LADF

LOS ANGELES DEVELOPMENT FUND

Meeting *of the* Governing Board of Directors *and* Advisory Board of Directors *of*

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

December 19, 2023

MEETING *of the*

GOVERNING BOARD OF DIRECTORS *and* ADVISORY BOARD OF DIRECTORS *of*

THE LOS ANGELES DEVELOPMENT FUND *and* LADF MANAGEMENT, INC.

DECEMBER 19, 2023

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A G E N D A

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

HYBRID MEETING
To Join in Person: City Hall, Room 1070 | 200 N Spring St, Los Angeles, CA 90012
To Join via Telephone: Dial (669) 900-6833 US | Meeting ID: 830 8941 4526

Tuesday, December19, 2023 | 12:00pm – 12:30pm

	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. November 9, 2023	Carolyn Hull	Tab 2
2	**Action Item(s):**	Chris Chorebanian Jiaqi Wu	
	a. Request for Authorization for LADF President, or his or her delegate, to execute documents to effectuate a $7,000,000 Sub-Allocation of New Markets Tax Credits for the First Street North Project.		Tab 3
	b. Request for Authorization for LADF President, or his or her delegate, to execute documents to effectuate a $8,000,000 Sub-Allocation of New Markets Tax Credits for the Jessie Lord Bakery Project.		Tab 4
	c. Request for approval to authorize the LADF staff to rent a one-person private office at the coworking company Industrious, located at 444 Flower St, 13th Fl, Los Angeles, CA 90071, for use as a temporary mailing address and workspace until a new office is secured, at a cost of $639 per month.		Tab 5
3	**Request for Future Agenda Item(s)** a. LADF governing board to create an Employee Insurance Policies b. LADF Underwriting and Risk Assessment Procedures and Policies Updated c. Review of the JEDI Micro Loan RFP Proposals	Carolyn Hull	
4	**Next Meeting Date and Time of Governing Board** a. Thursday, January 11, 2024, 2:30pm – 4:00pm	Carolyn Hull	
	Public Comment	Carolyn Hull	
	Adjournment	Carolyn Hull	

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

Tab 2

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD AND ADVISORY BOARD OF LADF AND LADF MANAGEMENT, INC.
TUESDAY NOVEMBER 14, 2023

HYBRID MEETING
(Governing Board meeting in person at City Hall, Room 1060,200 N Spring St, Los Angeles, CA 90012; Advisory Board to join via Zoom. Dial (669) 900-6833 in the US, Meeting ID: 830 8941 4526)

LADF STAFF PRESENT:

- Sandra Rahimi
- Christopher Chorebanian
- Jiaqi Wu

WELCOME AND CALL TO ORDER – Los Angeles Development Fund (LADF) Director Hull called the meeting to order at **3:43pm**.

ROLL CALL

The following Governing Board directors were present at the meeting:

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

A QUORUM WAS PRESENT

The following Advisory Board directors were present at the meeting:

- Director Volpert
- Director Albert

A QUORUM WAS NOT PRESENT

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

a. October 12th, 2023

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

2. DISCUSSION ITEMS

a. LADF Application Pipeline Discussion

- Sandra Rahimi provided an update on the LADF's current committed pipelines and proposed application pipelines.

b. LADF One-page Track Record Profiles Review

- Sandra Rahimi presented the LADF One-Page Track Record Profiles.
- The Governing Board accepted the track record profiles with the recommendation to include project locations.

c. LADF Capital Investment Program Update

- Jiaqi Wu presented the LADF Capital Investment Program materials.
- The Governing Board requested an additional reference client list from the Cerity Partner and inquired whether LADF can select investment size and choose an investment bank.

3. ACTION ITEMS

a. Request for authorization for LADF President, or her designee, to submit an application requesting up to $70mm in award in the CY2023 round of NMTC allocation, and approval of the sample pipeline to be included in the application.

- Moved by Director Sewill. Seconded by Director Chavez.
- Roll Call: AYES: 4; NOS: 0; ABSENT: 1; ABSTAIN: 0; APPROVED.
- Approval is subject to the support of the advisory board.

b. Request for authorization for LADF staff to engage Novogradac to assist with drafting LADF's CY2023NMTC Application. Maximum estimated contract cost is $55,000.

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

c. Request for approval for LADF staff members Sandra Rahimi, Christopher Chorebanian, and Jiaqi Wu to attend Novogradac's NMTC Conference in San Diego from January 24 to 26, 2024.

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

REQUEST FOR FUTURE AGENDA ITEMS

a. LADF governing board to create an Employee Insurance Policy.
b. LADF Underwriting and Risk Assessment Procedures and Policies Update.

NEXT MEETING DATE AND TIME

- December 14,2023 at 2:30pm

PUBLIC COMMENT

- None.

ADJOURNMENT

- Meeting was adjourned at **4:37 pm**.

Tab 3

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	December 19, 2023
SUBJECT:	Request to Approve a **$7,000,000** New Markets Tax Credits Allocation to FSN QALICB ("**QALICB**") for the First Street North ("**Project**")

SUMMARY

Project Name:	First Street North ("**Project**")
Location:	Arts District Little Tokyo Neighborhood; (CD 14 – Kevin de León)
Project Description:	New Construction, Retail & Community Facility
Sponsor / Developer:	Little Tokyo Service Center ("**Sponsor**", or "**LTSC**")
Ownership:	The City of Los Angeles owns the fee interest in the land. Ground leases for Building A and Building B (*commercial ground floors and residential above-ground floors*) will be executed at the time of closing.
NMTC Investor:	U.S. Bank ("**Investor**")
Total Project Cost:	$28,846,420
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 27,500,000 $ 7,000,000 LADF XXIX, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	**60** Direct Permanent Jobs (20 created and 40 retained), **43** Construction Jobs
Site Eligibility Criteria:	2020 Census Tract No. 06037206202 – *Eligibility under 2016-2020 ACS Data*: • NMTC Eligible and Targeted Distressed Community (*per 2022 Alloc. Agmt*) • 51.5% Poverty Rate (*greater than 20% and 30%*) – Section 3.2(h)(i) • 9.4% Unemp. Rate / 1.74x Nat'l Unemp. Rate (*greater than 1.5x*) – Section 3.2(h)(iii)
Community Benefits:	• The project will feature **42,263 square feet** of ground floor commercial space. • The Go for Broke National Education Center (GFBNEC) will occupy **10,011 square feet** for Japanese American history education, benefiting **30,000 people** annually. • The project supports the legacy of Little Tokyo as an arts and cultural hub. • Both the sponsor and tenants are **minority-owned or -controlled**.

Key Compliance Criteria under the 2022 Allocation Agreement:

☑ 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: $ 2,182,625

CONTENTS

PROJECT DESCRIPTION

Little Tokyo Service Center ("**LTSC**", or "**Sponsor**") will use the NMTC financing to fund the new construction of First Street North ("**FSN**", or "**Project**"). The Project will encompass the ground floor commercial components of two buildings on the site (*Building A and Building B*), each which will serve as podiums for above-ground residential floors which will be separately owned and financed. The NMTC financing will be utilized only towards the commercial components that will comprise the following tenants and uses:

Building A *11,768 SF*	Possible uses: • Arts or cultural organizations, nonprofit, or local small business (*LTSC will make commercially reasonable efforts*) • Little Tokyo Service Center (*office use*)	11,168 SF
	Retail & Restaurant Space, proposed tenants below: • Demitasse 600 SF [Use: Coffee Shop]	600 SF
Building B *30,495 SF*	Go for Broke National Education Center (exhibition space)	10,011 SF
	Possible uses: • Arts or cultural organizations, nonprofit, or local small business (*LTSC will make commercially reasonable efforts*) • Little Tokyo Service Center (*office use*)	2,473 SF
	Retail & Restaurant Space, proposed tenants below: • Anchor Tenant 7,364 SF [Use: TBD] • Fugetsu-Do 3,441 SF [Use: Confectionery] • Suehiro Café 2,730 SF [Use: Restaurant] • Hankook BBQ House 2,536 SF [Use: Restaurant] • Rafu Bussan 1,940 SF [Use: Gift Shop]	18,011 SF
	TOTAL PROJECT:	**42,263 SF**

The NMTC-financed project will feature a 10,011 SF permanent space for the Go for Broke ("**GFB**") National Education Center, 18,611 SF of commercial space with below-market rents for local minority-owned restaurant and retail businesses, and for the remainder of the space LTSC will make commercially reasonable efforts to lease to one or more arts or cultural organizations, nonprofits, or local small businesses. If LTSC cannot identify a suitable tenant for the remainder of the space, then it is anticipating utilizing it as its own administrative office space . All of the listed retail and restaurant tenants above – including Fugetso-Do, Suehiro Café, Hankook BBQ House, Rafu Bussan, and Demitasse – are local minority-owned small businesses that have been operating in Little Tokyo for as far back as 1903 (*Fugetso-Do*) and are now getting priced out of the neighborhood due to rising rents. The NMTC subsidy will afford the project the ability to offer space to these tenants at below-market rents and keep these businesses in the community for the long term. Additionally, the project is a block away from the upcoming Metro Regional Connector transit hub. Both the sponsor and tenants are minority-controlled businesses.

GFB is a nonprofit organization that provides educational programs highlighting the history of the Japanese American veterans of World War II. "Go for Broke" was the motto of the 442nd Regimental Combat Team, an Army unit comprised of Japanese Americans from Hawaii and the mainland United States. As GFB expands and grows as a nonprofit cultural institution, the space will support a veteran "Honor Wall," and Exhibit Hall and offices. The entry courtyard will incorporate the existing Go for Broke monument. Approximately 30,000 people per year are expected to utilize GFB's programs and exhibits.

When the Project was presented to the LADF Governing Board and the Board approved issuing a letter of interest to the Project, its community benefits package included East West Players ("EWP") as a tenant leasing and operating its programming in 10,000 SF of space. EWP is the nation's longest-running Asian American nonprofit theater and the largest producer of Asian American theatrical works. Since this time, however, EWP has retracted its interest in leasing this space due to financial constraints. With a significant portion of the community benefits package eliminated, LADF staff negotiated a new provision to the Community Benefits Agreement with LTSC and the QALICB to make commercially reasonable efforts to find one or more alternatives to EWP for this space that would be arts or cultural organizations, nonprofits, or local small businesses. Given LTSC's track record of partnering with and supporting legacy nonprofits and small businesses in Little Tokyo, it is likely to find a suitable alternative.

The NMTC investment in the project will allow the Sponsor, LTSC, to provide space to GFB for free (*100% below market*). Additionally, the projected rental rate charged to the minority-owned legacy retail and restaurant tenants will be $3.00 per square foot per month. Compared to the market rental rate of $3.60 NNN (*per the Appraisal dated 11/20/23*), the rental rates for the project's retail and restaurant tenants are 17% below market. The projected asking rental rate for the anchor retail space will be $5.00 per square foot per month, which is close to the market asking rental rates, and is expected to be a larger chain retail, minority-owned business. LTSC has a deep network of partnerships within Little Tokyo, and their leasing strategy will focus on leveraging their network to identify commercial tenants for the project that reflect the character of the neighborhood. LTSC has had success with this historically with its existing mixed-use buildings in Little Tokyo. Given high foot traffic levels in Little Tokyo, LTSC has received consistent interest in the ground floor commercial space it owns and manages. While there will be no lease agreements signed with the tenants prior to NMTC closing, the tenants that currently are anticipated to lease the space have provided letters of interest to the Sponsor. Considering the financial constraints of small businesses and that the project will not be complete until two years after NMTC closing, the nature of the commitments in the space at this stage of the project (*including that no tenant is yet identified for the anchor retail unit*) is reasonable for the project and the community impacts the Sponsor is committed to achieving.

The project will also support arts and cultural spaces that enhance the neighboring Union Center for the Arts, home to the oldest Asian American theater and arts organizations in the country. These spaces will both support and preserve existing legacy of the Little Tokyo neighborhood, as well as expand Little Tokyo's significance and role as an arts and cultural hub in greater Los Angeles.

The project emerges from a lengthy community-driven initiative aiming for autonomy over the area. Incorporated into the Sustainable Little Tokyo Community Vision of 2013's Master Plan, the site is a segment of a "cultural spine" linking key cultural entities.

With the NMTC closing in January 2024, the Project will be fully funded and is expected to be completed in January 2025. In addition to the NMTC commercial portion of the project, the overall master plan development will feature:

- 248 affordable housing units, with supportive housing set-asides for homeless veterans. The housing units will be separately financed with Low Income Housing Tax Credits.
- 20,000 SF of urban green spaces and thru-block linkages, creating a pedestrian paseo and revitalizing the formerly vibrant Jackson Street.

There will be a Reciprocal Easement Agreement signed by the QALICB and the two owners of the two residential apartments in Buildings A and B, providing reasonable access for users of each component to common areas and systems such as elevators. The development will include 94 parking stalls located within the subterranean level of Building A. Of the 94 stalls, 48 will be reserved for the NMTC commercial component, or 1.13 stalls per 1,000 SF. While provisions are made in the Reciprocal Easement Agreement to reassess parking needs each year, the agreement stipulates that no less than 46 stalls be reserved for the NMTC commercial component.

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:

- 232 Judge John Aiso St, Los Angeles, CA, 90012 – Council District 14

The site is within the Little Tokyo district. The property, historically utilized as a parking lot since urban renewal in the 1950s, encompasses two parcels totaling 3.04 acres. Historically, the western side once housed a large industrial building with two railroad tracks, which were abandoned by 1965. The eastern portion had a gas station, car repair shop, and car wash operating from 1929 to 1957. By 1960, it was transformed into the parking lot that stands today. The property has a triangular shape and is situated within Council District 14 of the City of Los Angeles, represented by Councilmember Kevin de León.

New Markets Tax Credits (“NMTC”) will be used to finance the first-floor commercial component of the greater mixed-use development totaling 319,612 square feet, which will include the 248-unit First Street North apartments project. The surrounding area is a mix of commercial and residential buildings.

Zoned as PF-2D-CDO for public facilities and [Q] C4-2DCDO for commercial uses by the City of Los Angeles, the site permits a range of uses including government buildings, general commercial and retail, offices, restaurants, and multiple dwelling units. It benefits from being in a Transit Priority Area and is subject to the Downtown Design Guide.

Site Control

The site is owned by the City of Los Angeles and managed by the City's Department of General Services. Prior to NMTC closing, three ground leases will be executed: one for the commercial portion of buildings A and B, and one for each of the residential components of buildings A and B. LADF has reviewed the draft of the commercial lease agreement, which is expected to be fully executed upon final City Council approval in January 2024. The commercial lease agreement, by and among the City as lessor and FSN QALICB as lessee, will have an initial term of 55 years and four extension options for 11 years each, for a maximum lease term of 99 years (*if all extension options are exercised*). Rent under the ground lease terms will be based on 50% of Residual Receipts and is adjustable to align with market conditions.

Regarding the history of negotiations, in April 2006, the City of Los Angeles enacted a 50-year, zero-rent ground lease with Go for Broke National Education Center to expand the Go For Broke Monument through the addition of an educational center. In 2018 and 2019, City Council passed motions to support Go for Broke's projects to construct supportive housing and a new education center, maintaining site control and aiding in the progression of their project goals. A further directive in 2020 led to the initiation of ground lease negotiations with Go for Broke and LTSC Community Development Corporation, targeting the creation of an affordable housing project with educational facilities on the ground floor. These recent negotiations with the City of LA have resulted in the one commercial and two residential ground leases that will be executed, concurrently with closing of all construction financing including NMTC and Low-Income Housing Tax Credits ("LIHTC"), in January 2024.

