <sup>2</sup>	\$ 250
Airfare	\$ 700
Baggage fee	\$ 50
Hotel ( <i>approx. \$310 per night</i> )	\$ 310
Taxi	\$ 150
<i>Per diem</i>	\$ 94
<b>TOTAL COST</b>	<b>\$ 1,554</b>

<sup>1</sup> The CohnReznick conference fee shown in the table represents a discounted rate for not-for-profit entities that register by April 10, 2015. For not-for-profit entities that register after April 10, 2015, the rate increases to \$575.

<sup>2</sup> The NMTC Coalition conference fee shown in the table represents a discounted rate for members. If LADF does not extend its membership (see *Action Item #6*), then the non-member rate of \$300 would apply.

## ACTION ITEM #5 – NOVOGRADAC'S CONFERENCE IN WASHINGTON D.C. ON JUNE 11 & 12, 2015

Description	Cost
Conference Fee <sup>1</sup>	\$ 525
Airfare	\$ 0
Baggage fee	\$ 0
Hotel ( <i>approx. \$297 per night</i> )	\$ 1,186
Taxi	\$ 30
<i>Per diem</i>	\$ 225
TOTAL COST	<b>\$ 1,966</b>

### DISCUSSION

At the conferences, QALICBs and consultants will be discussing projects in anticipation of 2014 round award announcement, which is now expected in June 2015. If the award announcements are made prior to Novogradac's conference in Washington D.C., then this conference will provide particularly good exposure for the CDEs that are awarded allocation.

The conferences provide opportunity for LADF to discover additional City of Los Angeles projects beyond its current pipeline. These projects will provide alternatives if any of LADF's current pipeline projects stall and will help build a future pipeline in the event LADF is awarded additional NMTC. These additional pipeline projects will also contribute to an improved application in the upcoming round for 2015 awards.

In the event LADF is not awarded additional allocation, investors, QALICBs and consultants have requested that LADF staff assists in promoting projects in the City of Los Angeles. Such promotion by a local CDE is especially important for sourcing allocation from national CDEs that are not necessarily aware of the needs of our communities. LADF, as the CDE controlled by the City of Los Angeles, adds additional value in these efforts. These conferences, which have attendance drawn nationwide, are important venues for this work.

Additionally, the NMTC Coalition Policy Conference will afford LADF the opportunity to promote the merits of the NMTC program to Members of U.S. Congress. This will benefit LADF and the City of Los Angeles in several ways: 1) help the broader goal of achieving the extension and permanency of the NMTC program, so that LADF may continue to attract NMTC investment into the City of Los Angeles through its various efforts; 2) promote projects in Los Angeles and their community impacts to incite greater interest in awarding allocation to CDEs with a Los Angeles focus; and 3) further enhance LADF's recognition in the NMTC industry by engaging in policy related activities.

### ATTACHMENTS

CohnReznick NMTC Conference – Agenda  
NMTC Coalition Policy Conference – Event Info, Agenda  
Novogradac NMTC Conference – Agenda

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<sup>1</sup> The Novogradac conference fee shown in the table represents a discounted rate for not-for-profit entities that register by May 19, 2015. For not-for-profit entities that register after May 19, 2015, the rate increases to \$625.

**Pre- Conference 101 Workshop**  
**Monday, May 11, 2015**

1:00 – 5:00 PM

**From Curious to Competent – The NMTC Program**

Professionals from CohnReznick's National NMTC Practice Group will turn a NMTC novice into a well-versed participant in one afternoon. Multiple sessions will highlight program policies and rules, fee structures, reporting and today's NMTC market conditions.

1:00 – 2:30 PM

**The ABC's of NMTC**

You will be amazed at how much you can learn in 90 minutes if you focus on the most relevant parts of the NMTC program. We will address the nuts and bolts of the program, but most importantly, how these rules relate to what is happening in today's marketplace.

2:30 – 2:45 PM

**Networking Break**

2:45 – 3:15 PM

**Tax Credit Recapture – What's my Risk?**

Although there are only a handful of events that can trigger a NMTC recapture, it is easier than you think to let your guard down and have something fall through the cracks. We will walk you through the trigger points of recapture and how they can be easily prevented.

3:15 – 3:45 PM

**What Does It Take to be a QALICB**

There are more steps than you can imagine in qualifying a NMTC investment. See what puts the "Q" in "QALICB" as you learn what constitutes a qualified business or real estate project and how QALICBs can attract NMTC allocation to their projects.

3:45 – 4:00 PM

**Networking Break**

4:00 – 5:00 PM

**Compliance**

As in any federal subsidy program, there are multiple, complex compliance requirements. What most people don't realize is that there are two separate buckets of compliance—one programmatic and one regulatory. Learn about these differences, which compliance requirements impact each player in the transaction, what the reporting and documentation requirements are, and what the penalties are for failing to comply.

