LADF

LOS ANGELES DEVELOPMENT FUND

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

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

July 13, 2023

MEETING OF THE
GOVERNING BOARD OF DIRECTORS OF THE
LOS ANGELES DEVELOPMENT FUND AND LADF MANAGEMENT, INC.
July 13, 2023

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LADF
LOS ANGELES DEVELOPMENT FUND

A G E N D A

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

MEETING IN PERSON
City Hall, ROOM 1050
200 N Spring St, Los Angeles, CA 90012
Thursday, July 13, 2023 | 02:30pm – 4:00pm

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Carolyn Hull	
	Roll Call	Sandra Rahimi	
1	**Approval of minutes for Board Meeting(s) on:** a. April 19, 2023	Carolyn Hull	Tab 2
2	**Action Item(s):** a. Request for Authorization for LADF President, or his or her delegate, to execute documents to effectuate a $12,000,000 Sub-Allocation of New Markets Tax Credits for the Shakespeare Center of Los Angeles Project.	Carolyn Hull	Tab 3
3	**Request for Future Agenda Items** a. The potential interest of LADF in participating as a funding source for JEDI Zone micro-loans. b. LADF governing board to create an Employee Insurance Policy	Carolyn Hull	Tab 4
4	**Next Meeting Date and Time of Governing Board** a. Thursday, August 10, 2023, 2:30pm – 4:00pm	Carolyn Hull	
	Public Comment	Carolyn Hull	
	Adjournment	Carolyn Hull	

The LADF's Board Meetings are open to the public. Accommodations such as sign language interpretation and translation services can be provided upon 72 hours notice. Contact LADF @ (213) 808-8959. PUBLIC COMMENT AT LADF BOARD MEETINGS – An opportunity for the public to address the Board will be provided at the conclusion of the agenda. Members of the public who wish to speak on any item are requested to identify themselves and indicate on which agenda item they wish to speak. The Board will provide an opportunity for the public to speak for a maximum of three (3) minutes, unless granted additional time at the discretion of the Board. Testimony shall be limited in content to matters which are listed on this Agenda and within the subject matter jurisdiction of the LADF. The Board may not take any action on matters discussed during the public testimony period that are not listed on the agenda.

For Agendas and Board Packages, please visit: www.ladfnewmarkets.org

Tab 2

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE JOINT MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
WEDNESDAY, APRIL 19, 2023

MEETING IN PERSON

City Hall, ROOM 1050
200 N Spring St, Los Angeles, CA 90012

LADF STAFF PRESENT:

- Sandra Rahimi
- Jiaqi Wu

WELCOME AND CALL TO ORDER – Los Angeles Development Fund (LADF) Director Hull called the meeting to order at **11:41am**.

ROLL CALL

The following Governing Board directors were present at the meeting:

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

A QUORUM WAS PRESENT

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

a. March 21, 2023

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

2. ACTION ITEMS

Request for Authorization of LADF staff to issue a Letter of Interest to the Jessie Lord Bakery project for providing up to $8 Million of New Markets Tax Credit Allocation. LADF will have the option to rescind the Letter of Interest if the sponsor cannot provide evidence that all leverage sources are identified and committed by July 1, 2023. LADF will also have the option to rescind the Letter of Interest if the proposed transaction has not closed by October 31, 2023.

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

3. DISCUSSION ITEMS

DISCUSSION ITEM (A) – PIPELINE UPDATE

- Ms. Rahimi presented the pipeline updates.

4. CLOSED SESSIONS ITEMS (The meeting went into a closed session at 11:57 am and resumed at 12:11 pm.)

a. LADF Staff Benefit - Insurance

- Director Hull reported that the increased contribution for employee insurance has been approved.
- The board will draft an Employee Insurance Policy.

REQUEST FOR FUTURE AGENDA ITEMS

N/A

NEXT MEETING DATE AND TIME

- TBA

PUBLIC COMMENT

- None.

ADJOURNMENT

- Meeting was adjourned at **12:14 pm**.

Tab 3

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	July 13, 2023
SUBJECT:	Request to Approve a **$12,000,000** New Markets Tax Credits Allocation to The Shakespeare Center of Los Angeles, Inc. QALICB (“**QALICB**”) for the Shakespeare Center of Los Angeles (“**Project**”)

SUMMARY

Project Name:	Shakespeare Center of Los Angeles (“**Project**”)
Location:	Westlake Neighborhood; South of Echo Park (CD 1 – Eunisses Hernandez)
Project Description:	22,000 SF/ Performing Arts /Facility Renovation & Expansion /Community Facility
Sponsor / Developer:	The Shakespeare Center of Los Angeles, INC (“**Sponsor**”, or “**SCLA**”)
Ownership:	Sponsor owns Land, Building, and Improvements
NMTC Investor:	U.S. Bank (“**Investor**”)
Total Project Cost:	$14,536,400
Total Allocation / QEI:	$ 12,000,000
LADF Allocation / QEI:	$ 12,000,000 LADF XXVIII, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	**90** Direct Permanent Jobs (70 created and 20 retained), **12** Construction Jobs
Site Eligibility Criteria:	2011-2015 ACS Census Tract No. 060372080000 • NMTC Eligible and Targeted Distressed Community (*per 2020 Alloc. Agmt*): • 33.2% Poverty Rate (*greater than 20% and 25%*) – Section 3.2(h)(vi)(a) • 47.82% AMI Households (*less than 80%*)
Community Benefits:	• Theater will create a **22,000 SF** Cultural Enrichment Center • Performance offerings for **18,000 students** and **2,000 veterans** annually. • Every year for seven years, the sponsor will create **120 new positions** for youth and **40 jobs** for veterans. • Serving **400-450** more teachers in English Language Art Training Program

Key Compliance Criteria under the 2020 Allocation Agreements:

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

Projected Residual Value of LADF QLICI that may be obtained by the QALICB: $ 3,697,200

CONTENTS

PROJECT DESCRIPTION

The Shakespeare Center of Los Angeles, INC ("**Sponsor**" or "**SCLA**"), was founded in 1985 by actor Ben Donenberg. The mission of SCLA is to ignite personal and community transformation through producing world-class theatrical productions, providing best practices for high-quality arts education experiences, and offering national award-winning arts-based workforce development programs targeting underserved youth and veterans. SCLA demonstrates that excellent, accessible, and immersive arts engagement builds community and changes lives. Additionally, they have numerous programs focusing on disadvantaged and unemployed veterans. Please refer to the section entitled **'COMMUNITY AND ECONOM IC BENEFITS'** for more details.

The project encompasses transforming its distressed 13,416 square foot warehouse into a 22,000 square foot community cultural facility. This facility will have a 300-seat theater that can be converted into a fully equipped rental income-generating sound stage. Additionally, the facility will have dedicated spaces for a cultural and educational enrichment facility, and workforce training center. The plans for the rental stage include raising the roof and installing infrastructure to support film, television, and streaming production.