COMMUNITY AND ECONOMIC BENEFITS

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

Job Creation/Retention:	• Creating: 43 Construction Jobs and 20 Permanent Jobs • Retaining: 40 Permanent Jobs
Quality Jobs:	• **50%** of permanent jobs will pay at or above the living wages[1] or are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance
Accessible Jobs:	• **90%** of permanent jobs will be available to *Low-Income Persons*, residents of *Low-Income Communities*, people with lower levels of formal education, or people who face other barriers to employment
Below Market Rents:	• Rents 17% to 31% below market offered to local minority-owned small businesses at risk of being priced out of the Little Tokyo neighborhood. • Free rent on 10,011 square feet leased to nonprofit Go For Broke
Commercial Goods/Services to Low-Inc. Communities:	• Project will bring 32,252 SF of retail and office space • Retail component will provide food amenities and soft goods
Community Goods/Services to Low-Inc. Communities:	• Go for Broke National Education Center will occupy 10,011 SF of the development for exhibit space and providing educational programs about Japanese American History. GFB serves 30,000 people per year. • The project will also support arts and cultural spaces by preserving the existing legacy of the Little Tokyo neighborhood and expanding it as an arts and cultural hub.
Financing Minority Businesses	• LTSC is the lead sponsor and developer of the project and is a minority-controlled nonprofit organization. • Anticipated commercial tenants for the project will primarily be minority-owned businesses or organizations under minority control.
Environmentally Sustainable Outcomes	• Targeting LEED Silver Certification

[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.

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: FSN QALICB ("**QALICB**", or "**FSN**")

FSN QALICB is a nonprofit public benefit corporation formed on November 6, 2023 in California and will serve as the Qualified Active Low-Income Community Business ("QALICB") for the NMTC transaction. The QALICB is a supporting organization, as specified in Section 509(a)(3) of the IRS Code, controlled by LTSC. The organization's goal is to own and manage real estate for community development projects that preserve Japanese American and multi-ethnic culture and history in Little Tokyo and the broader Los Angeles area, aiding low-income residents and disadvantaged groups.

The QALICB will enter into a master lease with the Sponsor for the entire commercial rentable area, which will in turn operate the First Street North project and enter into subleases with commercial tenants. The QALICB will have no employees and maintain at least 85% of its tangible property in the low-income community where the project is located during the NMTC's seven-year compliance period, with a joint Sponsor and QALICB management team overseeing development, management, and maintenance.

An Agreed-Upon Procedures report[1] is not required by LADF because it is a mission-driven, real estate entity. Since this is a newly-formed company, there are no financial statements to review. The company will be the beneficiary of the NMTC and direct project financing sources, originally solicited by the Sponsor. The QALICB's company address is 231 E 3rd St #G106, Los Angeles, CA 90013.

Sponsor / Leverage Lender: LTSC Community Development Corporation ("**Sponsor**", or "**LTSC**")

LTSC Community Development Corporation is a California not-for-profit corporation incorporated in June 1993, with 501(c)(3) nonprofit tax-exempt status under IRS Code. LTSC, which also operates under its fictitious business name "Little Tokyo Service Center", was established with purposes to plan, promote and support community development activities which preserve the Japanese American and multi-ethnic culture and history of Little Tokyo and contribute to its physical, social, cultural and economic revitalization; to serve as a resource for similar community economic development efforts in other low-income communities, particularly Asian and Pacific Islander ("API") communities; and to develop, provide and maintain affordable housing and housing-related services in the Little Tokyo area and in the greater Los Angeles metropolitan area for the benefit of low-and moderate-income people.

LTSC operates a wide array of programs to support the communities it serves, including the following:

- Community Development programs, including:
  - Real Estate Development Program – provided assistance to over 30 community-based organizations and such assistance has led to the completion of 27 properties and

[1] Agreed-Upon Procedures engagements are carried out by auditors to report factual findings, which in an NMTC transaction relates to the nature of the business of the QALICB and its compliance with NMTC regulation. Compliance is determined for the QALICB as of the closing date, and expectations for compliance during the seven-year NMTC compliance period.

approximately 1,000 units of affordable housing for low-income families, children and individuals and over 180,000 square feet of community facilities and commercial space
    - Cultural and Historic Preservation – acquired and renovated four of the 15 buildings in the Little Tokyo Historic District on First Street to preserve unique cultural legacy and life of the Little Tokyo Community
    - Property and Asset Management – asset management for its entire portfolio, for both its affiliates and third party owners, for a total of 25 properties and 1,011 housing units
    - Resident Services – include bilingual case management, employment preparedness, assistance with access to public benefits, childcare referrals, free tax preparation services through the Volunteer Income Tax Assistance program (VITA) and a financial literacy component
- Community Building & Engagement programs, including:
    - Community Organizing – works with Little Tokyo residents to improve the community and represent their voices in the ongoing development of the neighborhood
    - Sustainable Little Tokyo – community-driven initiative focused on achieving neighborhood-wide sustainability by reducing greenhouse gas emissions, promoting the local economy, addressing social equity and preserving the neighborhood's unique cultural heritage
    - +LAB – initiative that allows LTSC to join forces with artists and cultural institutions to find imaginative ways to empower the Little Tokyo community
    - Paul I. Terasaki Budokan – multi-purpose sports and activities center that was developed by LTSC (*NMTC project financed by LADF*), consisting of a two-court gymnasium, community space, and outdoor garden and plaza, where youth and families can congregate to engage in meaningful activities that emphasize sportsmanship, teamwork, diversity and healthy-living
- Children and Family Services – subsidized, high quality care for primarily low-income families with children ages six weeks to five years old; the Family Child Care program involves home-based providers who service newborns and toddlers; and Angelina Preschool, which serves three to five year-olds. LTSC also has a subcontract with the Koreatown Youth & Community
- Center (KYCC) to operate an additional State Preschool site.
- Homeless Services – new program launched in April 2022, focused on providing direct services to unhoused people in Little Tokyo and the surrounding neighborhoods through outreach and engagement, case management, service referral and housing navigation and will target unhoused people in encampments, people living on the streets of Little Tokyo and through referrals
- Social Services, including:
    - Senior Services
    - Mental Health Services
    - Community Outreach
    - Other Social Services – LTSC provides information and referrals in multiple Asian languages, as well as child abuse prevention services, care management, a youth mental health outreach program, services to domestic violence survivors and a toll-free hotline in English and Japanese.
    - LTSC South Bay – provides counseling and social services to the large Japanese American community in the South Bay, including the large Shin-Issei (post-World War II Japanese immigrant) population
    - Mental Health Youth Outreach – In 2018, LTSC organized the event "Changing Tides: An Open Conversation on Compassion and Well-Being" to raise awareness and de-stigmatize mental health issues within the Japanese American community. The event sparked the formation of committee which organizes activities and conversations around mental health. The mission of the committee is to normalize positive mental health in our community through events, outreach, education and open conversations.

    - Kosumosu Domestic Violence Transitional Housing – 12-unit, transitional housing program for survivors of domestic violence and their children
- Sponsored Programs, including
    - Asian Pacific Islander Small Business Program (APISBP)
    - Nikkei Helpline (NHL) – LTSC houses the NHL, the first crisis hotline for the Japanese American community. Over 40,000 people have called the NHL since its inception in 1984, getting help with or referrals regarding depression, suicide ideation, immigration, education, traffic accidents, drug abuse, relationship crises and other emergencies.
    - Ryugakusei Hotline (Japanese Foreign Students) – trains volunteers to provide information and referral services to Japanese speaking students pursuing their education in Los Angeles (*receives over 150 calls per month*)
    - Alliance for Community Transit - Los Angeles (ACT-LA)
    - Other Sponsored Programs – Japanese Speaking Parents Association of Children with Challenges (JSPACC), Downtown Media Center, Tuesday Night Project, Okaeri (*LTSC is the fiscal sponsor for this annual conference with a mission to create visibility, compassionate spaces, and transformation for LGBTQ+ Nikkei and their families by sharing our stories and providing culturally-rooted support, education, community-building, and advocacy*)

LTSC's key offerings include community development and organizing, senior services, affordable housing development, and children and family services. LTSC primarily caters to low-income individuals, offering mental health counseling, child abuse prevention, case management, support groups, wellness programs, childcare, preschool, after-school programs, and domestic violence services. The organization manages affordable housing developments, starting from fundraising and zoning approvals to property management. To date, LTSC has developed and manages over 1,000 affordable housing units and 180,000 SF of community space.

Additionally, they offer an array of social services, including educational programs, elder care, and mental health support. LTSC is also deeply involved in broader community development activities, such as crafting public spaces and fostering public art projects. With its roots in Little Tokyo, LTSC emphasizes preserving cultural heritage through partnerships with local businesses, hosting cultural events, and facilitating historical research. Noteworthy projects include the Budokan of Los Angeles and +LAB, described above.

Financial Statement Analysis

LADF has conducted a review of LTSC's consolidated audited financial statements for the fiscal years ending on December 31 of 2020, 2021, and 2022, as well as LTSC's unaudited financial statement for the quarter ending March 31, 2023. As of the fiscal year ending December 31, 2022, LTSC reported a total cash balance of $23.3 million (*$7.7 million restricted cash*) and aggregate assets valued at $249.9 million. Furthermore, the organization disclosed net assets amounting to $25.7 million (*$94,810 restricted net assets*). LTSC's total revenues of $26.3 million for fiscal year ending December 31, 2022 primarily comprise (1) $14.8 million in support funding (*donations and grants*) and (2) $8.1 million in real estate and property management income. A review of LTSC's financial performance over the last three fiscal years reveals that its change in net assets (*i.e. Net Operating Income*) excluding depreciation amounted to the following: $4.4 million in FYE 2022, $2.0 million in FYE 2021, and $5.7 million in FYE 2020. Additionally, LTSC's support funding was as follows: $14.8 million in FYE 2022, $10.7 million in FYE 2021, and $13.3 million in FYE 2020, exhibiting a robust and successful capital campaign program even through the COVID-19 pandemic time period.

LTSC will be closing on long-term financing to provide the Sponsor Leverage Loan to the NMTC Transaction for purposes of the FSN project. Total financing to LTSC will be $10.8 million from a CDFI loan provided by three participant CDFIs (*Genesis, LIIF, and NFF*) at NMTC Closing, $2.0 million PRI loan from the California Community Foundation ("CCF"), and a $2.0 million PRI loan from the Hilton Foundation which closed and funded in December 2022.

The CDFI loan will carry a 6.16% interest rate and 21-year term, with total loan payments of $919,159 per year. The CCF PRI loan carries a 2.0% interest rate and 7-year term plus 3-year extension option, with interest-only payments of $40,556 for the full term of the loan with a balloon payment at maturity. The Hilton PRI loan carries a 2.0% interest rate and 10-year term, with interest-only payments of $40,556 per year for period of 5 years and amortizing payments of $300,000 per year (*plus interest ranging from $15,000 to $40,000 per year*) during the final 5 years with a $500,000 balloon payment at maturity.

Total debt service during the 7-year NMTC Compliance Period amounts to a total of $997,977 in the first 5 years and approximately $1.3 million over the remaining two years of the compliance period. LTSC will make these loan payments (*and its lease payments under the Master Lease with the QALICB*) utilizing (1) rental income generated from leasing the project's rentable area to minority-owned legacy businesses of the surrounding *Low-Income Community* and (2) interest payments received on its Sponsor Leverage Loan to the Investment Fund.

With the projected leasing schedule for the project, LTSC's debt service coverage ratio on the project-related debt will range from 0.80x to 1.03x after stabilization through the end of the NMTC Compliance Period. Considering the project's rental income might be less than LTSC's debt service and lease payments, LTSC has sufficient access to capital and ability to raise capital to cover these projected operational shortfalls.

General Contractor: Walton Construction Inc. ("**GC**", or "**Walton**")

Walton Construction Inc. is a family-owned general contracting firm that has been active in Southern California for over 70 years. Walton was founded in 1947 by Reginald F. Walton under the name Walton Electrical Engineering, starting out as a commercial and industrial electrical business. By 1959, the firm had expanded its services to include general contracting for various projects, encompassing commercial, industrial, and residential sectors. Today, Walton has a workforce of more than 100 employees, many of whom are stationed at different jobsites throughout Los Angeles. Walton Construction's expertise spans a broad spectrum, with a particular emphasis on affordable housing, multifamily housing, senior living housing, and children learning centers. Over its six-decade history, Walton's project portfolio has ranged from private tenant improvements to extensive federally funded initiatives. In addition, they have garnered over 30 years of experience in wage compliance, partnering with an array of governmental and local agencies including Federal, State, LAHD, HUD, HACLA, and others.

Highlighted projects from Walton's portfolio include the Mosaic Gardens at Westlake in Los Angeles, a six-story multifamily housing development with 125 units. Of these, 63 are dedicated to the formerly homeless, while the remaining 62 reserved for low-income families and seniors. The property provides community spaces, subterranean parking, and boasts LEED Platinum certification. The Path Metro Villas Phase II in Los Angeles is a supportive housing complex offering 122 units for low-income residents, accompanied by support services. It stands out as the inaugural project funded by Proposition HHH. Meanwhile, the Cabrillo Anchor Place in Long Beach is a five-story establishment featuring 120 units, equipped with a 23,000 SF recreation center, fitness room, and social hall. This facility is designed for low-income families and veterans and has achieved LEED Platinum certification.

Walton will be the GC for the entire First Street North development, including the commercial and residential components for both buildings A and B.

The GC's financial statements are confidential and have not been provided to LADF. However, LADF has been provided a bonding capacity letter from the GC's insurance carrier attesting that they have provided the GC with $150mm per performance and payment bond and $575mm on the GC's total work program.

Architects: Carde Ten Architects ("**Architect**", or "**CTA**")

Carde Ten Architects, a community-oriented design firm located in Culver City, is committed to projects that significantly impact neighborhoods. Over the years, CTA has designed more than 3,000 housing units for municipalities, non-profit housing developers, and institutions. Some of their notable clients include the County of Los Angeles, the City of Los Angeles, The Salvation Army, Little Tokyo Service Center, Abode Housing, and Cabrillo Economic Development Corp. These projects cater to diverse populations, including senior multifamily housing, culturally specific community housing, housing for individuals facing domestic violence, and permanent housing for homeless individuals, single-parent households, intellectually and developmentally disabled individuals, emancipated youth, and disabled veterans, and transitional housing projects

In addition to housing, CTA is deeply involved in designing community-oriented facilities that enhance the quality of life in local communities. These facilities are often intertwined with affordable housing initiatives and encompass child-care centers, recreation centers, community centers, libraries, schools, and public service/safety facilities. Over 80% of the firm's work comes from repeat clients, indicating the firm's success in delivery.

CTA has an extensive portfolio of diverse projects, including the completion of Meadowview Housing (*170 units for families*), Fulton Wells Apartments (*144 units for seniors*), Park Lane Apartments (*120 units for families*), and Paseo Santa Clara + Paseo del Rio (*140 units for low-income housing*), all reflecting their experience in designing large-scale residential buildings. Their track record includes Bell Oasis Apartments, which provides 65 studio apartments for homeless individuals and is rich with amenities (*e.g. gym/yoga rooms, community room, laundry, medical clinic, etc.*) and support services (*e.g. social service counselors, on site management, and maintenance staff, etc.*). Also in their track record is WAV (*Working Artists of Ventura*), a mixed-use facility with 69 units of affordable housing for working artists with a community space/gallery, 15 units of supportive housing to assist recently homeless families rebound to independent living, 13 market rate condominiums, and 6,000 sf of retail space oriented to the downtown Ventura area.