**Pre- Conference 202 Workshop**  
**Monday, May 11, 2015**

1:00 – 5:00 PM	<b>Deep Dive – The NMTC Program</b> In response to the feedback that we have gotten from participants in the 101 in years past, we have developed a deep dive into some of the more nuanced aspects of the program that bridges the gap between the 101 work-shop and the general program. The program will be organized around the importance of the tax opinion and the “projections” as a means to understand the technical aspects of the NMTC program.
1:00 – 1:30 PM	<b>Session Overview</b> Who thought it could be so much fun to dig into the tax opinion and the projections? Or at least we can break them down to pursue a deep understanding of the NMTC program nuances and this panel will set up the rest of the program.
1:30 – 2:00 PM	<b>Issue I - True Debt</b> The two words that most are tired of hearing, but encapsulate an idea fundamental to every NMTC transaction given the way the program was conceived.
2:30 – 2:30 PM	<b>Issue II - Original Issue Discount</b> More affectionately called OID – the tax opinion may not specifically address this issue, but that is because it is sufficiently addressed in the projections. It is complicated and maybe the best example of something covered elsewhere in the tax code that has to be addressed in every NMTC transaction.
2:30 – 2:45 PM	<b>Networking Break</b>
2:45 – 3:15 PM	<b>Issue III - Non-Qualified Financial Property</b> NQFP is a concept that has to be addressed in every NMTC transaction and is almost as frustrating as OID. This acronym was referenced directly in the NMTC statute, but as the program has evolved, so has the need to respond to this technical issue.
3:15 – 3:45 PM	<b>Issue IV - Operating Business</b> Real estate financings still comprise a disproportionate share of allocation, but the Operating Business is gaining prominence, yet many nuances need to be addressed so that the practitioners can rest easy that compliance has been adhered to.
3:45 – 4:00 PM	<b>Networking Break</b>

4:00 – 5:00 PM

**Issue V - Unwinds**

What does an unwind look like? Now that we have spent 3 hours getting deep into the technical issues that get us to a closing, let's explore what happens at the end of the compliance period.

**Conference Agenda**  
**Tuesday, May 12, 2015**

8:00 – 9:00 AM

**Networking Breakfast**

9:00 – 9:15 AM

**Opening and Program Overview – Ira Weinstein, CohnReznick**

9:15 – 9:45 AM

**Keynote Speaker – Bob Ibanez, Program Manager, New Markets Tax Credit & Bank Enterprise Award Program, U.S. Department of the Treasury Community Development Financial Institutions Fund**

9:45 – 10:45 AM

**Legislative Update**

What is happening inside the beltway and how is it impacting things in the “real” America? We will explore NMTC extension, tax reform and all of the economic development issues *du jour*.

10:45 – 11:00 AM

**Networking Break**

11:00 – 11:45 PM

**Community Development Efforts Beyond NMTC**

NMTC may be the focal point of our conference, but it is just one piece of the community development puzzle and only one component of many industry organizations' larger strategy. Learn more about where this fits into a handful of CDE's strategy.

11:45 – 12:30PM

**Maximizing Other CDFI Programs**

Let's explore some other programs within the community development sphere – many in attendance are participating in or exploring participating in the CDFI Bond Guarantee Program, the Capital Magnet Fund and other important compliments to NMTC - they generate impact whether they work directly with NMTC or not.

12:30 – 1:30 PM

**Networking Lunch**

**Concurrent Sessions****Track 1**

1:45 – 2:30 PM

**CDE - Metrics and Measurements**

Impact is a complicated concept to define and to measure – whether we are being prospective, or retrospective. Join us as we explore the variety of ways to measure impact and the most effective way to leverage impact as part of your strategy as a CDE or aspiring QALICB.

1:45 – 2:30 PM

**Case Study - Twinning the HTC with NMTC**

We know it is complicated and more so in the wake of the “safe-harbor”, but transactions are happening with frequency. Come explore the how, what and why of using these two great programs together, as reflected in an actual transaction.

**Track 2**

2:30 – 3:15 PM

**CDE - The All-important “BUT FOR” argument**

All these many years later, these two small words govern arguably the most critical allocation deployment criterion and one that pervades many an economic development program. We will build on the Metrics and Measurement discussion to review what goes into making this decision and examples of what facts and circumstances are considered.

2:30 – 3:15 PM

**Case Study - Loan Fund**

We saw them early in the program and then the recession seemed to render them a thing of the past; yet they seem to be returning. We will explore various loan fund structures and the keys to successful implementation and asset management with real world examples.

3:15 – 3:30 PM

**Networking Break**

**Track 3**

3:30 – 4:15 PM

**CDE - Compliance**

You knew we would have to include some compliance in the program – it is important, ever-changing and always nicely presented as a Q&A.

3:30 – 4:15 PM

**Case Study - State Transaction**

Let's explore another combination – the state tax credit. We will use some concrete examples of how best to combine the state and federal NMTC programs.