The Project will include:

- Elevating the roof's height from 16 to 30 feet
- A catering kitchen
- Office and storage space
- Facilitating the creation of a 300-seat theater (currently theater holding less than 100 seats) that can be converted into a fully equipped rental sound stage.
- dedicated space for youth and educational programming.

The SCLA will use the NMTC financing to fund 100% of the substantial rehabilitation of the Shakespeare Center of Los Angeles ("**Project**"). Construction schedule is estimated to be 16 months. The project has also received a $5,500,000 grant from the California Arts Council for the development of this project and a $3,000,000 grant from the US Department of Commerce's Economic Development Administration, which it will use as its sources for the Sponsor's leverage loan into the NMTC structure. This EDA grant will not be leveraged through the NMTC structure, but it will be disbursed after completion, and EDA funds will be used to reimburse for veteran training services. The LADF QLICI will be unsecured to accommodate the EDA grant. The EDA grant will be used to fund a future phase of the Project.

The completion of this project at the new community cultural facility will enable SCLA to expand its programs and services year-round. This expansion will allow SCLA to increase the number of paid program participants, creating more job opportunities for at-risk youth and veterans. Currently, the program serves

20 veterans and 15 at-risk youths each year. After the expansion, these numbers will rise to 40 veterans and 60 at-risk youths annually.

SCLA's expansion will bring forth positive impacts for the community. Expanding SCLA's paid workforce programs to operate year-round will not only benefit the participants, but it will also have a catalytic effect on the surrounding Los Angeles community. Additional jobs through SCLA will benefit local businesses and reduce the likelihood of after-hours juvenile crime within the jurisdiction of the Los Angeles Police Department's Rampart Division. Furthermore, an expanded professional training program will support local school curriculums by offering teachers certified professional development and emphasizing the importance of high-quality arts education.

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

SITE ANALYSIS

The project site is located at the following address:

- 1238 West First Street, Los Angeles, CA 90026

The site is located in the Westlake neighborhood of Los Angeles, which is a densely populated area characterized by a mix of residential and commercial development, and it is situated west of downtown LA. The site is a one-story commercial building on the south side of First Street. It falls under the jurisdiction of Council District 1 of the City of Los Angeles and is represented by Councilmember Eunisses Hernandez.

According to the Parcel Profile Report, the property is zoned CW (Commercial, Warehouse). The zoning information also indicates that it is located within a Transit Priority Area in the City of Los Angeles, a Los Angeles State Enterprise Zone, and the Central City West Specific Plan Area.

The building was built in 1964. The building currently is 13,416 square feet on ground level and 9,000 square feet subterranean parking and storage.

Site Control

According to public records, the building was purchased by Shakespeare Festival LA Inc. (an affiliated entity of SCLA) from Ryowa CORP USA on June 2, 2000, for a total of $900,000, with a combination of private funds and CDBG funds.

On July 2, 2013, Shakespeare Festival LA INC transferred the ownership of the building to the SCLA, a non-profit organization committed to promoting access to the works of William Shakespeare within the Los Angeles community.

COMMUNITY AND ECONOMIC BENEFITS

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

- **Will Power to Youth (WPY)** Each summer, at-risk youth ages 15-21 are hired as full-time, paid employees for seven weeks to study, create, produce, and perform adaptations of Shakespearean plays. Youth participants earn these wages while building skills of responsibility, teamwork, communication, and workplace etiquette. Throughout each WPY program, youth are guided by trained teaching artists/mentors and by program alumni peer mentors.

- **Write On!** is an afterschool, arts-based workforce development program guided by SCLA's teaching artists. It employs at-risk, low-income youth, who interpret, create, perform, and record Shakespeare-inspired soliloquies, sonnets, and songs, which are then posted to an online gallery.
- **Veterans in Arts (VIA)** is a transitional employment program for honorably discharged military veterans struggling with homelessness and unemployment, offering paid training and employment opportunities in various aspects of live theatrical performance. This program also hires veterans with mental health issues, such as PTSD and Traumatic Brain Injury.
- **Shakespeare + Social Justice (SSJ) initiative** is an entirely new Shakespeare curriculum and suite of educational materials that trains an emerging generation of English Language Arts high school teachers throughout the United States, with an emphasis on personal identity, community, justice, and action. The program is previously called Professional Development Workshops and is a two-week intensive course for English and drama teachers. Teachers gain hands-on experience in scene study, and classroom pedagogy, empowering them to engage students in Shakespeare Literature.

Job Creation/Retention:

- Creating: 12 Construction Jobs and 70 Permanent Jobs*
  * The 70 permanent jobs will be permanent paid job slots that will remain available in future years even though the position is filled with different people. "FTE" means Full-Time Equivalent and is at least a 35-hour work week or 1820 hours per year.
    - 120 positions for at-risk youth, working a total of 45,300 combined hours, totaling 25 FTEs.
    - 40 positions for veterans, working a total of 29,120 combined hours, totaling 16 FTEs.
    - 5 FTEs for theater company operations.
    - 30 production hires, working a total of 43,420 combined hours, totaling 24 FTEs.
- Retaining: 20 Permanent Jobs*
  *The 20 permanent jobs include:
    - 28 at-risk youth, working a total of 3,645 combined hours, totaling 2 FTEs.
    - 20 veterans, working a total of 9,125 combined hours, totaling 5 FTEs.
    - 6 FTEs retained for operating the theater company.
    - 30 productions hires, working a total of 12,820 combined hours, totaling 7 FTEs.

Quality Jobs:

- **65%** of the retained jobs will pay at or above the living wages[1], and **30%** are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance.

[1] 1 "Living Wages" for Los Angeles County, California are defined by MIT's Living Wage Calculator (Living Wage Calculator, http://livingwage.mit.edu/). For Los Angeles County, California, the living wage is $21.22 for 1 adult and 0 children as of the closing date, and will adjust annually on 12/31 to reflect the MIT Living Wage at the time of the annual Community Benefits Report.