PROJECT FEASIBILITY

Property Valuation

Frazier Capital Valuation has conducted an appraisal dated November 20, 2023, and provided the following three market valuations of the subject property:

- $2,630,000 As-is market value of the fee interest in the land as of November 9, 2023
- $22,360,000 Market value of the leased fee interest based on the Sponsor's proforma rents and prospective stabilization as of April 1, 2026
- $24,050,000 Market value of the leased fee interest based on market rents and prospective stabilization as of October 1, 2028

The valuation most relevant in this context is the $22.36 million value of the stabilized leased fee interest assuming the Sponsor's below-market proforma rents, which it will provide to minority-owned, local legacy businesses in the Little Tokyo neighborhood. With a total QLICI loan amount of $27.0 million, this results in a Loan-to-Value ratio for the total debt to the Project of 121%.

It is common for NMTC projects, located in *Low-Income Communities*, to have a significant shortfall between project cost and project valuation. This is typical in NMTC transactions because NMTCs are invested in low-income communities, which suffer from lack of capital investment arising from valuations too low to justify the construction costs. NMTCs and other public financing programs were established to address this gap and help projects in these communities obtain the financing they need. Additionally, this is one of the more common criteria under which a project meets the "but for" test required under NMTC regulations.

Environmental Inspections

EFI Global, Inc. is an engineering and consulting firm with over four decades of experience. Initially centered on insurance fraud and arson cases, it has since broadened its services to include engineering failure analysis, environmental consulting, laboratory testing, and other specialty areas. The company has a team of over 500 professionals, comprising engineers, fire investigators, architects, and scientists, selected for their technical skills and industry knowledge.

EFI Global, Inc. conducted a Phase I Environmental Site Assessment on November 3, 2023 of the subject property. EFI's assessment revealed no evidence of significant data gaps, Recognized Environmental Conditions ("RECs"), controlled RECs ("CRECs"), or historical RECs ("HRECs") in connection with the subject property. The assessment did note a *de minimis* condition from a previous Phase II ESA dated February 15, 2021, which was also produced by EFI. This condition related to detected metal concentrations in the soil found during the previous Phase II ESA, but these were considered to be background concentrations or *de minimis* and no further assessment was warranted.

Construction Feasibility

The QALICB will be responsible for developing the project and will enter into a GMP contract with the GC.

The CDEs, including LADF, will engage 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 agent. US Bank's role will include obtaining a full draw package from the QALICB, collecting the monthly inspection report, and subsequent approvals from the Sub-CDE lenders. 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.

Because of the integrated nature of the construction of the project, the QALICB and two entities owning the residential components of the project will enter into an Inter-Facility Construction Coordination Agreement to provide for coordination of the construction on the property, and specifically the common area improvements, in order (i) to ensure the timely completion of the commercial component and residential components, and the issuance of certificate(s) of occupancy for all units and spaces within the project, and (ii) to protect the respective values of the improvements constructed by each owner.

The QALICB and residential owners will share the same third-party inspection firm, PACS (*as noted above*), which will provide monthly inspection reports to each owner for the entirety of the construction work and provide a breakout for each owner's separate construction contract with the shared GC (*see section entitled "DEVELOPMENT TEAM"*). Lenders to each owner have sole approval rights over draws and change orders relating to such owner's portion of the construction, but there will be coordination and sharing of such draws and change orders, particularly as it relates to the common area improvements.

PROBABLE MAXIMUM LOSS REPORT

A Probable Maximum Loss (PML) will not be required given that the project is new construction. 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	
Sponsor Sources		**Construction Uses**	
- CDFI Participation Loan:	10,788,200	- Pre-Incurred Soft Costs (*<24 mos*):	823,950
- PRI Loans (*Hilton Foundation & CCF*):	4,000,000	- Hard Costs:	18,661,890
- Capital Campaign:	1,741,850	- Hard Cost Contingency:	1,494,520
- State and Foundation Grants:	2,200,000	- Soft Costs:	1,920,640
- EWDD Gap Financing:	1,500,000	- Soft Cost Contingency:	130,290
- Sponsor Cash-on-Hand:	36,370	- Developer Fee (LTSC):	400,000
Sponsor Sources	$20,266,420	***Sub-Total***	$23,431,290
NMTC Investor Equity		**Financing-Related Uses**	
- NMTC Equity (**LADF QEI**):	2,184,000	- Interest Expense (*net of reserves*):	1,107,530
- NMTC Equity (Genesis QEI):	5,460,000	*NMTC Closing Costs*	
- NMTC Equity (US Bank QEI):	936,000	- Legal/Acctg./Consulting Fees:	811,700
NMTC Sources	$8,580,000	- **LADF CDE** Placement Fee:	140,000
		- Other CDE Upfront Fees:	555,000
		- Inv. Fund Fees:	5,400
		NMTC Reserves	
		- **LADF** Asset Mgmt. Fee Reserve:	367,500
		- **LADF** Expense Reserve:	104,000
		- Other CDE Fee/Exp. Reserves:	1,019,350
		Sponsor's Financing Uses	
		- Lender Interest Reserves:	1,141,850
		- Lender Fees:	125,300
		- Legal Fees:	37,500
		Sub-Total	$5,415,130
Total Project Sources	**$28,846,420**	**Total Project Uses**	**$28,846,420**

DEVELOPMENT PRO FORMA

The total project cost is estimated to be $28.8 million, $27.5 million of which will be leveraged through the NMTC structure to make $27 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the Project. The QLICI funds and a $36,370 Sponsor contribution of prior incurred costs will be disbursed as follows at closing:

- $0.8 million – Reimbursement of pre-closing development costs incurred within the last 24 months.
- $1.0 million – Pay NMTC and Other Closing Costs.
- $1.5 million – Fund the CDE-controlled Fee and Expense Reserve Accounts.
- $23.7 million – Fund the CDE-Controlled Construction Disbursement Account.

NMTC-related reserves held by the QALICB will total $1.5 million and be held for the payment of asset management fees and expense reimbursements to the Sub-CDEs. The Sub-CDEs will require that their ongoing fees and expense reimbursements for the entire NMTC Compliance Period be held in separate reserve accounts, including $471,500 held in a separate account pledged to LADF.

At NMTC Closing, after funding of the QLICIs, the Sponsor will receive a $787,580 reimbursement from the QALICB 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 total amount of prior costs incurred by the Sponsor was $823,950, so upon reimbursement from the QALICB the amount remaining of the Sponsor's contribution to the project will be $36,370.

OPERATING PRO FORMA

The project's operating revenues will consist of rental payments made to the QALICB by the Sponsor under its master lease of the building. The monthly rental rates to be paid by the Sponsor are projected at $1.45 per SF, or $745,000 annually, starting in January 2026 after construction completion, and escalating in 2029 after the seven-year NMTC Compliance Period. After accounting for operating expenses, the QALICB's average debt service coverage for the Project is estimated at 1.25x (*per the current financial projections*).

LADF has reviewed the Sponsor's financial statements and projections for the project-related operations. This analysis can be found in the section entitled "DEVELOPMENT TEAM".

Project Timeline

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

- January 2024: Building Permit approval and pull prior to NMTC Closing
- January 2024: GMP Contract Execution prior to NMTC Closing
- January 18, 2024: **NMTC Transaction Close**
- January 2024: Construction Commencement
- January 2026: Construction Completion

FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans and the Sponsor direct contribution dollars[1]. The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as two NMTC allocatees, or Community Development Entities ("**CDEs**"), making the QLICI loans to the project through their Subsidiary CDEs ("**Sub-CDEs**") at the lower tier.

[1] Sponsor will use a combination of organizational cash reserves, capital campaign funds, State and foundation grants, foundation PRIs, City of LA EWDD's CDBG Gap Financing loan, CDFI participation loan, and One-Day bridge loan to fund the Leverage Loan and QALICB capitalization.

LADF
LOS ANGELES DEVELOPMENT FUND

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 eight 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 – First Tranche (*September 2017*), Joshua House Health Center (*December 2017*), Budokan L.A. (*March 2018*), Heart of Los Angeles – Second Tranche (*May 2020*), and Shakespeare Center of Los Angeles (*August 2023*). Additionally, LADF is concurrently in closing discussions in the First Street North and Jessie Lord Bakery, both of which involve US Bank as the proposed NMTC Investor, making these the ninth and tenth transaction LADF will have closed with US Bank.

US Bank is also the investor in both Low-Income Housing Tax Credit financings closing concurrently for the housing components of the First Street North project.

CDE Lenders

The Transaction will include three CDE allocatees providing NMTC allocation and making QLICI loans to the project through their Sub-CDE special purpose entities. The following table lists the CDE allocatees, along with their Sub-CDEs, and the Qualified Equity Investment ("QEI") associated with their NMTC allocations:

CDE Allocatee	Sub-CDE	Sub-Allocation Amount
Los Angeles Development Fund	*LADF XXIX, LLC*	$7,000,000
Genesis LA CDE LLC	*GLA Sub-CDE XXXII, LLC*	$17,500,000
USBCDE LLC (*US Bank's CDE*)	*USBCDE Sub-CDE 260, LLC*	$3,000,000
	Total NMTC Allocation	**$27,500,000**

Genesis LA CDE LLC

Genesis LA CDE LLC ("Genesis") is a certified CDE and CDFI located in Los Angeles, California. It has received ten NMTC allocations totaling $485 million as follows: 2005 - $80mm, 2006 - $50mm, 2009 - $40mm, 2013 - $20mm, 2014/$30mm, 2015-2016/$45mm, 2018/$55mm, 2020/$55mm, 2021/$50mm, and 2022-$60mm. Genesis was established in 1998 to advance economic opportunity in Los Angeles County. The organization uses these allocations to invest in community facilities, commercial, and mixed-use real estate projects that deliver programs, goods, services, and quality jobs to the county's low-income communities. Genesis currently has $122.6 million in NMTC allocation remaining, with $27.6 million from its 2020 allocation, $35.0 million from its 2021 allocation, and $60.0 million from its 2022 allocation. Its local service area covers Los Angeles County, California. This will be the ninth transaction that LADF has closed with Genesis as a partner CDE. LADF co-invested NMTC allocation with Genesis in the One Santa Fe retail and office project (*December 2011*), Anita May Rosenstein Campus / LGBT Center community facility project (*June 2017*), Jordan Downs (*June 2018*), Children's Institute Watts Campus project (*January 2020*), URM Angeles House (*March 2020*), Hollywood Arts Collective and Career Center (*June 2022*), Vermont Manchester (*June 2022*), and California Science Center (*April 2023*).

Genesis, as a certified CDFI, is also utilizing its Financial Assistance Awards to provide a CDFI loan, along with two other participating CDFI lenders, to the Sponsor as source funding for making its leverage loan to the investment fund. The $10.8 million CDFI loan will be funded by the three participating CDFI lenders – Genesis, Low Income Investment Fund ("LIIF"), and Nonprofit Finance Fund ("NFF"). Genesis is the lead CDFI in the participation loan, negotiating and closing the transaction on behalf of the lending group.

USBCDE LLC

USBCDE LLC ("USBCDE") is US Bank's certified CDE located in St. Louis, Missouri, and has received 13 NMTC allocations totaling $1.04 billion as follows: 2006/$135mm, 2007/$125mm, 2008/$80mm, 2009/$95mm, 2011/$100mm, 2012/$65mm, 2014/$55mm, 2017/$70mm, 2018/$70mm, 2019/$65mm, 2020/$65mm, 2021/$60mm, and 2022/$55mm. USBCDE uses its NMTC allocation to support real estate projects, operating businesses, and loan funds that create quantifiable, meaningful, catalytic outcomes for low-income communities across the United States. This will be the fourth transaction that LADF has closed with USBCDE as a partner CDE. USBCDE co-invested $5 million allocation in the Discovery Science Center transaction (*December 2012*), $4 million allocation in the La Kretz Innovation Campus transaction (*September 2013*), and $1 million allocation in the Joshua House Health Center transaction (*December 2017*).

FINANCING STRUCTURE

The project's total development cost will be funded by the $27.5 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 $18.9 million for the NMTC leverage loan will be fully advanced prior to, or at, closing of the NMTC transaction. The Sponsor's sources for making the leverage loan will be: (1) $10.8 million CDFI loan (*3 participating CDFIs*), (2) $4 million PRI loans (*Hilton Foundation and California Community Foundation*), (3) $2.2 million capital campaign funds (*initially bridged with a bridge loan from Genesis LA*), (4) $2.2 million State and foundation grants, and (5) $1.5 million EWDD Gap Financing. 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 $8.6 million. In exchange, US Bank will receive $10.7 million in tax credits that will be generated through the Fund (*39% of the total $27.5 million QEI*). This exchange of equity for tax credits reflects a pricing of $0.80 per tax credit dollar for QEIs associated with SubCDE's allocations.

The $18.9 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 2.9688%. After the end of the interest-only period, the self-leverage loan will amortize over the following 21 years.

US Bank's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $27.5 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $27.5 million in total QEIs to the three Sub-CDEs.

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 $27.0 million.

With regards to LADF's Sub-CDE, LADF Management, Inc. (*LADF's subsidiary entity*) will contribute $700 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $52,500 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 2.3027% and 34-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 as follows:

1. Genesis Sub-CDE – first $17.0 million of capital redeployment
2. LADF Sub-CDE – next $7.0 million of capital redeployment
3. US Bank Sub-CDE – next $3.0 million of capital redeployment

Upon a return of capital during the seven-year NMTC compliance period, a CDE has 12-months to redeploy the capital in a qualifying NMTC project or it becomes a "Recapture Event" and triggers a loss of the tax credits as well as penalties for the Investor. As in its other NMTC investments, LADF will have nine months to work with 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 XXIX, LLC and choose an investment without LADF's input. However, it must still be within Los Angeles County per LADF's 2022 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 January 18, 2024. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

- *Control of Site*: Ground lease with the City of LA will be signed at or prior to closing
- *Entitlement Process*: Completed
- *Design/Pre-Development*: Completed
- *Working Drawings*: Completed
- *Value Engineering*: Completed
- *Permits (RTI)*: Sponsor is in process of obtaining permits. They are wrapping up approvals/stamping and should obtain RTI permits in early January 2024. The LIHTC financing for the housing component also requires permits in-hand and is closing concurrently with NMTC closing.
- *Tenant Leases*: LOIs have been issued for 32,426 SF, or 77%, of the rentable area. Remaining space will be marketed to attract an anchor retail tenant.
- *GMP Construction Contract*: GC contract execution expected by early January 2024
- *Financing Commitments*: LOI has been issued by US Bank (*as NMTC Investor and Allocatee*), LADF (*as NMTC Allocatee*), and Genesis LA (*as NMTC Allocatee*). The Sponsor has received commitments from the CDFIs, foundations, State, and City of LA with regards to its source loans and grants. The City of LA approved the EWDD's $1.5 million Gap Financing loan on

December 5, 2023 and is working to pre-fund the loan to LTSC prior to NMTC Closing.

- *Outstanding 3rd Party Issues*: The Los Angeles Housing Department is in process of obtaining City Council approval to execute the 3 ground leases – one commercial ground lease to the QALICB and two residential ground leases to the two housing development entities – as well as provide funding and approvals for the housing development. Committee and full City Council approvals are expected no later than January 19, 2024. LAHD is currently working to obtain these approvals earlier, by year end 2023.