6:00 – 11:00 PM

**Opening Night Networking Extravaganza****Wednesday, May 8, 2013**

8:15 – 9:15 AM

**Networking Breakfast**

9:15 – 10:30 AM

**Investor Roundtable**

Let's explore what has changed in the market, or what may change in the future. Join us to hear first-hand from the leading investors in the program.

10:30 – 10:45 AM

**Networking Break**

10:45 – 11:45 AM

**Addressing Leverage Lender Concerns**

Are there structuring issues we still need to consider – the marketplace has always had a standard to address what is an appropriate structure and specifically how to think about the QALICB and the leverage lender's organizational relationship. The IRS has shared concern about their perception of some structures. Let's discuss what we are doing to ensure that all of the relevant issues are addressed.

11:45 AM

**Closing Remarks**

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## Events

### REGISTER NOW: 2015 NMTC Coalition Policy Conference

The 2015 NMTC Coalition Policy Conference will be held on June 9th in Washington, DC. This year's event will take place at the Capital Hilton at 1001 16th St Northwest. The agenda will include panels, the release of a special NMTC film and the 2015 NMTC Progress Report, lobby visits and culminate with a Capitol Hill reception that evening. An outline of the agenda is included below and will be updated periodically.

- [Register online](#)

We reserved a small block of rooms at the Capital Hilton for the night of June 8th at a special rate of \$269 per night for double and single occupancy. This is a busy time in DC and the hotel is projected to sell out, so please book your room in advance. The cut-off for reservations is May 8th.

Attendees can request the group rate for the New Markets Tax Credit Coalition Conference by mentioning group code: RAPOZA or by booking directly online through the link below:

<https://resweb.passkey.com/go/rapoza>

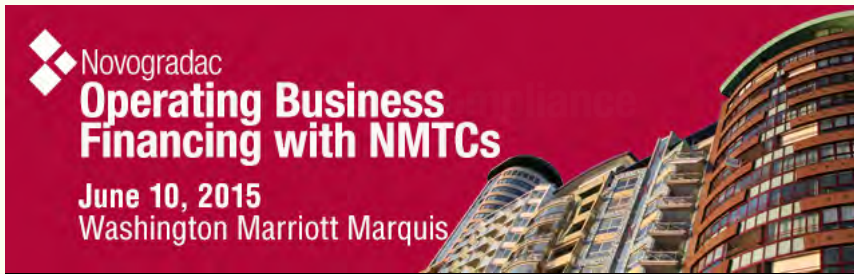
# POLICY CONFERENCE AGENDA

JUNE 9, 2015

8:00 AM	Registration
9:00 AM	Welcome and Opening Breakfast
9:15 AM	2015 Progress Report Discussion
9:45 AM	Capitol Hill Update
10:45 AM	NMTC and the Law
12:00 PM	Luncheon with Treasury Department Panel
1:00 PM	Investor Roundtable
2:00 PM	Lobby Visits
5:30 — 7:00 PM	Capitol Hill Reception

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## Agenda At-A-Glance

### Thursday, June 11, 2015

8 – 9 a.m.	Registration and Networking Breakfast
9 – 9:05 a.m.	Welcome Nicolo Pinoli, Novogradac & Company LLP
9 – 9:15 a.m.	Keynote Address Congressmen Pat Tiberi (R-Ohio)
9:15 – 9:30 a.m.	Keynote Address Annie Donovan, Director, CDFI Fund
9:30 – 10:30 a.m.	Beltway Reflections
10:30 – 10:45 a.m.	Break
10:45 a.m. – Noon	Mid-Year Review
Noon – 1:30 p.m.	Community Development Individual Achievement Awards Luncheon

### Concurrent Session 1: CDEs Track

1:45 – 2:45 p.m.	Swimming with the CDEs
2:45 – 3 p.m.	Break
3 – 3:50 p.m.	Accounting and Tax Insights for CDEs and Investors
3:50 – 4 p.m.	Break
4 – 5 p.m.	Multi-CDE Considerations

### Concurrent Session 2: Advanced NMTC Concepts

1:45 – 2:45 p.m.	Transaction Structure Spotlight
2:45 – 3 p.m.	Break
3 – 3:50 p.m.	The Tale of Two Credits: HTC and NMTC
3:50 – 4 p.m.	Break
4 – 5 p.m.	Managing Exit Strategies

5 – 7 p.m.	Reception
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### Friday, June 12, 2015

8 – 9 a.m.	Registration and Breakfast
9 – 9:30 a.m.	Keynote Address Bob Ibanez, Program Manager, CDFI Fund
9:30 – 10:30 a.m.	Project Spotlight: NMTCs and Unique Populations
10:30 – 10:40 a.m.	Break
10:40 – 11:40 a.m.	Measuring Community Impact vs. Economic Impact
11:40 a.m.	Conference Concludes

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