	• **41%** of the created jobs will pay at or above the living wages, and **7%** are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance. • **75%** of the construction jobs will pay at or above the living wages, and **50%** are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance.
Community Goods/Services to Low-Inc. Communities:	• Transformation of a distressed 13,416 square foot warehouse into a **22,000** multi-purpose facility. • Creation of a fully equipped convertible rental income generating sound stage and **300-seat** theater, which was previously a **100-seat** theater. • • **The Shakespeare + Social Justice (SSJ) Program:** The new project has expanded the workshop's annual capacity, enabling it to serve up to 500 teachers per year post-expansion. This represents a significant increase from the previous capacity of 50-100 teachers. • **Will Power to Youth (WPY) Program:** The program serves **15** youths annually currently, and it will serve **60** youths post-expansion. Currently, the program is only offered in the summer, but it will be offered year-round post-renovation. • **Write On! Program:** The program currently employs a team of **15** youth each year with the goal to serve **60** participants annually post-expansion, Currently, the program is only offered for ten weeks and on weekends after school, but it will be offered year-round post-renovation. • **Veterans in Arts Program:** Before the expansion, the program served **20** veterans annually only during the summer, all of whom were receiving treatment for mental health disorders such as PTSD, anxiety, and depression. After renovation, the program will serve **40** veterans annually and will operate year-round. All participants will undergo treatment for mental health issues, including PTSD, anxiety, and depression. • **Rent-Generating Sound Stage:** SCLA plans to rent out the sound stage in the new state-of-the-art theater, generating an additional $90,000 to $270,000 each year to fund the community program operations. The additional productions and people coming into the area, increasing foot traffic in the community, will benefit local businesses and help stimulate economic development within the surrounding communities.

The community benefits discussed in this section will be required of the QALICB and Sponsor by way of a Community Benefits Agreement ("**CBA**"). The CBA will require the QALICB to use commercially reasonable efforts to achieve the impacts. The CBA will include an annual reporting requirement for tracking the quantifiable community impacts. As of the time of this report, the CBA is still under negotiation. If there are any material changes to the CBA, as presented in this memo, during the course of the negotiation, LADF staff will inform the LADF Governing Board of such changes and seek reaffirmation of approval.

DEVELOPMENT TEAM

Real Estate QALICB: Portion-of-the-Business of Sponsor ("**QALICB**", or "**SCLA POB**")

The Sponsor will set up a portion of its business ("**POB**"), which will serve as the Qualified Active Low-Income Community Business ("**QALICB**") for the NMTC transaction purposes. The POB will not be a separate entity but will be a portion of the Sponsor's existing business that will implement separate operating policies and maintain separate books and records based on income generated from the Project. The POB will be established to control and manage the real estate interests in the Project, including the land, building, and improvements. The POB will receive fundraising, government income, main stage production earnings, which will operate the programming at the SCLA facility, as well as rental income from third-party nonprofits and community organizations for the use of the Project's facilities.

The POB will be considered a "real estate" QALICB for NMTC purposes. It maintains at least 85% of its tangible property within the low-income community where the project is located during the seven-year NMTC compliance period.

An Agreed-Upon Procedures report will be required for the QALICB, which is a newly designated POB. Novogradac, the accounting firm, will prepare the Agreed-Upon Procedures report. Despite the QALICB being a mission-driven entity, it is still necessary to provide an Agreed-Upon Procedures report to outline the procedures required for maintaining the POB status and adherence to the associated guidelines.

Developer/Sponsor: The Shakespeare Center of Los Angeles, Inc ("**Sponsor**", or **SCLA**")

The Shakespeare Center of Los Angeles, Inc. is a 501(c)(3) nonprofit organization that is dedicated to enriching and transforming the lives of individuals and communities through the power of Shakespearean theater. The organization has established itself as a leading provider of educational and cultural programming in Los Angeles. It offers a wide range of initiatives that engage and inspire individuals of all ages and backgrounds.

The organization was incorporated in New York and filed a Statement of Qualification to conduct business in California in December 1985. The first public programming commenced in the summer of 1986 at Pershing Square. Free Shakespeare productions were offered, and instead of admission, canned food donations were collected and subsequently donated to The Salvation Army Harbor Light Mission. Youth employment and teacher professional development initiatives began in 1993.

The SCLA's commitment to making Shakespearean theater accessible and relevant to all has enabled it to become a beloved and vital institution in the cultural landscape of Los Angeles. Its enduring mission is to enrich and transform lives through the power of theater. It continues to serve as a pillar of artistic and cultural innovation in the city, all while advancing the causes of literacy, education, and community growth.

Over the years, the SCLA has collaborated with a number of notable actors, directors, and artists, including Tom Hanks, Helen Hunt, and Martin Sheen, among others. In 2017, the organization opened the 500-seat Theatricum Botanicum amphitheater in Topanga Canyon, which serves as a venue for some of its productions as well as other community events.

With regards to this NMTC transaction, SCLA will be providing certain guaranties and indemnities. The assets of the company will be available to support any guaranties or indemnities. For further discussion see the section entitled "COLLATERAL AND GUARANTEES".

Financial Statement Analysis

LADF has reviewed the consolidated audited financial statement for SCLA for the fiscal years ending December 31, 2019, December 31, 2020, and December 31, 2021. The company had a total of $392,935 in cash and $1.6 million in total assets as of December 31, 2021. Additionally, the company had $1.5 million in net assets, of which $1,489,976 are unrestricted net assets. The primary revenue sources for SCLA are contributions, government revenue, and ticket sales. Over the past three years, SCLA's total revenue and support has been as follows: In 2019, they received $483,249. This was followed by a substantial increase in 2020, with a total of $1,133,927. In 2021, the organization collected $563,823. The unusually high revenue in 2020 can largely be attributed to an extraordinary contribution of $823,000 from fundraising special events. A list of all gifts above $15,000 from donors was provided to LADF.

Leveraged lender: Shakespeare Guild Los Angeles ("**Guild**")

Shakespeare Guild Los Angeles ("Guild"), a California nonprofit public benefit corporation, was formed on November 3rd, 2022. The Guild is a support mechanism for Shakespeare Center. It will manage the Write On! Program (Please refer to Community Benefit for more detail). It will serve as the leverage lender, and it is the main fund-raising arm of the sponsor.

General Contractor: Anderson Burton Construction INC("**Anderson**")

Anderson Burton Construction Inc. is a woman-owned construction company that has been providing construction services since its establishment in 1999. Headquartered in Arroyo Grande, California, the company is recognized for its commitment to safety and the delivery of high-quality, innovative solutions. Anderson Burton Construction Inc. has a diverse range of clients, which includes some of the most prestigious names in the industry, such as CBRE Group, Inc. (CBRE), Jones Lang LaSalle Incorporated (JLL), Amazon.com, Inc., Google LLC, and the United States Air Force. Their services include design-build, historic restoration, commercial construction, and operations and maintenance, making them a one-stop-shop for all construction needs.

LADF has reviewed the consolidated audited financial statements for Anderson for the fiscal years ending December 31, 2021, and December 31, 2022. Anderson exhibits a stable financial performance. From a liquidity perspective, Anderson maintains a cash and equivalent balance of $12 million as of December 31, 2022, indicating sufficient resources to meet its short-term obligations. In terms of profitability, Anderson reported a net income of $1.2 million in 2021, which increased to $1.8 million in 2022.
Here are two projects that Anderson Burton recently completed. The first one, known as The San Joaquin Service Center Upgrade & Renovation, located in Tulare, CA. The project was owned by SCE and Anderson Burton acted as the prime contractor. The improvements, valued at $10,015,619, encompassed renovations to existing structures, construction of two new buildings, and installation of future-ready charging station infrastructure across a 50,000 SF area, which also included a re-roofing operation.