NMTC ELIGIBILITY AND COMPLIANCE

As of September 1, 2023, the CDFI Fund has adopted the updated 2016-2020 American Community Survey ("ACS") eligibility data for determining NMTC eligibility of census tracts. However, there is a transition period prescribed by the CDFI Fund, which provides that:

"QLICIs closed between September 1, 2023 and August 31, 2024 may use either 2011-2015 ACS data applied to 2010 census tracts or 2016-2020 ACS Low-Income Community eligibility data applied to the 2020 census tracts for determining Low-Income Community eligibility." (*Source: NMTC Compliance FAQ #63, Nov. 2023 issue*)

In accordance with this updated guidance, LADF has (1) determined the NMTC eligibility of the Project under both the 2011-2015 and 2016-2020 ACS data and (2) selected the data set that qualifies the Project for NMTC investment. If the Project is eligible for NMTC investment under both data sets, then LADF may use its discretion to use either data set for purposes of confirming eligibility at NMTC Closing and compliance reporting.

2011-2015 ACS Data

The subject site is located in the 2010 Census Tract 06037206200. 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 the following eligibility measure(s):

- Poverty Rate of **45.2%** (*greater than* *20%*)
- Median Family Income of **38.3%** of the greater Metro area (*less than* *80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2022 Allocation Agreement as a Targeted Distressed Community based on the following qualifying measure(s) listed:

- Poverty Rate of **45.2%** (*greater than* *30%*)
- Median Family Income of **38.3%** of the greater Metro area (*less than* *60%*)
- Unemployment Rate of **15.4%**, or **1.86x** the National rate (*greater than 1.5x the National rate*)

2016-2020 ACS Data

The subject site is located in the 2020 Census Tract 06037206202. The population within the Census tract is 3,035 individuals per the 2020 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 the following eligibility measure(s):

- Poverty Rate of **51.50%** (*greater than* *20%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2022 Allocation Agreement as a Targeted Distressed Community based on the following qualifying measure(s) listed:

- Poverty Rate of **51.5%** (*greater than 30%*)
- Unemployment Rate of **9.4%**, or **1.74x** the National rate (*greater than 1.5x the National rate*)

QALICB Analysis

The FSN QALICB will satisfy the requirements for QALICBs and will be considered a business engaged in "Real Estate Activities", as defined by LADF's 2022 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. While 100% of the QLICI proceeds will not be expended for development of the project within 18 months of closing, given the size and scope of this project, it's commercially reasonable for the construction period to be outside the safe harbor period. 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 2022 Allocation Agreements Compliance

This transaction will use $7 million in allocation from LADF's 2020 Allocation award from the CDFI Fund. With the closing of this transaction and the Jessie Lord Bakery transaction, the 2022 Allocation award will be 30% invested.

LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2022 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 XXIX, 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(e) – LADF will have invested greater than 60% threshold in QEIs by Dec. 31, 2026
- §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
- §3.2(l) – 100% of QLICI is made in an Identified State (*California*)

Section 3.2(g) (*Non-Metropolitan Counties*) and 3.2(i) (*Loan Purchases Reinvestment*) indicate a "0%" requirement and are not applicable under LADF's 2022 Allocation Agreement.

Section 3.2(k) (*Affordable Housing*) is applicable under LADF's 2022 Allocation Agreement, and requires that at least 20% of the housing units developed or rehabilitated as a result of LADF's QLICIs shall be affordable to *Low-Income Persons*. While the First Street North development includes affordable housing components in both buildings, the NMTC investment by LADF will only be made for the commercial component, so LADF will maintain compliance with Section 3.2(k).

[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.

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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 2.3027% and satisfy part (b) of this paragraph. To support compliance with this provision, LADF has obtained a standard lending rates and terms letter dated October 1, 2023 from US Bank. This letter indicates that the market interest rate for the transaction would be in the range of 7.68% to 8.74%, over 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) of the 2022 Allocation Agreement reads as follows:

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

(i) the QLICI proceeds are used to repay or refinance documented reasonable expenditures of the debt or equity provider (or its Affiliate), 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

(ii) no more than 5 percent of the QLICI proceeds are used to repay or refinance documented reasonable expenditures of the debt or equity provider (or its Affiliate) that are directly attributable to the qualified business of the QALICB.

For purposes of this subsection, refinance includes transferring cash or property, directly or indirectly, to the debt or equity provider or an Affiliate of the debt or equity provider.

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 $4.47 million in subsidy *(net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the Project,

[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.

approximately 16.25% of the $27.5 million QEI in the transaction and 15.49% of the $28.8 million total project cost.

Given the location of the proposed facility and the lack of private investment into the surrounding neighborhood, and given that the project will provide almost 25% of its rentable area to Go For Broke for free rent, the project's operations could not support the needed equity and debt investment from traditional capital sources. As a nonprofit organization, the Sponsor primarily relies on fundraising and government income, and private donations to fund essential programs and operating costs. The Sponsor has already committed and raised a significant amount of capital (*approx. $8.0 million*) from its organizational cash reserves, capital campaign, State and foundation grants, and foundation PRIs. The Sponsor has also secured as much senior debt as the project could attract (*approx. $12.3 million*) from the CDFI participation loan secured through Genesis LA and the City's EWDD Gap Financing loan. Without NMTC financing, the Sponsor would be forced to delay the project until additional capital is raised through donations or take on additional debt which would force the Sponsor to charge market-rate rents thereby pricing out the legacy minority-owned businesses and the nonprofit Go For Broke.

COLLATERAL AND GUARANTEES

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

- Senior Deed of Trust on the QALICB's leasehold interest in the subject property
- Security interest in the construction disbursement and reserve accounts (*totaling $25.2 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 transaction contemplates an unwinding on the financing structure. The LADF 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*) at NMTC Closing. 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 second in the waterfall (after *Genesis Sub-CDE*) and would receive a return of capital only after $17.0 million was returned.
- To mitigate the possibility that a portion of the QEI is returned via bankruptcy and/or foreclosure on the subject site, through the seven-year NMTC compliance period, the QALICB will be required to commit to maintaining operations at the subject location or providing for an acceptable alternative entity to do so to maintain the NMTC structure. Transaction documentation will include legal opinions that all aspects of the transaction comply with the NMTC regulations.

The economic and 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 $140,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $7.0 million of 2022 Allocation
    - This equates to $367,500 (quarterly installments of $13,125 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 $471,500, will be placed in a separate, controlled reserve account at close of the transaction. If the transaction unwinds after the 7th anniversary of the NMTC Closing, and the CDE Servicing & Compliance Fees reserved upfront are depleted, the QALICB will be responsible to pay for fees accrued thereafter up until the unwind of the transaction. If LADF's CDE Expense Reimbursements amount to more than $13,000 in any given year during the Compliance Period, then $13,000 will be paid out of the reserve account and the QALICB will be responsible to pay for the overage.

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POLICY EXCEPTIONS

None.

RECOMMENDATION

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

ATTACHMENTS

EXHIBIT A: First Street North Flow of Funds (*as of December 15, 2023*, Final Projections Pending)

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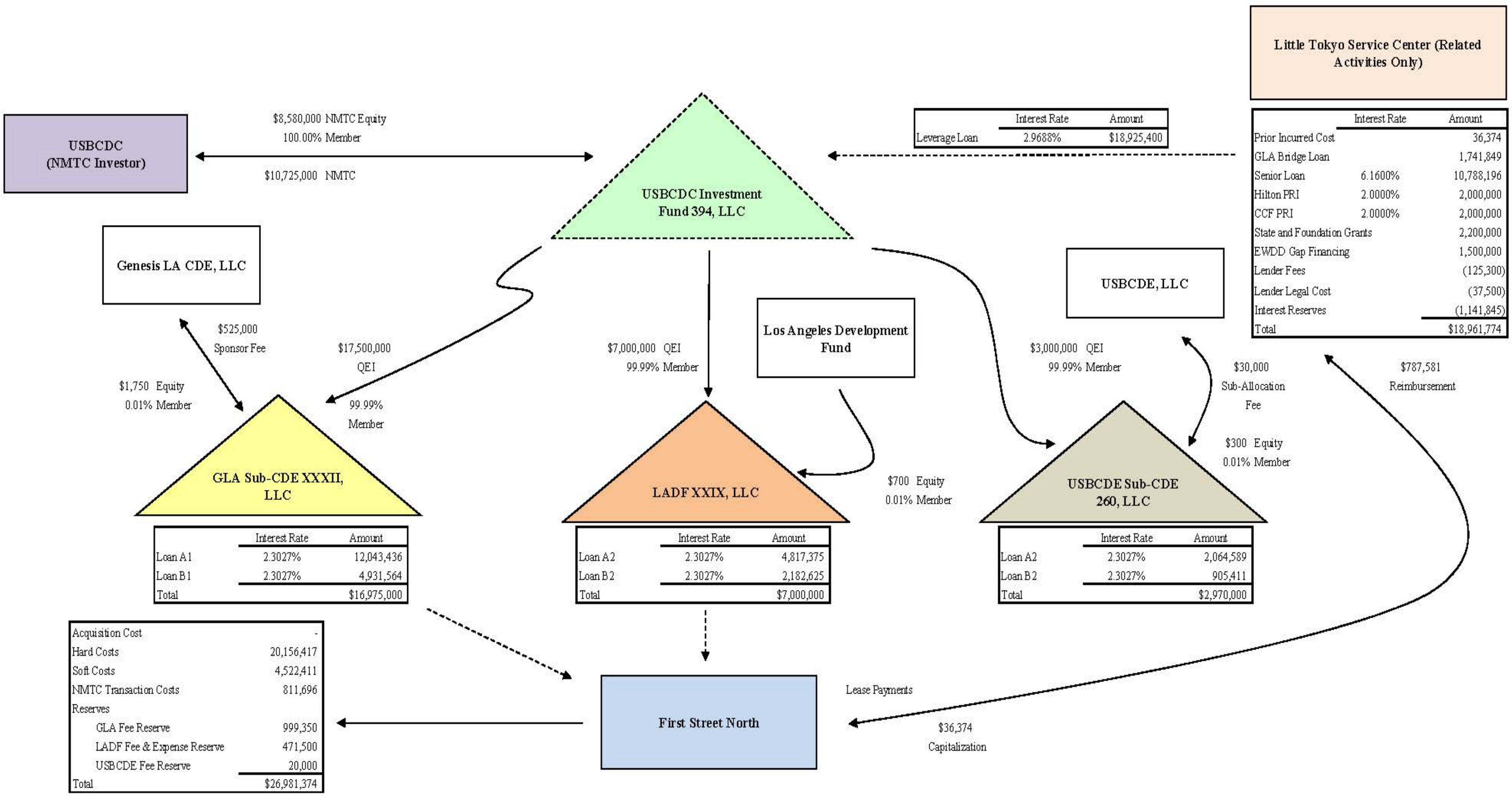
EXHIBIT A: First Street North Flow of Funds (*as of December 15, 2023*, Final Projections Pending)



	Interest Rate	Amount
Leverage Loan	2.9688%	$18,925,400

	Interest Rate	Amount
Prior Incurred Cost		36,374
GLA Bridge Loan		1,741,849
Senior Loan	6.1600%	10,788,196
Hilton PRI	2.0000%	2,000,000
CCF PRI	2.0000%	2,000,000
State and Foundation Grants		2,200,000
EWDD Gap Financing		1,500,000
Lender Fees		(125,300)
Lender Legal Cost		(37,500)
Interest Reserves		(1,141,845)
Total		$18,961,774

	Interest Rate	Amount
Loan A1	2.3027%	12,043,436
Loan B1	2.3027%	4,931,564
Total		$16,975,000

	Interest Rate	Amount
Loan A2	2.3027%	4,817,375
Loan B2	2.3027%	2,182,625
Total		$7,000,000

	Interest Rate	Amount
Loan A2	2.3027%	2,064,589
Loan B2	2.3027%	905,411
Total		$2,970,000

Acquisition Cost	-
Hard Costs	20,156,417
Soft Costs	4,522,411
NMTC Transaction Costs	811,696
Reserves	
GLA Fee Reserve	999,350
LADF Fee & Expense Reserve	471,500
USBCDE Fee Reserve	20,000
Total	$26,981,374

Tab 4

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NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	December 19, 2023
SUBJECT:	Request to Approve a **$8,000,000** New Markets Tax Credits Allocation to Stetra Properties, LLC (“**QALICB**”) for the Jessie Lord Bakery (“**Project**”)

SUMMARY

Project Name:	Jessie Lord Bakery (“**Project**”)
Location:	Harbor Gateway South Neighborhood (Council District 15-Tim McOsker)
Project Description:	Manufacture Facility Upgrading/Eco-Friendly Project
Sponsor / Developer:	Stetra Properties, LLC (“**QALICB**”, or “**Stetra**”)
Ownership:	QALICB owns *Land, Building, and Improvements*
NMTC Investor:	U.S. Bank (“**Investor**”)
Total Project Cost:	$ 16,392,180
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 16,000,000 $ 8,000,000 (*2022 Allocation*) • LADF XXX, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	*Retain* **300** Permanent FTE Jobs (*40 Permanent Employee / 260 from Temp Agency*); *Create* **65** Construction Jobs
Site Eligibility Criteria:	2011-2015 ACS Census Tract No. 06037292000 • NMTC Eligible and Targeted Distressed Community (*2022 Alloc Agmts*)**:** • 34.20% Poverty Rate (*greater than 20% and 30%*) – Section 3.2(h)(ii) • 52.83% AMI Households (*less than 80% and 60%*) – Section 3.2(h)(ii)
Community Benefits:	• Donates over 13,000 pies annually to non-profit and religious organizations, food banks, and Thanksgiving meal providers in the Los Angeles area • Improve sustainability by reducing energy usage, emissions, and air pollution. • Sponsor is a Minority-Owned &- Led Business Enterprise

Key Compliance Criteria under the 2022 Allocation Agreement:

☑ 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: $ 2,539,100

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PROJECT DESCRIPTION

Jessie Lord, LLC ("**Sponsor**" or "**Bakery**") is a private family business that is minority-owned and -operated. The project site was originally developed in 1984 for operations as Country Home Bakery, which produced an assortment of bakery goods from pies to bread to cookies. In 2003, Country Home Bakery filed bankruptcy. In 2003 Stephen and Tracy Lee (*husband and wife*) acquired the site and equipment. Rather than operate as a general bakery facility, the Lees estalished operations as a pie-centric business.

The Bakery currently employs roughly 300 staff at peak times and is one of the largest pie producers in the United States, with an annual output of about 25 million pies distributed across various national retail chains.

The Bakery utilizes traditional pie-making methods, including cooking fresh ingredients from scratch, traditional pie assembly, baking, and storage, and specializes in three main pie types: raw frozen, pre-bake, and crème/meringue pies, which are frozen before distribution. The pies are sold to various buyers throughout the country, primarily grocery stores, and are marketed under either the Jessie Lord Bakery brand or private labels. The manufacturing facility, which spans 140,000 square feet and houses four production lines, a spiral freezer, and 40,000 square feet of holding freezer, has a Torrance address but is situated within City of Los Angeles limits.

The project will utilize the New Markets Tax Credit ("NMTC") financing to replace the existing inefficient refrigeration and boiler systems, which are critical to the company's operations, with new, commercially available and environmentally friendly systems obtained from California vendors. The present refrigeration system was established in 1984, operated before the Lees purchased the property in 2003, and has not been upgraded since. It employs R22 (or Freon), an environmentally harmful gas, as a refrigerant. Refrigeration systems that employ R22 are progressively more expensive to operate and repair. The refrigeration system must be replaced for the Bakery to remain in business.

Specifically, the project includes the following (*please refer to Exhibit B for detailed scope of work*):

• Replacement of the existing refrigeration equipment with new, more efficient and environmentally friendly equipment that uses ammonia as a refrigerant.
• Addition of a new boiler to the existing system.

The proposed project will result in the following benefits for the Bakery:

- Continuation of current production levels and employment of up to 300 individuals annually.
- Improved efficiency and operation of refrigeration, steam, and hot water systems, which is projected to reduce overall annual electricity and natural gas usage by 22% and 16%, respectively.
- Reduction in overall operating costs while maintaining or improving product quality and quantity, enabling management to reinvest in the business and expand its operations.
- Reduction of greenhouse gas emissions associated with the plant's operation by approximately 6,779 metric tons of carbon-dioxide equivalents (MTCO2e) annually. This is equivalent to the emissions from 1,461 cars for one year, electricity for 1,319 homes for a year, or 762,800 gallons of gasoline.

The proposed project has garnered strong support from various stakeholders in the local community. Among those expressing support are California Assemblyman Al Muratsuchi, the US Department of Energy, LA Office, the El Camino Community College District, New Challenge Ministries, Inc., based in Torrance, CA, and We Give Thanks, a non-profit organization that provides free Thanksgiving meals. The support of these stakeholders underscores the positive impact that the project will have on the local community and the importance of the Bakery as a local business.

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:

- 21100 S. Western Ave., Torrance, CA 90044 (*Note: while the property's address indicates "Torrance", the property is in fact located within the boundaries of the City of Los Angeles*)

When the project was previously presented to the Board it was described as being in an unincorporated area of Los Angeles County; however, after further inquiry, LADF discovered that the site is actually located in the City of Los Angeles, directly adjacent to the eastern border of the City of Torrance. The project site is situated in the Harbor Gateway South neighborhood and falls within Council District 15, which is currently represented by Council Member Tim McOsker. Additionally, the site is in a State Enterprise Zone. Accessibility to transit is facilitated by its proximity to prominent commercial corridors such as Torrance Blvd. as well as public transportation routes.

Site Control

The site, encompassing 122,678 square feet, was originally developed in 1984 for Country Home Bakery which sold a variety of baked goods and pies. The site was acquired by Stetra Properties, LLC, the QALICB, on June 26, 2003. The land, improvements, and equipment are owned by Stetra (50% owned by Stephen Lee and 50% by Tracy Lee). Jesse Lord, LLC (70% owned by Stephen and Tracy Lee and 30% by the Lee 2012 Delaware Dynasty Trust) leases the site from Stetra and operates the Bakery at the site.

The single-story industrial building is currently 100% occupied by the Bakery. The building contains various key facilities, including the Bakery's business offices. Inside the factory, there is an engine room, a boiler room dedicated to cooling and conveyor systems, and a specific area for storing 55-gallon drums of both new and waste oil. The warehouse portion is organized into separate sections, including areas for meringue, specialty food, the main kitchen, packaging, a freezer, and storage. Additionally, a repair shop is on the building's south side.

The Bakery, as the lessee, and the QALICB, as the lessor, will enter into an Amended and Restated Commercial Lease Agreement for the property, which is currently under negotiation. This lease shall commence prior to the closing. The term is set to end on December 31, 2048, with an option to renew for 5 additional years at the then-current market rates. The lease renewal termination date is December 31, 2053. The first payment is due on January 1, 2024. If the renewal option is not exercised, Stetra can re-lease the property to a new tenant at the then-current market rent. An Equipment Lease is also currently under negotiation between the Bakery (the 'Lessee') and Stetra (the 'Lessor'). The term of this Equipment Lease is to be eight years, commencing prior to the closing date.

COMMUNITY AND ECONOMIC BENEFITS

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

Job Creation/Retention:	• Creating: **65** Construction FTEs • Retaining: **300** Permanent FTEs Retained, as follows: 40 permanent FTE positions [direct hires] 260 seasonal FTE positions [filled by temp agency] **(The site is located in the City of Los Angeles, adjacent to the border with City of Torrance, and 60% of the employees reside within a City of Los Angeles zip code.)**
Quality Jobs:	• **98%** of construction jobs will earn a living wage[1] • **71%** of direct employees earn a living wage • **100%** of permanent positions at Jessie Lord Bakery offer benefits including medical, dental, vision, life insurance, 401K, sick days, holidays, and paid-time-off. • 100% temp workers receive benefits including medical, dental, vision, life insurance, retirement, and sick days.
Accessible Jobs:	• **85%** of construction jobs don't require a college degree. • 100% of temp jobs are available to non-college graduates. • 80% of direct hires jobs are available to non-college graduates. • 80% of employees are low-income and BIPOC, • 100% of the direct and permanent jobs provided on-the-job training. • Jessie Lord Bakery hires from various sources and promotes from within, with temp employees offered permanent positions as supervisor, clerk, or assistant.
Community Goods/Services to Low-Inc. Communities:	• Jessie Lord Bakery donates over **13,000** pies annually to non-profit and religious organizations, food banks, and Thanksgiving meal providers in the Los Angeles area. • Employees often refer organizations to the company for consideration to donate pies, and in the most recent year, Jessie Lord Bakery donated pies to organizations such as Heart of Compassion, Christian Outreach, Big Sunday, First Church of Sasseren, and Anaheim Honda Event Center
Financing Minority Businesses	• Jessie Lord Bakery is a Certified Minority Business Enterprise and 100% minority-owned and led, with approximately 90% of its leadership team and 80% of its employees being BIPOC.
Environmentally Sustainable Outcomes	• The company aims to decrease annual electricity and natural gas usage by **22%** and **16%**, respectively. • Conversion from R22/Freon[2] refrigeration system to an ammonia-based system will reduce GHG emissions by 6,779 MTCO2e annually, equivalent to emissions of 1,461 cars or 762,800 gallons of gasoline.

[1] **Living wage** is defined as at least $21.24/hour, per MIT Living Wage Calculator
[2] **R22/Freon** is a refrigerant that has an environmental potency of roughly 1,810 times higher than that of carbon dioxide (CO2's GWP of 1) or ammonia (NH3's GWP of 0). Ammonia is an environmentally neutral gas.

- The project will remove toxic and high-GWP refrigerant Chlorodifluoromethane (HCFC-22), improving air quality in the surrounding low-income area.
- The project is located in a high pollution census tract with a toxic release percentile of **94.24**%, and reducing indirect GHG emissions and direct on-site GHG emissions will further improve the air quality of the community.

The community benefits discussed in this section will be required of the QALICB and the Bakery 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 memo, the CBA is still under negotiation. If there are any material or significant changes to the community benefits presented in this memo during negotiations, LADF staff will inform the LADF Governing Board of such changes and seek reaffirmation of approval.

DEVELOPMENT TEAM

QALICB: Stetra Properties LLC

Stetra. established on June 13, 2003, is a California limited liability company focused on real estate investment. Stephen Y.S. Lee and Tracy Lee each have a 50% ownership stake. Serving as a QALICB for NMTC transaction purposes, Stetra will develop the facility upgrades; manage the land, building, and improvements involved; and enter into lease agreements with the Bakery for the premises and equipment.

The QALICB will qualify as a "real estate" entity under NMTC guidelines. Its sole operation for over a decade has been managing and leasing real estate in a qualified census area. With no employees, the QALICB is expected to maintain its status, as it will not engage in activities that disqualify it. The lease agreements will restrict tenancy to NMTC-eligible businesses. Throughout the NMTC compliance period of seven years, the QALICB will retain at least 85% of its tangible property in the low-income community. No Agreed-Upon Procedures report will be required by LADF for the QALICB.

Upon review of the financial statements for the fiscal years 2021-2022 and the first three quarters of 2023, LADF notes that as of September 30, 2023, Stetra maintains a capital position of $2.4 million. The primary revenue stream for Stetra is derived from rental income received from the bakery. In 2021 and 2022, Stetra reported a capital position of $2.5 million, indicating a slight decrease but overall stable financial health. This stability suggests a consistent performance in Stetra's operating model, with no significant financial vulnerabilities observed from the rental income, which is critical for sustaining its capital position. The subject property exhibits a robust Debt Service Coverage Ratio for all debt that is projected to average 3.06x fluctuates between 2.46x and 3.55x over the NMTC compliance period. These ratios indicate a strong capacity to cover debt service obligations.

Developer/Sponsor: Jessie Lord, LLC dba Jessie Lord Bakery ("**Sponsor**", or "**Bakery**")

Founded on June 13, 2003, the Bakery has risen to become one of the largest pie manufacturers in the U.S. The site, initially operating as Country Home Bakery, faced financial challenges and filed for bankruptcy. The Lee family (Stephen and Tracy Lee) purchased the site and equipment, establishing Jessie Lord Bakery. The Bakery produces 25 million pies annually and employs about 300 workers during its 6 months of peak production. It is currently managed by their son, Sean Lee, as the general manager. Jesse Lord, LLC is owned 70% by Stephen and Tracy Lee and 30% by the Lee 2012 Delaware Dynasty Trust.

The Bakery uses traditional pie-making techniques, which include using fresh ingredients and a modern assembly line. The company manufactures fruit pies as well as crème and meringue pies. They offer pies frozen prior to baking alongside pies that are fully baked and then frozen. Typically, the fully baked pies are retailed by grocery stores as pre-packaged goods, whereas the unbaked, frozen pies are provided to grocery stores with in-house baking facilities, to be cooked and sold under the grocery chain's own brand labels or Jessie Lord Bakery's Labels.

The Bakery operates out of the 140,000 square-foot facility in the City of Los Angeles, which houses four production lines, a spiral freezer, and a 40,000 square-foot holding freezer. As a Certified Minority Business Enterprise, it exemplifies workforce diversity with a gender and ethnicity balance across its ownership and teams: 50% men, 50% women, with 90% minority representation in leadership and 80% in the production staff. The production staff is predominantly Latino, 80% of whom were previously low-income. Additionally, 100% of the temporary workers and 80% of the direct hires are not college graduates.

With regards to this NMTC transaction, in addition to the QALICB guaranties and indemnities, the Bakery will be also 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 financial statements of the Bakery for the past three fiscal years (2020-2022) and for the first three quarters of 2023. The analysis indicates that the majority of the Bakery's revenue is generated from product sales.

The Bakery's net income was $12.3 million in 2020, followed by $9 million in 2021, and $8.6 million in 2022, indicating a strong earning capacity despite a slight downtrend in profits over the three-year period. As of September 30, 2023, the Bakery reported a cash position of $2.2 million. Additionally, with the installation of the new equipment, the Bakery's energy costs are anticipated to decrease and further support the financial strength of the Sponsor.

The Bakery's financial performance since 2020 suggests a consistent profitability, inferring a minimal risk associated with the Bakery's ability to meet its loan repayment and rental obligations. The Bakery currently has no debt, but it will take out a $8.85 million term loan from Bank of America. The funds from this new loan will be used for the leverage loan.

According to the most recent financial projections, dated December 13, 2023, the Bakery's average debt service coverage ratio on the Bakery Bank of America term loan is estimated to be 3.3x over the NMTC compliance period, after considering operational expenses.

General Contractor: VaCom Technologies

LADF reviewed the contractor's statement of qualifications. Following is a summary.

VaCom Technologies ("**GC**", or "**VaCom**") was established in 1992 and is headquartered at 1747 Wright Ave, La Verne, CA 91750. It is a California Corporation that specializes in the design, manufacturing, and monitoring of industrial refrigeration systems, including equipment and controls, to maximize performance, energy efficiency, and system reliability. The company maintains a workforce of 38-50 full-time employees.

For over three decades, the GC has been at the forefront of industrial refrigeration control systems, serving primarily the food and beverage, cold storage distribution, air separation, and food processing industries. Their portfolio encompasses a wide array of industrial refrigeration systems projects, ranging from repairs of refrigeration control panels to the comprehensive design and installation of refrigeration systems, covering both retrofitting and greenfield construction. VaCom's notable clients include E.&J. Gallo Winery, Kellogg's, Bolthouse Farms, Rich Products Corporation, Nestlé, and Americold.

The GC's team comprises licensed Professional Engineers with specializations across various disciplines, including those with extensive experience in refrigeration. Their certifications and affiliations include a Licensed Contractor (License #641833), membership in the Associated Builders and Contractors, the International Institute of Ammonia Refrigeration, the American Society of Heating, Refrigerating, and Air-Conditioning Engineers, and the Refrigerating Engineers & Technicians Association.

VaCom has been appointed as the GC to design and construct the entire project. The Bakery and the GC finalized a Guaranteed Maximum Price ("GMP") contract on April 25, 2022, which will be assigned to the QALICB at NMTC Closing. The total final construction contract amount with VaCom is approximately $16,350,086.93, and the project is currently 70% complete. Furthermore, LADF has reviewed the GC's certification of liability. Discussions are ongoing regarding the waiver of payment and performance bonds. The GC is privately held, so financial details are not disclosed. However, the bonding company will provide a letter regarding the GC's bondability, and the risk of GC default is low because the project is 70% completed.

Architect: *Not Applicable*.

PROJECT FEASIBILITY

Property Valuation

LADF has reviewed a broker's letter provided by Jones Lang LaSalle Incorporated (JLL), a global real estate services company specializing in commercial property and investment management. Here are the findings:

The subject property, a Class C manufacturing facility in California, presents diverse investment potentials. The facility, spanning 123,174 SF on a 247,708 SF lot, primarily operates as a food processing unit for baked goods. It is zoned M-1-1VL, P-1VL, and RD 1.5-1, offering flexibility in usage. Significant investments in energy-efficient equipment (*approximately $17mm*) enhance its appeal.

Current lease values range from $1.15/sf NNN to $1.25/sf NNN, influenced by tenant-specific improvements and infrastructure. Market trends suggest a 3.5% annual escalation in lease rates, with lease terms ranging between 5 to 10 years. The Amended & Restated Commercial Lease between the QALICB and the Bakery reflects a market rent of $1.16/sf NNN, with a 3.5% escalation in lease rates commencing on January 1, 2025.

Considering factors like zoning, market dynamics, and building infrastructure, the property's value fluctuates between $250 and $300 PSF. The median value, at approximately $33,750,000 (+/-$275 PSF), accounts for current market conditions and the property's strategic location near the San Pedro Port Complex, a prime industrial market. This valuation balances the property's potential for varied industrial uses against current economic uncertainties.

Accounting for all outstanding liabilities, which comprise the QLICI loans, an existing Stetra Bank of America("BOA") SBA loan, and an existing Stetra BOA commercial loan, the Loan-to-Value ("LTV") ratio is established at 62.97%. This is considered to be within a reasonable range. See subsection "Operating Proforma" for detail regarding existing debt.

Environmental Inspections

A Phase I environmental report of the subject property was produced by Orswell & Kasman ("**Orswell**"), INC Environmental Assessments & Consulting dated October 05, 2023. The report concluded that the assessment did not identify any recognized environmental conditions (RECs), historical recognized environmental conditions, or controlled recognized environmental conditions likely to impact the subject property. It also concluded that no further environmental studies are recommended for the site.