The second project, owned by USACE, was the New Aircraft Parts Storage Building in Oahu, HI. This design-build project, worth $6,032,698, involved the construction of a 10,500 SF single-story building and a number of site improvements. The project also integrated modern security, fire protection, and energy monitoring systems.

Construction Manager: Lilly Mucsi and Jonathan Levy

SCLA has engaged Turner & Townsend Heery ("Heery"), formerly known as CBRE Heery Inc, to manage all aspects of the construction, including review of subcontracts and monthly draws submitted by the General Contractor. With a proven track record across diverse sectors including corporate, cultural, healthcare, justice, sports, education, aviation, and government facilities, they bring a wealth of experience. Heery managed the construction of the Mercedes-Benz Stadium in Atlanta, a large-scale project featuring a unique eight-panel retractable roof and a 360-degree high-definition video board. The company also provided program management services for Penn Medicine's New Patient Pavilion at the University of Pennsylvania, showcasing their capability in overseeing complex projects and their adeptness at integrating advanced components within budget and timeline constraints. The project was assigned to Lilly Mucsi, an accomplished construction manager with extensive experience in civil scopes of work, vertical structures, and horizontal development within education, retail/hospitality, warehouse and distribution, data/technology, and healthcare sectors. Some notable projects Lilly has been involved in include the Pier 44 Redevelopment in Marina Del Rey, CA, which involved new construction and demolition of existing structures, and the Pepperdine University project, where she provided project management services for capital planning, design, and construction initiatives. Additionally, Jonathan Levy, the VP of Turner & Townsend Heery, also serves as a project manager. With over 25 years of industry experience, a JD from Delaware Law School, and certifications in construction auditing and neutrality, Jonathan is frequently engaged to conduct reviews and assessments for construction projects. Some of his notable clients include the City of San Francisco, City of Hope Medical Center, and Pepperdine University.

Architects: Arkiterv, Inc.

Arkiterv, Inc., ("**ARK**") doing business as Studio Pali Fekete Architects, is an architectural design firm. The Project has engaged ARK to design the new facility. The project's earlier design, which involved renovating the existing building and constructing an additional structure, was abandoned after the agreement expired in 2017. A new agreement was made on February 7, 2022, with the architect to redesign the project solely for sound stages and studio space.

ARK is an architecture firm located in Los Angeles. It was established in 1988 and specializes in projects and clients that require a high level of design sensitivity, technical expertise, and principal involvement. The firm has won Architecture Magazine's Home of the Year Award in 2003 and the AlA National Honor Award in 2005 for its design of the Somis Hay Barn.

The projects undertaken by ARK are diverse and range from small 5,000 square foot private homes to 200,000 square foot Getty Villa Museum. They include education, preservation, residential, institutional, commercial, and health care facilities. Their current projects include the Wallis Annenberg Center for the Performing Arts in Beverly Hills. The ARK's team is energetic, cooperative, and diverse, comprising 20 architects with varying levels of experience ranging from entry-level to over 25 years.

PROJECT FEASIBILITY

Property Valuation

The property has been evaluated for its current and projected value by Mr. Bradley A. Luster, President of Major Properties. His evaluation provides an overview of market conditions, highlighting the strong demand for community properties in Los Angeles, particularly in the aftermath of the COVID-19 pandemic. The property itself encompasses a 21,000 square foot building (12,000 square feet on the ground and 9,000 square feet in the garage area), with a portion serving as a clear span sound stage that can be converted into a black box theater. Several comparable community projects that also demonstrate positive impacts and share similarities with the current project include: the transformation of an old Alpha Beta market by the Los Angeles Neighborhood Housing Corporation in Compton on Rosecrans Avenue, the Inner-City Arts project located at Central Avenue in the Center of Los Angeles, and the Lucas Museum situated in South Vermont. Based on comparable sales in the area, the estimated current value of the property amounts to $10,693,200. However, considering the planned renovations and the positive impact the property will have on the community, the estimated valuation for the completed project rises to $13,860,000. Luster emphasizes the intangible value of the property, including its historical success and the potential for continued market inflation.

Environmental Inspections

A Lead-Based Paint Sampling Letter Report of the subject property was produced by Citadel Environmental Services, INC. ("CITADEL") dated May 4, 2000.

SCLA engaged CITADEL to collect samples of lead-based paint (LBP) at 1238-42 First Street in Los Angeles. A certified inspector/assessor named Michael Roy conducted a bulk sampling of the site to identify the locations and conditions of suspect LBP coatings on building components. The survey involved the collection of bulk samples of suspect LBP coatings, as well as intact paint coatings from building components, except for certain surfaces. The work was carried out in accordance with Citadel's Proposal L040013 and the client's protocols.

During the site assessment, it was determined that lead-based paint is present; however, the paint is in good condition and poses no significant health hazards. As per the Federal and State regulations, it is mandatory to disclose this information to all workers involved in construction activities within the building.

The SCLA provided a Certificate of Completion of Asbestos Removal by P.W. Stephens Contractors Inc. for the project executed on January 19, 1990, in adherence to the applicable regulations established by various regulatory entities, such as the US Environmental Protection Agency, the Occupational Safety and Health Administration, the National Institute for Occupational Safety and Health, and other federal, state, county, and local bodies. Furthermore, the work was carried out in compliance with industry standards and best practices.

As the project is renovation of the building and does not involve exposing or moving soil, no Phase 1 is required. Additionally, the QILICIs are not secured so LADF lender will never be in chain of ownership of the site.

Construction Feasibility

The SCLA will be responsible for developing the project and has entered into a GMP contract with the GC.

LADF has engaged PACS, a third-party construction inspection firm, to provide a cost review of the initial budget and monthly construction inspection reports for draws. PACS will conduct a costing analysis based on final plans and specifications prior to closing. LADF will rely on the selected vendor to inspect progress and provide monthly reports that will be relied upon by LADF and other stakeholders.

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

Probable Maximum Loss Report

A Probable Maximum Loss (PML) study may be performed upon finalizing plans and design. However, it is unlikely that one will be required given that the project is a substantial rehabilitation. It is a reasonable expectation that the design will reflect the most current seismic design standards which would result in a PML of 20% or less.