Orswell, founded in 2001, is an environmental consulting firm specializing in detailed site assessments. The firm is located at 316 W Foothill Blvd, Monrovia, CA 91016, and submitted qualifications and licenses for review for all six inspectors involved in this project.

Subsequent to the Phase I report, a reliance letter was issued by Orswell & Kasman, Inc. on November 2, 2023. This letter reaffirms the findings and conclusions of the initial environmental assessment and admits LADF and its SubCDE (*LADF XXX, LLC*) as relying parties to the report. Accompanying the reliance letter is a current certificate of liability insurance, which provides coverage specifics and validates the insured status of the consulting firm.

Construction Feasibility

The Bakery has been responsible for developing the project. The Bakery has entered into the GMP contract with the GC. However, concurrent with closing of the NMTC transaction the GMP contract will be assigned to the QALICB. The construction is 70% completed.

Professional Associates Construction Services Inc. (PACS) will inspect progress and work done during the construction period, along with providing other due diligence services as needed. The firm will also submit monthly reports to the Sub-CDE lenders. 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. The Sub-CDE lenders will have full approval rights over each draw. The full draw package submitted by the QALICB will require also that the Sub-CDE lenders receive date down endorsements from the title company and lien waivers from the GC and all subcontractors.

Probable Maximum Loss Report

A Probable Maximum Loss ("PML") will not be required because the project is a facility upgrade project. No modifications to the building are being financed, NMTC is financing only the upgraded equipment and its installation.

Financial Feasibility

SOURCES		USES	
Sponsor Sources		**Construction Uses**	
- Cash-on-Hand / California State Grant:	2,441,800	- Refrigeration Costs (*Pre-Inc <24 mos*):	7,569,210
- Bank of America Term Loan:	8,850,000	- Refrigeration Equip. & Install:	5,990,030
Sponsor Sources	$11,291,800	- Refrigeration Contingency:	202,340
		- Other Project Costs (*Pre-Inc <24 mos*):	466,260
NMTC Investor Equity		- Other Project Costs (*Pre-Inc >24 mos*):	14,780
- NMTC Equity (**LADF QEI**):	2,542,800	***Sub-Total***	$14,242,620
- NMTC Equity (Self-Help QEI):	2,542,800		
NMTC Sources	$5,085,600	**Financing-Related Uses**	
		- Interest Expense (*net of reserves*):	33,960
Direct Project Sources (Other)		- Constr. Inspector / Disb. Admin:	4,200
- QALICB Contribution:	14,780	*NMTC Closing Costs*	
		- Legal/Acctg./Consulting Fees:	650,000
QALICB Sources (Other)	$14,780	- **LADF CDE** Placement Fee:	160,000
		- Other CDE Upfront Fees:	320,000
		NMTC Reserves	
		- **LADF** Asset Mgmt. Fee Reserve:	420,000
		- **LADF** Expense Reserve:	104,000
		- Other CDE Fee/Exp. Reserves:	400,000
		Inv. Fund/Sponsor Financing Uses	
		- Inv. Fund Fees:	5,400
		- Inv. Fund Reserves:	2,000
		- Sponsor Legal Fees:	50,000
		Sub-Total	$2,149,560
Total Project Sources	**$16,392,180**	**Total Project Uses**	**$16,392,180**

Development Pro Forma

The total project cost is estimated to be $16.4 million, $16.0 million of which will be leveraged through the NMTC structure to make $16.0 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the Project.

All of the $16.0 million QLICI proceeds will be disbursed as follows:

- $8.0 million – Reimbursement of pre-closing development costs incurred within the last 24 months[1]

[1] An AUP will be provided by Novogradac, the accounting firm also producing the financial projections for the NMTC transaction, to confirm that any cost reimbursed through the NMTC structure was incurred within the allowed timeframe.

- $0.8 million – Pay NMTC and Other Closing Costs
- $1.0 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts
- $6.2 million – Fund the CDE-Controlled Construction Disbursement Account

NMTC-related reserves held by the QALICB will total $1.0 million and be held for the payments of asset management fees and expense reimbursements to the Sub-CDEs. The Sub-CDEs will require that their ongoing fees and expense reimbursements for the entire NMTC Compliance Period be held in separate reserve accounts, including $524,000 held in an account pledged to LADF for LADF's fees and expense reimbursements.

OPERATING PRO FORMA

The QALICB's operating revenues will consist of rental payments made to the QALICB by the Sponsor. Per the Amended and Restated Commercial Lease of the building, monthly rental rates to be paid by the Sponsor will be $1.16 per SF, starting at $60,000 in January and February 2024 following NMTC closing. The $1.16 /sf rent is considered current market rate per the broker letter (See section Property Valuation) The rates will increase to $172,000 monthly with an annual escalation of 3.5%, commencing on January 1, 2025.

The QALICB's operating revenues will also consist of equipment lease payments made to the QALICB by the Sponsor under its Equipment Lease Agreement. The equipment lease payment will be $144,000 a year for 7 years during the NMTC compliance period. At the conclusion of the equipment lease, Jessie Lord, LLC will have the option to acquire the equipment at its then fair market value.

Stetra has an SBA loan from Bank of America with an initial principal balance of $3.8 million secured with a first Trust Deed on the property. The SBA loan closed in 2013 and currently has a balance of $1.92 million The SBA loan matures in 2032 and is fully amortizing, with a fixed rate of 2.17%.

Stetra also has a 20-year floating rate commercial loan with an initial principal balance of $4.6 million from Bank of America secured by a second Trust Deed on the property. This loan, with a current balance of $3.14 million started on 10/31/2012 and will mature on 11/01/2032, with a balloon payment of $1.71 million. The rate is Adjusted Secured Overnight Financing Rate + 1.70 percentage points. The rate adjusts monthly and at the most recent adjustment on 12/08/2023 the all-in rate was 5.32%. After accounting for operating expenses, the QALICB's average debt service coverage on total debt is estimated at an average of 3.06x during the NMTC compliance period, according to the current financial projections.

LADF has reviewed the Sponsor's financial statements and projections for the project-related operations. This analysis can be found in the section entitled "DEVELOPMENT TEAM".

Project Timeline

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

- April 2022: GC Contract executed.
- March 2023: All permits pulled (*inc. mechanical, structural, fire, electrical, and boiler*)
- December 2023: Construction 70% Completed
- January 2024: **NMTC Transaction Closing**
- Spring 2024: Construction Completion

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FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans and unreimbursed Sponsor direct contribution of pre-incurred project expenses. The financing parties to the NMTC structure will include one NMTC Investor at the upper tier, as well as two NMTC allocatees, or Community Development Entities ("**CDEs**"), making the QLICI loans to the project through their Subsidiary CDEs ("**Sub-CDEs**") at the lower tier. Additionally, the leverage loans at the upper tier will be sourced 100% from the Sponsor.

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 eight 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 – First Tranche (*September 2017*), Joshua House Health Center (*December 2017*), Budokan L.A. (*March 2018*), Heart of Los Angeles – Second Tranche (*May 2020*), and Shakespeare Center of Los Angeles (*August 2023*). Additionally, LADF is concurrently in closing discussions in the First Street North and Jessie Lord Bakery, both of which involve US Bank as the proposed NMTC Investor, making these the ninth and tenth transaction LADF will have closed with US Bank.

CDE Lenders

The Transaction will include two CDE allocatees providing NMTC allocation and making QLICI loans to the project through their Sub-CDE special purpose entities. The following table lists the CDE allocatees, along with their Sub-CDEs, and the Qualified Equity Investment ("**QEI**") associated with their NMTC allocations:

CDE Allocatee	Sub-CDE	Sub-Allocation Amount
Los Angeles Development Fund	*LADF XXX, LLC*	$8,000,000
Self-Help Ventures Fund	*Self-Help New Markets 17, LLC*	$8,000,000
	Total NMTC Allocation	**$16,000,000**

SELF-HELP VENTURES FUND

Self-Help Ventures Fund ("**Self-Help**") is a certified CDE located in Durham, North Carolina, and has been awarded eight NMTC allocations totaling $383 million, distributed as follows: $50 million in 2022, $55 million in 2021, $43 million in 2013, $25 million in 2012, $40 million in 2011, $50 million in 2008, $95 million in 2005, and $75 million in 2002. As a non-profit entity, Self-Help is committed to community development and social finance, being affiliated with the Self-Help Credit Union and forming part of the larger Self-Help collective of non-profit organizations. The organization aims to create and maintain economic opportunities for communities that are frequently overlooked, focusing on financial services, real estate projects, and policy advocacy, serving diverse groups such as low-income, rural, and minority communities. Their offerings range from affordable housing and small business loans to more extensive commercial development projects aimed at revitalizing these communities. This will be the first transaction that LADF has closed with Self-Help.

Leverage Lenders

The NMTC Transaction will be self-leveraged by the Sponsor, which has sourced $11.2 million from various sources listed below. For discussion about the Sponsor, refer to the section entitled "DEVELOPMENT TEAM".

Sponsor Self-Leverage Loan Sources	Amount
California State Grant/ Cash On Hand	$2,441,800
Bank of America Term Loan	$8,850,000
	$11,291,800

FINANCING STRUCTURE

The project's total development cost will be funded by the $16.0 million QEI generated through the NMTC leverage structure and $14,780 QALICB capital expended on unreimbursed, prior-incurred costs.

The Sponsor's $11.2 million for the NMTC leverage loan will be fully advanced prior to, or at, closing of the NMTC transaction. The Sponsor's sources for making the leverage loan will be: (1) $2.4 million from a combination of a California State Grant and the Sponsor's cash-on-hand and (2) $8.9 million Bank of America Term Loan. Please see the section entitled "DEVELOPMENT TEAM" for further discussion about the financial capacity of the Sponsor.

The California state grant, awarded by the California Energy Commission, was awarded to fund energy-efficient upgrades and the replacement of high-global warming potential refrigerants. These efforts aim to reduce energy consumption and greenhouse gas emissions at the pie production facility. The grant was originally awarded in 2021 for an amount of $5.5 million, with a matching component requiring the Bakery to expend $3.8 million towards the upgrades. The Bakery has exceeded its matching share expenditures, and all of the grant funds have been advanced to the Bakery. The Bakery has already utilized most of the grant proceeds and will utilize the remainder along with cash-on-hand to supplement the sources of its leverage loan to the investment fund. The portion of the work funded by the grant monies are not included in the NMTC reimbursement.

The Bakery Bank of America term loan will serve as the source loan and will be used by the bakery to make the leverage loan. The loan amount is $8.85million, with a 5-year term starting on 12/22/2023 and maturing on 12/22/2028. The interest rate is a floating rate at the Secured Overnight Financing Rate (SOFR) plus 1.65%. The rate, last checked on 12/08/2023, was 5.32%. The loan is partially amortizing and includes a final balloon payment of $4.4 million. The annual principal payment is $885,000, which is a 10% annual principal reduction.

For a full diagram showing the flow of funds at closing, please refer to Exhibit A.

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 New Market Tax Credits have been pre-sold to Bank of America with US Bank acting as the administrator. The equity contribution at the upper tier by US Bank will total $5.1 million. In exchange, US Bank will receive $6.2 million in tax credits that will be generated through the Fund (*39% of the total $16.0 million QEI*). This exchange of equity for tax credits reflects a pricing of $0.815 per tax credit dollar for QEIs associated with the SubCDEs' allocations.

The $11.2 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 years. The self-leverage loan will be sourced from three sources of funding including a $8.85 million Bank of America Term Loan and $2.4 million from a combination of a California State Grant and Sponsor equity. In addition to the $11.2 million Sponsor leverage loan, US Bank will provide $2.1 million in bridge equity to the investment fund, funded and repaid on the day of NMTC Closing (*i.e. one-day equity*), which will be used to capitalize project expenses incurred by the Sponsor prior to NMTC Closing but within the 24 month "look-back" window allowed by regulation. The total of the leverage sources to the investment fund will equal $11.2 million.

US Bank's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $16.3 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $8 million QEI to the LADF Sub-CDE, $8 million QEI to the Self-Help Sub-CDE and pay $0.3 million of fees and expenses at the investment fund.

In exchange for its contributions, the investment fund will receive a 99.99% membership share in each Sub-CDE. The two Sub-CDEs will use the contributed capital to make combined QLICIs to the QALICB totaling $16.0 million.

With regards to LADF's Sub-CDE, LADF Management, Inc. (*LADF's subsidiary entity*) will contribute $800 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $60,000 in annual income related to management services it provides on behalf of the Sub-CDE.

Each Sub-CDE will provide two QLICI notes – matching one with the leverage loan ("**A note**") and the second with the NMTC equity component ("**B note**"). All notes will bear interest rates of 1.374% and interest-only payments for the first seven years during NMTC compliance period. All notes will have 28.75-year terms.

If there should be a return of capital during the seven-year NMTC compliance period, the order of capital redeployment will be as follows:

1. Self-Help Sub-CDE – first $8 million of capital redeployment
2. LADF Sub-CDE – next $8 million of capital redeployment

Upon a return of capital during the seven-year NMTC compliance period, a CDE has 12-months to redeploy the capital in a qualifying NMTC project or it becomes a "Recapture Event" and triggers a loss of the tax credits as well as penalties for the Investor. As in its other NMTC investments, LADF will have nine months to work with 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 XXX, LLC and choose an investment without LADF's input. However, it must still be within Los Angeles County per LADF's 2022 Allocation Agreements. 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 January 05, 2024. Pursuant to LADF's policies and procedures, the readiness of the project is determined as follows:

• *Control of Site*:	Completed
• *Entitlement Process*:	Completed
• *Design/Pre-Development*:	Completed
• *Working Drawings*:	Completed
• *Value Engineering*:	Not Applicable
• *Permits*:	Completed
• *Tenant Leases*:	Completed (Commercial Lease Executed 06-20-2023)
• *GMP Construction Contract*:	>GC contract executed in April 2022
• *Financing Commitments*:	>LOIs issued by Sub-CDEs for NMTC Allocation >LOI issued by US Bank as NMTC Investor >LOI issued by Bank of America as Source lender.
• *Outstanding 3rd Party Issues*:	Awaiting consent from SBA, as lender to the QALICB, for closing on the QLICI financing (*such consent is required for closing*)

NMTC ELIGIBILITY AND COMPLIANCE

As of September 1, 2023, the CDFI Fund has adopted the updated 2016-2020 American Community Survey ("ACS") eligibility data for determining NMTC eligibility of census tracts. However, there is a transition period prescribed by the CDFI Fund, which provides that:

"QLICIs closed between September 1, 2023, and August 31, 2024, may use either 2011-2015 ACS data applied to 2010 census tracts or 2016-2020 ACS Low-Income Community eligibility data applied to the 2020 census tracts for determining Low-Income Community eligibility." (*Source: NMTC Compliance FAQ #63, Nov. 2023 issue*)

In accordance with this updated guidance, LADF has (1) determined the NMTC eligibility of the Project under both the 2011-2015 and 2016-2020 ACS data and (2) selected the data set that qualifies the Project for NMTC investment. If the Project is eligible for NMTC investment under both data sets, then LADF may use its discretion to use either data set for purposes of confirming eligibility at NMTC Closing and compliance reporting.