Financial Feasibility

SOURCES		USES	
Investment Fund Level (NMTC)		**Construction Uses**	
- Sponsor LL **(cash on hands)**	52,800	- Land and Building (depr. Basis)	2,493,200
-Sponsor LL (***Cal Arts Grant***):	5,000,000	-Pre-inc. Hard & Soft Costs (reimb)	613,900
- Sponsor LL (*Ahmanson Fdn Grant*):	3,250,000	-Soft Cost	6,416,500
		-Hard Cost	787,400
		-Owner's Contingency	1,169,900
Leverage Loan Sources[1]	$8,302,800	-Working capital reserve	1,305,000
		Sub-Total	$12,785,900
-NMTC Equity (**LADF QEI**):	3,697,200		
-Additional Equity (for fund fee Rsv):	43,200	**Financing-Related Uses**	
NMTC Investor Equity	$3,697,200	- Interest Expense (*net of reserves*):	83,700
		NMTC Closing Costs	
Project Level (Direct Sources)		- Legal/Acctg./Consulting Fees:	578,500
- Non-POB Contrib.(Land/ Building basis)	2,493,200	- **LADF CDE** Placement Fee:	240,000
Direct Sources	$2,493,200	- Pre-Inc. NMTC Closing Costs	71,100
		NMTC Reserves	
		- **LADF** Asset Mgmt. Fee Reserve:	*630,000*
		- **LADF** Expense Reserve:	104,000
		Sub-Total	$1,750,500
Total Project Sources	**$14,536,400**	**Total Project Uses**	**$14,536,400**

DEVELOPMENT PRO FORMA

The total project cost is estimated to be $14.5 million, $12.0 million of which will be leveraged through the NMTC structure to make $12 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the Project. The QLICI funds will be disbursed as follows at closing:

- $0.69 million – Reimbursement of pre-closing development costs incurred within the last 24 months.
- $0.82 million – Pay NMTC and Other Closing Costs.
- $0.73 million – Fund the LADF CDE-controlled Fee and Expense Reserve Accounts.
- $1.30 million – Fund the QALICB Working Capital Reserve (This funding will be disbursed in two parts: an initial lump sum of $450,000 at closing, the remainder $855,000 will be disbursed $57,000 per month over a 15-month period.)

[1] Of the $8.3 million leverage loan, $489,400 will be funded at NMTC closing with bridge loan provided by US Bank to fully capitalize the Investment Fund. This amount will be repaid to US Bank also at NMTC closing by the Leverage Lender utilizing proceeds from the cost reimbursement paid by the QALICB POB to the Sponsor.

- $8.41 million – Fund the CDE-Controlled Construction Disbursement Account.

NMTC-related reserves held by the QALICB will total $0.73 million and be held for the payment of asset management fees and expense reimbursements to the LADF Sub-CDEs. The LADF Sub-CDEs will require that their ongoing fees and expense reimbursements for the entire NMTC Compliance Period be held in separate reserve accounts, including $734,000 held in a separate account pledged to LADF.

The total project cost is funded by $3.7 million in total NMTC equity, $43,200 of additional investor equity, $8.3 million Sponsor self-leverage loan, and $2.5 million of existing land and building value contributed by the Sponsor. The Sponsor's $8.3 million self-leverage loan will be funded from the following sources:

- $3.25 million Grant from Ahmanson Foundation
- $52,800 Sponsor cash on hand
- $5.0 million Grant from Cal Arts

Initially, at NMTC Closing, US Bank will provide a $489,400 bridge loan to the Leverage Lender, which the Sponsor will repay at NMTC Closing utilizing the $685,000 reimbursement received from the QALICB POB for Project costs incurred within the prior 24 months (*Novogradac will be providing an AUP report to LADF confirming the eligibility of these costs, as discussed in the section entitled* "NMTC ELIGIBILITY AND COMPLIANCE"*).*The Sponsor will retain the remaining $195,600. This amount represents equity that the Sponsor had previously invested into the Project and will be taking out of the Project at NMTC Closing to place into its operating reserves.

OPERATING PRO FORMA

The Sponsor's financial projections reflect that the Sponsor's revenues are predominantly generated through fundraising, government subsidies, main stage production earnings and facility rentals. Given the Sponsor's track record of fundraising, the risk of the Sponsor being unable to make its loan payments is minimal. After accounting for operating expenses, the QALICB's average debt service coverage for the Project is estimated at 2.21x (*per the current financial projections dated June 02, 2023*).

Project Timeline

The following list represents the milestone items and the project's completion and expected completion dates (*as of June 2, 2023*):

- March 2023: GC Bid Due Date
- January 2023: Building Permit approval (core improvement permits)
- April 2023: Execute SCLA -GC Contract, Issue NTP, Collect Bonds and Insurance
- August 2023: **NMTC Transaction Close**
- Mid November 2023: Construction Commencement
- October 25, 2024: Final Completion
- January 2025: Opening for Operations

As of June 2023, the GC Contract has been executed, while subcontractor bidding remains in progress. Per the recommendation of PACS, LADF's construction consultant, the financing will not close until cost have been locked in for 60% or more of the subcontracts. A comprehensive set of plans, encompassing architectural, civil, structural, MEP (mechanical, electrical, plumbing), and landscape plans, has been completed. The project's overall development budget, covering both hard and soft costs, has been finalized. With this level of locked in costs, and the GMP in place with a financially strong GC, LADF will not require a Payment and Performance Bond.

FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans and the Sponsor direct contribution dollars (*Sponsor will use equity and the One-Day loan representing pre-paid expenses to fund its direct contributions to the project*). The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as LADF as the NMTC allocatee, or Community Development Entity ("**CDE**"), making the QLICI loan to the project through its Subsidiary CDE ("**Sub-CDE**") at the lower tier.

NMTC Investor

US Bancorp Community Development Corporation ("**Investor**", or "**USBCDC**") is the NMTC Investor that will provide the equity contribution to the Investment Fund. USBCDC finances affordable housing and community development projects and provides various financial services. The company was incorporated in 2002, is based in St. Louis, Missouri, and operates as a subsidiary of US Bank.

LADF has closed six previous transactions with USBCDC as an investor. The transactions were for the Discovery Science Center of Los Angeles (December 2012), La Kretz Innovation Campus (September 2013), LA Prep/Kitchen (March 2014), Heart of Los Angeles (September 2017), Joshua House (January 2018), Budokan L.A (January 2018), and Heart of Los Angeles (Second tranche in October 2019).

CDE Lenders

LADF will be the sole CDE allocatee providing NMTC allocation and making QLICI loans to the project through its Sub-CDE special purpose entity. The following table lists the CDE allocatees, along with their Sub-CDE, and the Qualified Equity Investment ("QEI") associated with their NMTC allocations:

CDE Allocatee	Sub-CDE	Sub-Allocation Amount
Los Angeles Development Fund	*LADF XXVIII, LLC*	$12,000,000
	Total NMTC Allocation	$12,000,000

Leverage Lenders: Shakespeare Guild Los Angeles (" **Guild** ")

Shakespeare Guild Los Angeles ("Leverage Lender" or "Guild"), a California Nonprofit public benefit corporation, is filed on November 3rd, 2022. Guild is a support mechanism for SCLA. It is the Sponsor's fundraising arm, and it will also serve as the leverage lender.

To fund the leverage loan, Guild has received a $3.25 million Ahmanson Foundation grant, $5.0 million grant from Cal Arts, and has $52,800 cash on hand. For discussion about the Sponsor, refer to the section entitled "DEVELOPMENT TEAM".

FINANCING STRUCTURE

The project's total development cost will be funded by the $12.0 million QEI generated through the NMTC leverage structure to the QALICB. For a full diagram showing the flow of funds at closing, please refer to Exhibit A.

The Sponsor's $8.3 million for the NMTC leverage loan will be fully advanced prior to, or at, closing of the NMTC transaction. Initially, it will be funded by the Sponsor's capital campaign funds of $7.8 million and $489,400 of bridge loan from US Bank. US Bank's bridge loan will be repaid on the same day at NMTC

Closing from authorized reimbursements disbursed from QILICI proceeds at close. Please see the section entitled "DEVELOPMENT TEAM" for further discussion about the financial capacity of the Sponsor.

NMTC Financing

There will be one investment fund established for the NMTC transaction. US Bank will be the NMTC Investor Member and own 100% of the investment fund. The equity contribution at the upper tier by US Bank will total $3.7 million. In exchange, US Bank will receive $4.68 million in tax credits that will be generated through the Fund (*39% of the total $12.0 million QEI*). This exchange of equity for tax credits reflects a pricing of $0.79 per tax credit dollar for QEIs associated with SubCDE's allocations.

The $8.3 million leverage loan provided to the investment fund by the Sponsor as the Leverage Lender will be interest-only for seven years during the NMTC compliance period and bear an interest rate of 1.0%. After the end of the interest-only period, the self-leverage loan will amortize over the following 15.8 years.

US Bank's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $12 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $12 million QEI to the LADF Sub-CDE.

In exchange for its contribution, the investment fund will receive a 99.99% membership share in the Sub-CDEs. The Sub-CDEs will use the contributed capital to make QLICIs to the QALICB totaling $12.0 million.

With regards to LADF's Sub-CDE, LADF Management, Inc. (*LADF's subsidiary entity*) will contribute $1,200 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $90,000 in annual income related to management services it provides on behalf of the Sub-CDE.

LADF's Sub-CDE will provide two QLICI notes – matching one with the leverage loan ("**A note**") and the other with the NMTC equity component ("**B note**"). The A notes will have interest rates of 1.48% and 30-year terms with interest-only payments for the first seven years during NMTC compliance period. The B notes will have the same loan terms as the A notes.

If there should be a return of capital during the seven-year NMTC compliance period, capital will be redeployed to LADF's Sub-CDE as the only lender in the transaction.

Upon a return of capital during the seven-year NMTC compliance period, a CDE has 12-months to redeploy the capital in a qualifying NMTC project or it becomes a "Recapture Event" and triggers a loss of the tax credits as well as penalties for the Investor. As in its other NMTC investments, LADF will have nine months to work with US Bank to identify for reinvestment a project within the City of Los Angeles that is acceptable to both entities; thereafter US Bank can remove LADF Management, Inc. as managing member of LADF XXVIII, LLC and choose an investment without LADF's input. However, it must still be within Los Angeles County per LADF's 2020 Allocation Agreement. With US Bank's strong presence in the City of Los Angeles, and LADF's close relations with City partners, it is expected that nine months should be sufficient time to identify an alternative investment acceptable to both.

PROJECT READINESS

The project is expected to be ready for NMTC closing by the end of July 2023. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site*: Land and Building are owned by the Sponsor.

- *Entitlement Process*: *N/A – This is a rehabilitation project.*
- *Design/Pre-Development*: Completed – August 05, 2022
- *Working Drawings*: *N/A*
- *Value Engineering*: *N/A*
- *Permits*: Fire Sprinkler Permit Outstanding
- Ready to Pull Letter: Expected mid-July 2023
- *Tenant Leases*: Not Applicable
- *GMP Construction Contract*: GC contract execution- April 05, 2023
- *Financing Commitments*: LOI has been issued by US Bank (*as NMTC Investor*) and LADF (*as NMTC Allocatee*). The Sponsor has received US Dept of Economic Development Administration Grant ($3.0 million) & Cal Arts Grant ($5.5 million)
- *Outstanding 3rd Party Issues*: Not Applicable

NMTC ELIGIBILITY AND COMPLIANCE

The subject site is located in the 2011-2015 Census Tract 06037208000. The population within the Census tract is 7,197 individuals per the 2011-2015 Census. Based on the CDFI Fund's GeoCode Report for the site, LADF has determined that the site is located in a Qualified Census Tract based on both qualifying measures:

- Poverty Rate of 33.2% (*greater than 20%*)
- Median Family Income of 47.82% of the greater Metro area (*less than 80%*)

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

- Poverty Rate of 33.2 % (*greater than 30%*)
- Median Family Income of 47.82% of the greater Metro area (*less than 60%*)

QALICB Analysis

The SCLA POB special purpose entity will satisfy the requirements for QALICBs and will be considered a business engaged in "Real Estate Activities", as defined by LADF's 2020 Allocation Agreement[1], because its sole business activity is the development of the project.

The QALICB will meet the Non-Qualified Financial Property ("**NQFP**") Test since 100% of the QLICI proceeds will be expended for development of the project within 18 months of closing. The NQFP test requires that less than 5% of the average of the annual aggregate unadjusted basis of the property held by the QALICB is attributable to NQFP which includes debt, stock, etc.

Since 100% of the tangible property of the QALICB will be within a qualifying Low-Income Community ("**LIC**") census tract, the Tangible Property, Services Performed, and Gross Income Tests are all satisfied. In addition, less than 50% of the QALICB will be controlled by any entity having an interest in any Sub-CDEs, so there is no Related Party entity issue.

LADF 2020 Allocation Agreements Compliance

This transaction will use $12 million in allocation from LADF's 2020 Allocation award from the CDFI Fund. With the closing of this transaction, the 2020 Allocation award will be 69.9% invested.

[1] "Real Estate Activities" is the development (including construction of new facilities or rehabilitation/enhancement of existing facilities), acquisition, management or leasing of real estate by a business.

LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2020 Allocation Agreement, evident through the following characteristics of the transaction:

- §3.2(a) –LADF's allocation will be used to make a loan to a QALICB
- §3.2(b) – Project is located in the County of Los Angeles
- §3.2(c) – LADF XXVIII, LLC is a listed Subsidiary Allocatee in Schedule I of the Allocation Agreement
- §3.2(d) – QALICB is controlled 100% by persons unrelated to LADF
- §3.2(f) – LADF's QLICI provides flexible terms (*discussed below*)
- §3.2(h) – The subject site is located in a Targeted Distressed Community (*discussed above*)
- §3.2(j) – 100% of QEI will be passed down as a QLICI

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

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

As the transaction relates to Section 3.2(f) (*Flexible Products*) of the Allocation Agreements, LADF must comply with the following:

"All of the Allocatee's QLICIs must (a) be equity or equity-equivalent financing, (b) have interest rates that are 50 percent lower than either the prevailing market rates for the particular product or lower than the Allocatee's current offerings for the particular product, or (c) satisfy at least 5 of the indicia of flexible or non-traditional rates and terms, as listed in Section 3.2(f)[1]."

LADF's QLICI notes bear interest rates of 1.00% and satisfy part (b) of this paragraph. To support compliance with this provision, LADF will rely on a better rates and terms letter provided by the Sponsor. This letter is expected to indicate that the market interest rate for the transaction is at least two-times greater than LADF's QLICI interest rate.

Reimbursement of Costs

As part of guidance published by the CDFI Fund in December 2015 a new provision, Section 3.3(j), was incorporated into all allocation agreements after that time pertaining to monetizing existing assets in NMTC transactions. Section 3.3(j) reads as follows:

The Allocatee shall not use the proceeds of a QEI to make a QLICI in a QALICB where such QLICI proceeds are used, in whole or in part, to repay or refinance a debt or equity provider whose capital was used to fund the QEI, or are used to repay or refinance any Affiliate of such a debt or equity provider, except where:

(i) the QLICI proceeds are used to repay, or refinance documented reasonable expenditures that are directly attributable to the qualified business of the QALICB, and such expenditures were incurred no more than **24 months** prior to the QLICI closing date; or

[1] Flexible or non-traditional rates and terms listed in Section 3.2(f) include: (i) Below market interest rates; (ii) Lower than standard origination fees; (iii) A longer than standard period of interest only loan payments; (iv) Higher than standard loan to value ratio; (v) A longer than standard amortization period; (vi) More flexible borrower credit standards; (vii) Nontraditional forms of collateral; (viii) Lower than standard debt service coverage ratio; or (ix) Subordination.

(ii) no more than **5%** of the total QLICI proceeds from the QEI are used to repay or refinance documented reasonable expenditures that are directly attributable to the qualified business of the QALICB.

LADF's QLICI will comply with Section 3.3(j)(i) since none of the QLICI proceeds will be used to reimburse any costs incurred by the Sponsor prior to the 24-month period ending on the NMTC closing. An AUP will be provided by Novogradac & Company LLP, the accounting firm also producing the financial projections for the NMTC transaction, to confirm this.

DEMONSTRATED NEED FOR NMTC FINANCING ("BUT FOR" TEST)

The equity generated through the NMTC structure will provide an estimated $2.72 million in subsidy (net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses) to the Project, approximately 22.7% of the $12 million QEI in the transaction.

As a not-for-profit organization, SCLA primarily relies on fundraising and government income, and private donations to fund essential programs and operating costs. Often, this leaves very little, to no funds available, for large capital projects such as the facility expansion and improvements contemplated in this transaction. While SCLA has been successful in securing several donations, and it continues to apply for various arts program grants, SCLA needs $2.72 million to complete its $12 million finance stack and move forward with the renovation and improvement project. Without NMTC financing, the organization would be forced to delay the project until additional capital is raised through its campaign. Such delays could be costly, and the prospect of taking on debt financing could ultimately put the organization's community programs at risk if it needed to divert program funds to service the debt.

COLLATERAL AND GUARANTEES

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

- The loan will not be secured by the real estate to accommodate the EDA grant the sponsor will receive to fund veteran job training programs post renovation.
- Security interest in the construction disbursement and reserve accounts (*totaling $9.19 million at NMTC Closing*); and
- Additional security for the QLICI loans will consist of guaranties from the Sponsor.

The QALICB and Sponsor will provide an indemnity to the CDE lenders for environmental losses. The QALICB and Sponsor will also provide an indemnity to the Investor for reimbursement of lost tax credits and losses related to loss of tax credits. The QALICB and Sponsor will also provide the CDE lenders: (1) a guaranty of payment for all construction work, interest on the QLICI loan, and fees and expenses due to the CDE and the Fund during the seven-year Compliance Period and (2) a guaranty of completion of all construction work for the Project.

LOAN REPAYMENT ANALYSIS/EXIT STRATEGY

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

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

RISKS AND MITIGANTS

There will be limited credit and recapture risk. All significant NMTC compliance issues have been or will be addressed. The QALICB is an eligible entity, the project is located in an eligible highly distressed census tract, LADF's Sub-CDE is certified, there are no related party issues, and the transaction has been structured to meet the Substantially-All Test.

Risk: General

The QALICB, Sponsor, and LADF have taken and will take measures to prevent a Recapture Event. Such measures include:

- LADF has engaged Ariel Ventures for compliance services and obtained a license for its specially designed compliance software to assure that all required reporting to the CDFI Fund is completed in a timely manner.
- No principal amortization or prepayment will be allowed during the seven-year NMTC compliance period. This will prevent putting the project in violation of the Substantially All Test, which states that 85% of the QEI must be continuously invested in QLICIs during the 7-year NMTC compliance period.
- The transaction will be structured to ensure that up-streamed distributions of cash flow cannot be interpreted as redemption of capital (i.e. a return of equity). While return of equity to the NMTC Investor Member is not permitted, return on equity is permitted. Therefore, all cash flow up-streamed to the NMTC Investor would be structured as return on equity and would be recognized as income. If there is a return of capital, LADF is the only CDE lender in the waterfall and would receive a return of capital on any recapture.
- To mitigate the possibility that a portion of the QEI is returned via bankruptcy and/or foreclosure on the subject site, through the seven-year NMTC compliance period, the QALICB will be required to commit to maintaining operations at the subject location or providing for an acceptable alternative entity to do so to maintain the NMTC structure. Transaction documentation will include legal opinions that all aspects of the transaction comply with the NMTC regulations.

The economic and real estate risks of the project will be borne by the QALICB and Sponsor in their capacities as guarantors and indemnitors, and the Sponsor in its capacity as leverage lender. However, the project-related risks are largely mitigated by the experienced development team assembled for the project as well as the feasibility of the project. The Sponsor has the organizational and financial capacity to access sufficient liquidity to cover reasonable cost overruns and move the project to completion.

LADF FEE LOAD AND RESERVES

The LADF will receive the following fees from the transaction:

- Placement Fee – 2% of QEI (equates to $240,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $12.0 million of 2020 Allocation
    - This equates to $630,000 (quarterly installments of $23,437.50 paid out of QLICI interest received for 7 years)
- CDE Expense Reimbursements – estimated at $13,000 annually per CDE for 8 years (equates to $104,000). QALICB will be responsible for paying all ongoing costs incurred by the Sub-CDE related to the transaction, which will consist primarily of administrative and tax expenses.