2011-2015 ACS Data

The subject site is located in the 2010 Census Tract 06037292000. The population within the Census tract is 6,718 individuals per the 2011-2015 American Community Survey. Based on the CDFI Fund's GeoCode Report for the site, LADF has determined that the site is located in a Qualified Census Tract based on the following qualifying criteria:

- Poverty Rate of **34.20%** of the greater Metro area (*greater than 20%*)
- Median Family Income of **52.83%** of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2022 Allocation Agreements as a Targeted Distressed Community based on the following qualifying criteria:

- Poverty Rate of **34.20%** of the greater Metro area (*greater than 30%*)
- Median Family Income of **52.83%** of the greater Metro area (*less than 60%*)
- Unemployment Rate of **18.6%**, or **2,24x** the National rate (*greater than 1.5x the National rate*)

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2016-2020 ACS DATA

The subject site is located in the 2020 Census Tract 06037292001. The population within the Census tract is 3,035 individuals per the 2020 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 the following eligibility measure(s):

- Poverty Rate of **30.40%** of the greater Metro area (*greater than 20%*)
- Median Family Income of **44.31%** of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2022 Allocation Agreement as a Targeted Distressed Community based on the following qualifying measure(s) listed:

- Poverty Rate of **30.40%** of the greater Metro area (*greater than 30%*)
- Median Family Income of **44.31%** of the greater Metro area (*less than 60%*)
- Unemployment Rate of **8.7%**, or **1.61x** the National rate (*greater than 1.5x the National rate*)

QALICB Analysis

The Stetra Properties, LLC 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 2022 Allocation Agreements[1], because its sole business activities are the development and management of the real estate property located in a qualifying census tract.

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 2022 Allocation Agreements Compliance

This transaction will use $8 million in allocation from LADF's 2022 Allocation award from the CDFI Fund. With the closing of this transaction and the First Street North transaction, the 2022 Allocation award will be 30% invested.

The LADF has determined that the transaction complies with the authorized uses of its NMTC allocation under Section 3.2 of its 2022 Allocation Agreements, evident through the following characteristics of the transaction:

- §3.2(a) –LADF's allocation will be used to make a loan to a QALICB
- §3.2(b) – Project is located in the County of Los Angeles
- §3.2(c) – LADF XXX, 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(e) – LADF will have invested greater than 60% threshold in QEIs by Dec. 31,2026
- §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

[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.

- §3.2(l) – 100% of QLICI is made in an Identified State (*California*)

Section 3.2(g) (*Non-Metropolitan Counties*) and 3.2(i) (*Loan Purchases Reinvestment*) indicate a "0%" requirement and are not applicable under LADF's 2022 Allocation Agreement.

Section 3.2(k) (*Affordable Housing*) is marked "Applicable" in LADF's 2022 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 1.374% and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF will reference a better rates and terms letter provided by the US Bank. This letter will be provided before closing, and it is expected that the market interest rate for the transaction is at least two-times greater than LADF's QLICI interest rate.

Reimbursement of Costs

As part of guidance published by the CDFI Fund in December 2015 a new provision, Section 3.3(j), was incorporated into all allocation agreements after that time pertaining to monetizing existing assets in NMTC transactions. Section 3.3(j) of the 2022 Allocation Agreement reads as follows:

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

(i) the QLICI proceeds are used to repay or refinance documented reasonable expenditures of the debt or equity provider (or its Affiliate), 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

(ii) no more than 5 percent of the QLICI proceeds are used to repay or refinance documented reasonable expenditures of the debt or equity provider (or its Affiliate) that are directly attributable to the qualified business of the QALICB.

For purposes of this subsection, refinance includes transferring cash or property, directly or indirectly, to the debt or equity provider or an Affiliate of the debt or equity provider.

[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.

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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 CohnReznick 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 $3.0 million in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the project, approximately 18.7% of the $16 million QEI in the transaction and 18.22% of the $16.4 million of total project costs. The LADF Sub-CDE's portion of the total net subsidy is approximately $1.9 million.

The availability of NMTCs has enabled the NMTC Lenders to provide the NMTC Loans on terms and conditions that are flexible and non-conventional, and the Project economics would not have been economically viable "but for" the NMTC subsidy received from the NMTC Lenders. The facilities have been in use for 38 years, the Bakery has contended with significant costs associated with repairing Freon leaks at the Project site. In California, the ban on Freon (CFCs) for most applications took effect on January 1, 2020. The NMTC Loans for the current phase will provide the necessary financial support for the Sponsor to proceed with the future phase within 24 months, which will include the purchase of additional equipment (a spiral freezer and oven) and build-out of an additional packing mezzanine. The future phase is projected to expand the company's operations by 30-50% and result in a substantial increase in hiring. Without NMTCs, the future phase will not be feasible, and the increasing costs associated with operating and repairing the 38-year-old system would reduce the company's economic viability.

COLLATERAL AND GUARANTEES

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

- A third deed of trust on the QALICB's fee interest in the subject property is subordinate in lien position to a senior SBA loan and a second commercial loan, both from Bank of America, with outstanding principal balances of approximately $1.92 million and $3.14 million, respectively, as of the NMTC closing. Both loans are set to mature in 2032, following the 7-year NMTC compliance period.
- Security interest in the construction disbursement and reserve accounts (*totaling $7.2 million at NMTC Closing*).

The QALICB and Sponsor will provide an indemnity to the CDE lenders, including LADF XXX, LLC (*LADF Sub-CDE*), 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 of the debt associated with the proposed NMTC 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 second in the waterfall (*after Self-Help Sub-CDE*) and would receive a return of capital only after **$8 million** was returned.
- To mitigate the possibility that a portion of the QEI is returned via bankruptcy and/or foreclosure on the subject site, through the seven-year NMTC compliance period, the QALICB will be required to commit to maintaining operations at the subject location or providing for an acceptable alternative entity to do so in order 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 and the fact that the work is 70% completed. 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 $160,000). LADF will receive this fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $8,000,000 of 2022 Allocation)
  - This equates to $420,000 (quarterly installments of $15,000 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 audit and tax expenses.

All of LADF's CDE Servicing and Compliance Fees and CDE Expense Reimbursements for the entire Compliance Period, which total approximately $524,000 will be placed in a separate, controlled reserve account at close of the transaction.

POLICY EXCEPTIONS

None.

RECOMMENDATION

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

ATTACHMENTS

EXHIBIT A: Jessie Lord Bakery Flow of Funds (*as of December 13, 2023*, Final Projections Pending)
EXHIBIT B: Jessie Lord Bakery Facility Upgrade Scope of work

LADF
LOS ANGELES DEVELOPMENT FUND

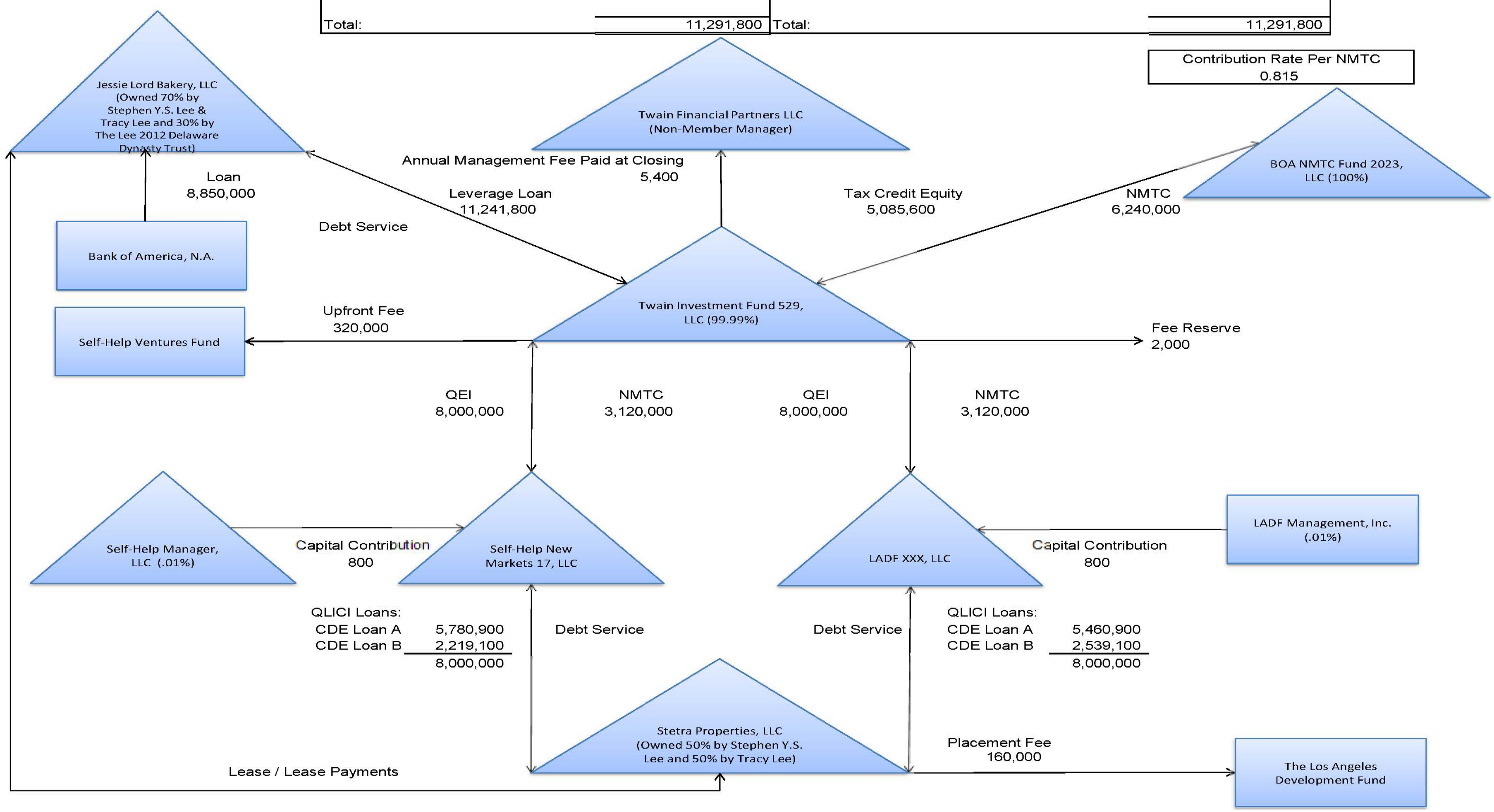
EXHIBIT A: Jessie Lord Bakery Flow of Funds (*as of December 13, 2023*, Final Projections Pending)

Jessie Lord Bakery

NEW MARKETS DIAGRAM - SUMMARY **USBCDC Deal #28896; S1416**

Jessie Lord Bakery, LLC Sources and Uses

Sources:		Uses:	
Cash on Hand/ California State Grant	2,441,800	Loan to Twain Investment Fund 529, LLC	11,241,800
Bank of America, N.A. Term Loan	8,850,000	Legal Costs	50,000
Total:	11,291,800	Total:	11,291,800