All LADF's CDE Servicing and Compliance Fees and Expense Reimbursements for the entire NMTC Compliance Period, which totals $734,000, will be placed in a separate, controlled reserve account at close of the transaction. The QALICB will pay LADF's CDE Expense Reimbursements, estimated at $13,000 annually, from this reserve, which are deemed sufficient to cover these reimbursements.

POLICY EXCEPTIONS

None.

RECOMMENDATION

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

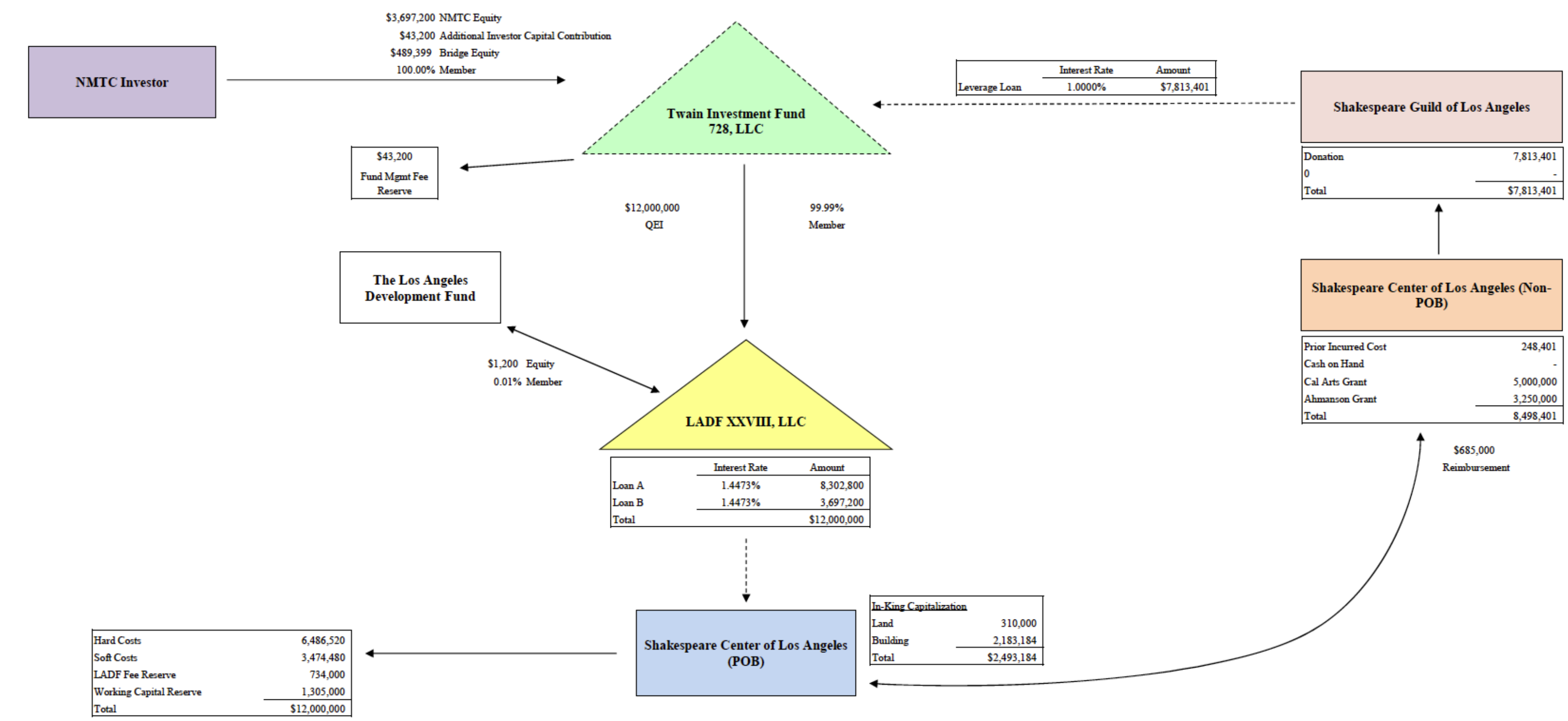
ATTACHMENTS

EXHIBIT A: Shakespeare Center of Los Angeles Flow of Funds (*as of June 02, 2023*, Final Projections Pending)

![LADF Los Angeles Development Fund]

EXHIBIT A: Shakespeare Center of Los Angeles Flow of Funds (*as of June 02, 2023*, Final Projections Pending)

SHAKESPEARE CENTER OF LOS ANGELES
FINANCIAL FORECAST
SUPPLEMENTAL SCHEDULE OF FORECASTED ENTITY FLOW CHARTS (PROJECT #28410) - QLICI CLOSING



Tab 4

M E M O R A N D U M

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, LADF Secretary
DATE:	July 13, 2023
SUBJECT:	Materials about JEDI Zone micro-loans

SUMMARY AND BACKGROUND

JEDI Zone Eligibility Analysis

The JEDI Zone Establishment Policy as adopted by Council and Mayor (C.F. 13-0934-S2) (JEDI Policy) outlines that a proposed JEDI Zone must meet one of the following six Primary Eligible Criteria:

1. City-established EIFD District; or
2. City-established CRIA District; or
3. Within a designated Opportunity Zone; or
4. Focus Area designated by Citywide Economic Development Strategy; or
5. Promise Zone Community; or
6. Economic assessment using the secondary needs assessment criteria. An area must meet five secondary needs assessment criteria to qualify as eligible for a JEDI Zone.

The JEDI Policy states that priority will be given to those proposed JEDI Zone areas with the greatest need by evaluating for factors indicating distress in the following Secondary Needs Assessment categories:

1. Qualifies as low and moderate-income (LMI) area as defined by the U.S. Department of Housing and Urban Development (HUD). The area must have at least fifty-one percent (51%) of the residents be LMI persons.
2. An average unemployment rate that is at least three percent (3%) higher than the Citywide rate.
3. Deteriorated commercial structures, based on the physical deterioration of buildings/improvements; abandonment of properties; chronic high occupancy turnover rates or chronic high vacancy rates in commercial or industrial buildings; significant declines in property values or abnormally low property values relative to other areas in the community; or known or suspected environmental contamination.
4. More than fifty percent (50%) of the buildings in the area are zoned for commercial, retail, or industrial uses.
5. Contains at least one City priority project, defined at the time the JEDI Zone is created.
6. Within the project area boundary of the former Community Redevelopment Agency of the City of Los Angeles (CRA/LA) that was active at the time of the dissolution of the Community Redevelopment Agency.