LADF
LOS ANGELES DEVELOPMENT FUND

EXHIBIT B: Jessie Lord Bakery Facility Upgrade Scope of work

SCOPE OF WORK

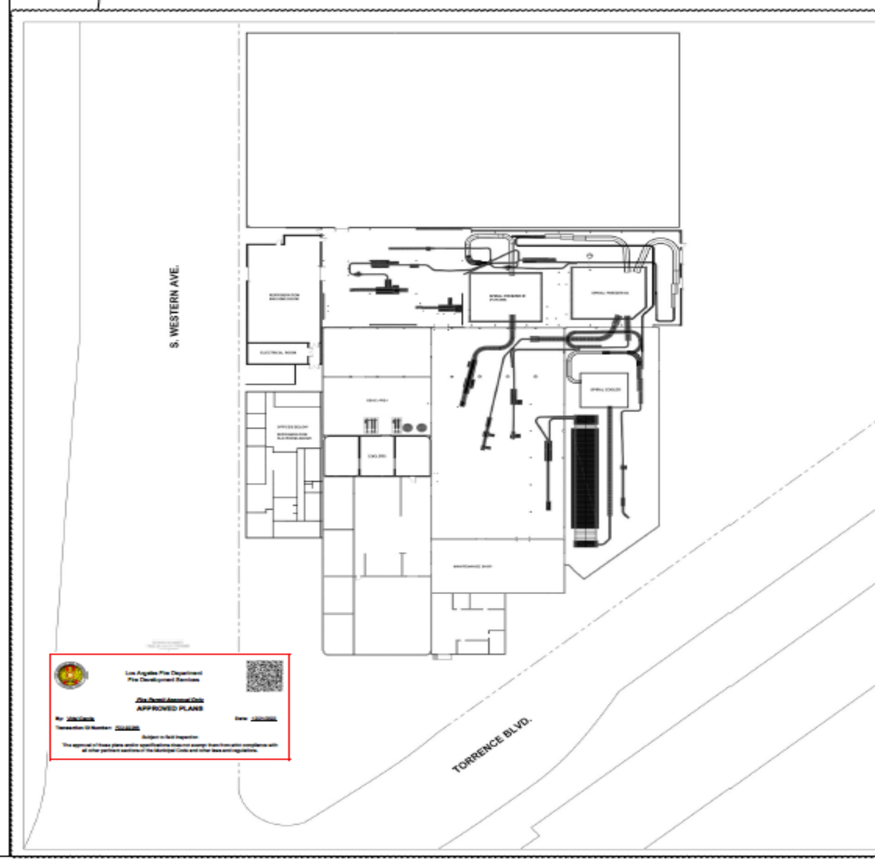
PHASE-1

1. JLB TO REMOVE AND RELOCATE AIR COMPRESSORS FROM THE REFRIGERATION MACHINE ROOM AND THE OUTSIDE SPACE BETWEEN MACHINE ROOM AND THE OFFICES. THESE SPACES ARE REQUIRED FOR NEW COMPRESSORS AND THE NH3 DELUGE TANK.
2. DEMOLITION OF EXISTING COLD STORAGE R-22 FRICK COMPRESSORS (EITHER BY JLB OR CLAUGER US).
3. INSTALLATION OF TWO BITZER HIGH STAGE ACP COMPRESSORS (HTC-1 & HTC-2).
4. INSTALLATION OF STEEL PLATFORM AND FOUNDATION PER PLUM ENGINEERING DRAWINGS. THIS INCLUDES THE ACCESS LADDER / STAIRS TO THE ROOF OF THE EXISTING ENGINE ROOM.
5. INSTALLATION OF (2) SPX FLUID COOLERS, (4) WATER PUMPS, BELL & GOSSETT AIR SEPARATOR, EXPANSION TANK, AND ALL OTHER VALVES AND ACCESSORIES. ALL PUMPS SHALL BE PROVIDED WITH VFD DUTY MOTORS, VFD, CONTROLS FOR THE VFD, VALVES, PIPING, AIR VENTS, AND ALL OTHER REQUIREMENTS. CLAUGER SHALL SUPPLY ALL OF THE AFOREMENTIONED EQUIPMENT AND INSTALL THEM. CLAUGER US WILL COORDINATE WITH JLB THE CHEMICAL TREATMENT SUPPLIER FOR THE CHEMICAL SYSTEM INSTALLATION AND PIPING. ALL THE ABOVE WILL BE INSTALLED ON THE STEEL PLATFORM FROM ITEM #4.
6. INSTALLATION OF GLYCOL CHILLER (HE-2) PROVIDED BY BITZER WITH (4) PUMPS, AIR SEPARATOR, EXPANSION TANK, AND THE GLYCOL MIXING TANK MANUFACTURED BY BELL & GOSSETT. ALL GLYCOL PUMPS SHALL BE VFD DUTY WITH VFD AND OTHER CONTROL & INSTRUMENTS. THIS IS A CLOSED LOOP GLYCOL SYSTEM AND GLYCOL WILL REQUIRE INHIBITORS AND BIOCIDES. ALL ACCESSORIES SUCH AS HAND VALVES & TRIPLE-DUTY VALVES ARE SPECIFIED TO BE BELL & GOSSETT.
7. INSTALLATION OF SUB-COOLER (HE-7) FOR GLYCOL CHILLER LIQUID AMMONIA FEED.
8. INSTALLATION OF OIL POT (V-9) FOR GLYCOL CHILLER (HE-2) AND SUB-COOLER (HE-7).
9. INSTALLATION AND PIPING OF SHELL & TUBE AMMONIA CONDENSER (HE-3) SUPPLIED BY BITZER WILL BE INSTALLED UNDER THE STEEL PLATFORM IN ITEM #4 BY CLAUGER US.
10. INSTALLATION AND PIPING OF AMMONIA PILOT RECEIVER (V-6) SUPPLIED BY BITZER INSTALLED IN THE OUTSIDE SPACE BETWEEN THE MACHINE ROOM AND THE OFFICES.
11. PLUMB MAKE UP CITY WATER TO FLUID COOLER AND GLYCOL MIXING TANK.
12. INSTALLATION OF THE +10°F INTERMEDIATE VESSEL (V-4) IN THE P&ID AND DRAWINGS. THIS INCLUDES ALL THE TRIMS, LEVEL COLUMNS AND OIL POT (V-5).
13. INSTALLATION OF 5,000 GALLON AMMONIA DIFFUSION TANK (V-7) SUPPLIED BY BITZER INSTALLED BY CLAUGER US IN OUTSIDE SPACE BETWEEN MACHINE ROOM AND OFFICES, ALONG WITH ALL ACCESSORIES, CONTROL VALVES, AND CITY WATER CONNECTION.
14. RELIEF VALVE INSTALLATION AND ALL THE INTERCONNECTING PIPING BETWEEN ALL OF THE VESSELS AND THE DIFFUSION TANK.
15. INSTALLATION OF AMMONIA PIPING FOR INITIAL CHARGE OF THE SYSTEM.
16. INITIAL CHARGE OF THE SYSTEM.
17. INSULATION OF ALL THE SYSTEM PER SPECIFICATION AND SCHEDULE PROVIDED IN THE DRAWINGS.
18. INSTALLATION OF BITZER PUMP-OUT PACKAGE (AP-12). INCLUDING PUMP OUT VESSEL (V-8) AND TRANSFER SYSTEM (V-14) SUPPLIED BY BITZER. CLAUGER US WILL INSTALL THE PUMP OUT IN ACCORDANCE WITH THE DRAWING FOR A CENTRAL OIL RECOVERY FROM ALL OIL POTS AND DISCHARGE AS A VACUUM PUMP TO THE AMMONIA DELUGE TANK.
19. ALL PIPING, VALVES, AND CONTROLS OUTSIDE OF THE PACKAGE BRACKET (NOT SUPPLIED BY EQUIPMENT MANUFACTURERS) IS PROVIDED AND INSTALLED BY CLAUGER US.
20. PAINTING OF THE PIPE, PIPE MARKING, PIPE SUPPORTS FOR SEISMIC DESIGN PER CALIFORNIA CODES.
21. DOCUMENTATION FOR COMPLIANCE WITH CAL-OSHA & CAL-EPA AND FEDERAL OSHA & EPA.

PHASE-2

1. EVACUATE R-22 REFRIGERANT FROM THE SYSTEM IN ACCORDANCE WITH CALIFORNIA AND FEDERAL RULES. THE R-22 REFRIGERANT BELONGS TO JLB.
2. DEMO ALL R-22 REFRIGERATION EQUIPMENT FROM THE REFRIGERATION MACHINERY ROOM.
3. INSTALL COMBINATION CO2 / AMMONIA CONDENSER AND CO2 PUMP PACKAGE.
4. SUPPLY AND INSTALL (4) CO2 SPIRAL FREEZER COILS SUPPLIED BY COLMAC.
5. SUPPLY AND INSTALL CO2 PIPING FROM CO2 PUMP PACKAGE TO THE NEW SPIRAL FREEZER. ALL PIPING SHALL BE SEAMLESS STAINLESS STEEL PIPE PER SPECIFICATION PROVIDED IN THE DRAWINGS.
6. INSTALL CO2 RELIEF HEADER FOR CO2 CONDENSER / PUMP PACKAGE TO THE OUTSIDE OF THE BUILDING. THE PIPE SHALL BE 25' FROM ANY ENTRANCE OR WALKAWAY AND 15' ABOVE THE HIGHEST ROOF. THE PIPE TERMINATION MUST BE A SAFE LOCATION AND PREVENT FROM GETTING CO2 LIQUID ON ANY PERSONNEL.
7. INSTALLATION AND PIPING OF THE LIQUID SUB-COOLER (HE-4) IN THE P&ID.
8. INSTALLATION OF LOW SIDE COMPRESSOR INTERCOOLER VESSEL (V-10).
9. INSTALLATION OF -48°F LIQUID / VAPOR SEPARATOR (V-2).
10. INSTALLATION OF OIL POTS (V-3,13) PER P&IDS.
11. INSTALL (3) BITZER ACP LOW STAGE BOOSTER COMPRESSORS AND ALL ASSOCIATED PIPING INCLUDING THE WATER PIPING.
12. CALCULATE THE REQUIRED CO2 CHARGE AND PROVIDE FOOD GRADE CO2 FOR THE REFRIGERATION SYSTEM.
13. INSULATION OF THE SYSTEM PER SPECIFICATION AND SCHEDULE PROVIDED IN THE DRAWINGS.
14. ALL PIPING, VALVES AND CONTROLS OUTSIDE FO THE PACKAGE BRACKET (NOT SUPPLIED BY EQUIPMENT MANUFACTURERS) IS PROVIDED AND INSTALLED BY CLAUGER US.
15. PAINTING OF THE PIPE, PIPE MARKING, PIPE SUPPORTS FOR SEISMIC DESIGN PER CALIFORNIA CODES.
16. DOCUMENTATION FOR COMPLIANCE WITH CAL-OSHA & CAL-EPA AND FEDERAL OSHA & EPA.
17. SUPPLY & INSTALL HIGH PRESSURE RELIEF VALVES FROM HIGH SIDE TO THE INTERMATE AND LOW SIDE OF THE AMMONIA SYSTEM PER CODES.
18. INSTALL (10) SSHE'S AND ALL ASSOCIATED VALVES, PIPING, KNOCK-OUT VESSEL (V-11), SUB-COOLER (HE-6)ON P&ID's
19. DEMO AND REMOVE ALL R-22 REFRIGEATION EQUIPMENT OUTSIDE THE MACHINE ROOM.
20. REPLACE EXISTING FALLING FILM CHILLER WITH NEW.

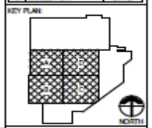
SITE FLOOR PLAN



JLB
21100 S WESTERN AVE.
TORRANCE, CA 90501
JESSIE LORD BAKERY

No.	ISSUED FOR	DATE
3	FIRE REVIEW RESPONSE	22.10.12
2	CONSTRUCTION REV1	22.08.31
1	CONSTRUCTION	22.08.25

KEY PLAN



REFRIGERANT RECORDS:

2020 LAFC - 605.15 RECORDS
A RECORD OF REFRIGERANT QUANTITIES BROUGHT INTO AND REMOVED FROM THE PREMISES SHALL BE MAINTAINED.

Current Refrigeration Load		
Description	**Cooling Fluid**	**Capacity (TR)**
Low Temperature at -40°F		
Spiral Freezer #1	R-22	195
Spiral Freezer #2	R-22	265
Other Loads	N/A	0
Total		**460**
High Temperature at +10°F		
(5) SSHE	R-22	50
(2) Holding Tanks	R-22	10
(4) Mixers	Glycol	20
(1) Falling Film Chiller	Glycol	30
(3) Glycol Cooling Coil in the Cooler Room	Glycol	30
Spiral Cooler	Glycol	85
High Temp Loads	N/A	529
Total		**754**

Future Refrigeration Load		
Description	**Cooling Fluid**	**Capacity (TR)**
Low Temperature at -50°F		
Spiral Freezer #1	CO2 Brine	280
Spiral Freezer #2	CO2 Brine	195
(10) SSHE (-5°F)	NH3	100
Other Loads	N/A	0
Total		**575**
High Temperature at +10°F		
(2) Holding Tanks	Glycol	10
(4) Mixers	Glycol	20
(1) Falling Film Chiller	Glycol	30
(3) Glycol Cooling Coil in the Cooler Room	Glycol	30
Spiral Cooler	Glycol	85
High Temp Loads	N/A	570
Total		**745**

REFRIGERATION SYSTEM:
AMMONIA TWO-STAGE COMPRESSION, DIRECT EXPANSION (DX) TO PUMPED CARBON DIOXIDE BRINE CHILLER / CONDENSER FOR LOW TEMP (LT) LOADS, DX TO GLYCOL CHILLER FOR MEDIUM TEMP (MT) LOADS.

REFRIGERANT:
- AMMONIA (NH3) R-717, 4000LBS CHARGE, ASHRAE CLASSIFICATION B2
- CARBON DIOXIDE (CO2) R-744, 6259LBS CHARGE, ASHRAE CLASSIFICATION A1

OPERATING PRESSURES:
- LOW TEMP NH3 SUCTION: 8.3 PSIG (-50°F)
- MED TEMP NH3 SUCTION: 131.8 PSIG (+10°F)
- HIGH STAGE NH3 DISCHAGE: 181.3 PSIG (+95°F)
- LOW TEMP CO2 CHILLER: 131.0 PSIG (-40°F)

ENGINEER: N. Karimzadeh
DRAWN BY: N. Klein
SCALE:
JOB No: 21-001
TITLE: SCOPE
SHEET NUMBER: G-002

Tab 5

MEMORANDUM

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, LADF Secretary
DATE:	December 19, 2023
SUBJECT:	LADF Temporary Mailing Address and office

RECOMMENDATION
That the Los Angeles Development Fund (LADF) Governing Board of Directors authorizes the LADF staffs to rent a one-person private office at the coworking company Industrious for use as a temporary mailing address and workspace until a new office is secured, at a cost of $639 per month.

SUMMARY AND BACKGROUND
LADF currently operates from and receives mails at three cubicles in the LAHD space at the Garland Building. The city lease at the Garland Building is set to expire in February 2024. The City Council has approved the General Services Department's (GSD) proposed swing space location for Garland City Departments, as detailed in Council File No. 23-1307. GSD is currently negotiating with Industrious, the workplace solutions company, for the swing space located at Industrious LA, **444 South Flower Street in Los Angeles, on the 13th and 14th floors**. GSD has not yet assigned dedicated spaces or floor numbers to complete department mailing addresses.

Uncertain about when the negotiations will conclude, LADF has two deals (Jessie Lord Bakery and First Street North) closing at the end of the year 2023. It is necessary to have a valid mailing address established before the closing date. LADF seeks approval for temporary mailing addresses for business purposes and also requests approval for coworking space rental for daily administrative use by LADF staffs as needed until the new office is determined and settled by GSD.

LADF Current Office Use Frequency:
The LADF office currently has four frequent users: the LADF Manager Sandra Rahimi, the Senior Financial Associate Christopher Chorebanian, the Real Estate Associate Jiaqi Wu, and the LADF Accountant Josephine Diaz. The LADF Accountant comes to the office approximately once a month, while all other staff visit the office 1- 4 times a month for meetings, printing of meeting materials, and budget approval.

Temporary Mailing Address:
GSD indicates that departments may establish P.O. boxes at their own expense. To set up a P.O. box, ASD Support Services will coordinate with the GSD Operation Manager, Mail Services Division. However, a P.O. box cannot receive packages, and LADF will occasionally need to receive closing materials. Therefore, it is necessary to have an actual mailing address capable of receiving packages.

Proposed Solutions and Options from the Market:
Please see Attachment Exhibit A.

Conclusion:
Option 2: The Industrious office located at 444 South Flower Street is the optimal choice for LADF due to the convenience of maintaining a consistent address after the city secured their temporary office lease. It is priced at $639, only slightly more expensive than the most economical option we found at Regus for $602. Parking rates are $24 per hour or $40 per day. LADF staffs and our contracted accountant, Josie Diaz, will request a monthly parking cost reimbursement limit of $120 per person. This amount can cover 3 days of full-day parking or 5 hours of onsite parking and will be reimbursed as needed, as the location is a commercial lot in the city center and subsidized parking for employees is currently unavailable.

Exhibit A:

Option	Company	Address	Mailing Address service	Coworking Space Rental / Membership Cost	Parking	Total Cost (Monthly) with 4 users	Note
1	**The UPS Store**	232 E 2nd St Unit A, Los Angeles, CA 90012	3 months $180 6 months $300 12 months $480 $20 set up fee/ $10 /key. Only one size (Medium)	Printing service available charge by pages No office / meeting room rental	Free 30-minute parking stall may be available. Paid lot across the street: $12 per 2 hours.	$60 initial cost (setup cost + 4 keys), then **$60 per month**	It's similar to PO box rental, but it can receive packages.
2	**Industrious**	444 Flower St, Los Angeles, CA 90071	Included in the private office package. Unlimited guest list for mail pickup. Mail forwarding not available.	$639 (private one-desk office) Includes 4 memberships (free use of the coworking space only in one homebase location) Free unlimited printing	Daily Parking Every 10 Minutes ($4) 1 Hour ($24) All Day ($40)	**$639/ month** **One month deposit required**	This is the same address as the temporary office for the Garland Building GSD chosen. It offers the convenience of staying together with all the other city departments. (EWDD, LAHD, CIFD,OOF and YDD)
3	**Regus**	445 S Figueroa St, Suite 3100, Los Angeles, CA 90071 (Union Bank Location)	Included in the private office package: Mail forwarding service: $30 per week $25 bi-weekly $16 per month $60 one-time set-up fee per user (badge & key)	$453 (private one-desk office) Includes 3 memberships (free use of the coworking space in any Regus locations) $149 per additional user for the month-to-month plan Printing costs: $0.15 per page for black and white $0.25 per page for color	$55 daily $15/ hour (US Bank) $38 daily $24/ hour (Union Bank)	**$240 initial set-up fee** $453 / month private office rental + $149extra user = **$602 total monthly cost**	The Union Bank location has convenient on-site parking. The city temporary office address at 444 Flower St is a 5-minute walking distance away. The membership allows unlimited use of office space at all Regus locations, providing convenience
4	**Union Cowork**	1325 Palmetto St, Los Angeles, CA 90013, USA (Art District)	Included in the private office package: Unlimited guest list for mail pickup. Mail forwarding not available. 16 hours of free conference room use.	$1100 (private one-desk office) Allows access for 4 users. Includes 1 membership (free use of the coworking space in any locations). Printing Costs: $0.19/page for black and white $0.54/page for color printing	$5 / hour. $20 / day Free parking for quick mails picks up	**$1100/ month**	The Art District has a relatively easier parking situation in downtown LA.
5	**WeWork**	1019 E 4th Pl, Los Angeles, CA 90013 (Art District)	$90 per month +$50 per month for weekly mail forwarding service	$300 per membership (free use of the coworking space in any WeWork locations)	$16 / hour $32 / day Street parking available	**$1340/ month**	The Art District has a relatively easier parking situation in downtown LA. However, there are currently no private offices available.