

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.**

February 8, 2024

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

FEBRUARY 8, 2024

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 - December 19, 2023 – Joint Board Meeting Minutes
- 3** Materials regarding Action Item A:
 - Hollywood Art Phase II Final Approval Memo

Tab 1

A G E N D A

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

HYBRID MEETING

To Join in Person: City Hall, Room 1060 200 N Spring St, Los Angeles, CA 90012

To Join via Telephone: Dial (669) 900-6833 US Meeting ID: 830 8941 4526

Thursday, February 08, 2024 | 2:30pm – 4:00pm

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Yolanda Chavez	
	Roll Call	Sandra Rahimi	
1	Approval of minutes for Board Meeting(s) on: a. December 19, 2023	Yolanda Chavez	Tab 2
2	Action Item(s): a. Request for Authorization for LADF President, or his or her delegate, to execute documents to effectuate a \$4,566,666 Sub-Allocation of New Markets Tax Credits for the Hollywood Art Phase II Project.	Sandra Rahimi	Tab 3
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 Update c. Review of the JEDI Micro Loan RFP Proposals d. Final Approval to Provide \$10 Million in Allocation for Project Angel Food e. NLSLA (Neighborhood Legal Services Center) Project Presentation and Authorization to Issue an LOI for \$10 Million	Yolanda Chavez	
4	Next Meeting Date and Time of Governing Board. a. TBD	Yolanda Chavez	
	Public Comment	Yolanda Chavez	
	Adjournment	Yolanda Chavez	

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

Tab 2

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD AND LADF MANAGEMENT, INC.
TUESDAY DECEMBER 19, 2023 12:00PM-12:30PM

HYBRID MEETING

(Governing Board meeting in person at City Hall, Room 1070,200 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 **12:12pm**.

ROLL CALL

The following Governing Board directors were present at the meeting:

- Director Hull (*Chairperson*) [Join via Zoom due to extenuating circumstances]
- Director Chavez
- Director Sewill
- Director Esparza

A QUORUM WAS PRESENT

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

a. November 9th, 2023

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

2. ACTION ITEMS

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.

- Moved by Director Esparza. Seconded by Director Sewill.
- 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 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.

- Moved by Director Chavez. Seconded by Director Sewill.
- 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. 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.

- Moved by Director Sewill. Seconded by Director Chavez.
- 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

- Thursday, January 11,2024 at 2:30pm-4:00pm

PUBLIC COMMENT

- None.

ADJOURNMENT

- Meeting was adjourned at 12:39 pm.

Tab 3

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO: LADF Board of Directors
 FROM: Sandra Rahimi, Secretary
 DATE: February 8, 2024
 SUBJECT: Request to Approve an additional **\$4,566,666** New Markets Tax Credits Allocation to Hollywood Arts Building QALICB (“**QALICB**”) in its Second NMTC Transaction for the Hollywood Arts Collective and Career Center (“**Project**”)

SUMMARY

Project Name: The Hollywood Arts Collective and Career Center (“**Project**”)

Location: Central Hollywood Neighborhood (CD 13 – Hugo Soto-Martinez)

Project Description: 19,122 SF (*Rehab*) & 8,556 SF (*Tenant Improvements*) / Community Facility

Sponsor / Developer: Entertainment Community Fund (“**Sponsor**”, or “**ECF**”) formerly The Actors’ Fund of America (“**TAF**”)

Ownership:

- Sponsor ground leases the property from the City of Los Angeles
- QALICB sub-leases the property from the Sponsor [Arts Building]
- QALICB will sub-lease office space from neighboring property [Wilcox Building]

NMTC Investor: Chase Community Equity (“**Investor**”)

Total Project Cost: \$ 49,636,570 (*Increase of \$16,760,040 over original budget of \$32,876,530 in 2022*)

Total Allocation / QEI: \$ 16,066,666

LADF Allocation / QEI: \$ 4,566,666 (*2020 Allocation*)

- LADF XXXI, LLC (*Certified Sub-Allocatee*)

Job Creation (Direct): **46** Direct Permanent Jobs (4 created and 42 retained), **130** Construction Jobs

Site Eligibility Criteria: 2020 Census Tract No. 06037190701 – *Eligibility under 2016-2020 ACS Data:*

- **NMTC Eligible and Targeted Distressed Community** (*per 2020 Alloc. Agmt*)
- **37.2% Poverty Rate** (*greater than 20% and 30%*) – Section 3.2(h)(i)

Community Benefits:

- Project offers rents 25%-75% below market rates to all non-profit tenants
- Provides Sponsor a permanent home and expands programming by 10%
- Features a 71-seat black box theater for arts performances, rehearsals, and community use at reduced cost.

Key Compliance Criteria under the 2020 Allocation Agreement:

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

Projected Residual Value of LADF QLICI that may be obtained by the QALICB: \$ 1,384,951

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NMTC REQUEST SUMMARY

At its meeting on December 9, 2021, the LADF Governing Board approved an investment of \$12.5 million of LADF's 2020 NMTC Allocation in the Hollywood Arts Collective and Career Center ("**HACCC**") project. The NMTC transaction ultimately closed on February 2, 2022, with LADF's allocation alongside Genesis LA's \$11.4 million NMTC Allocation for a total of \$23.9 million NMTC Allocation invested. These funds were earmarked for the substantial rehab of an existing 19,122 SF, two-story building along Hollywood Boulevard ("**Arts Building**").

At the time of closing, it was anticipated that permits for the Arts Building would be issued by May 2022 (*within 3 months of closing*). However, after exposing supporting walls during demolition, it was discovered that certain walls lacked the proper structural integrity. Thus, the City of LA's Building and Safety Department added requirements for the project to meet in order to obtain its building permits. The scope of construction expanded, mainly due to structural and seismic considerations, which raised the project's costs and caused significant delays. These delays, in turn, led to further cost increases stemming from rising labor and material expenses. Inflation and supply chain issues affecting the construction industry also increased the cost during the period of delay. The project ultimately was issued permits in November 2023 (*18 months after it was originally anticipated*) and has realized an increase to project costs of over \$9.2 million compared to the original budget in 2022 at the time of the first NMTC closing.

In addition to financing the increase in costs for the Arts Buildings, which is leased to non-affiliated non-profits, the second NMTC tranche includes \$5.3 million to finance tenant improvements for a two story, 8,556 SF commercial suite in the Wilcox Building. This space will house the Sponsor's services (*see Community Benefits section for Information about Sponsor's services*). The Wilcox building is a newly constructed mixed-use building with 152 affordable housing units adjacent to the Arts Building. It was developed through a partnership between the Sponsor and Thomas Safran & Associates ("**TSA**").

The Project's current request is for an additional \$16.1 million NMTC Allocation to cover the cost overruns of the substantial rehabilitation of the Arts Building and to fund the TI costs associated with the leased space in the Wilcox Building. LADF proposes to use \$4,566,666 of its 2020 NMTC Allocation to make a Qualified Low Income Community Investment ("**QLICI**") using a new Subsidiary Community Development Entity ("**Sub-CDE**"), LADF XXXI, LLC. LADF used LADF XXV, LLC for its \$12.5 million QLICI in the first NMTC closing in 2022 (*also utilizing LADF's 2020 NMTC Allocation*).

Genesis has allocated an additional \$10 million allocation and Chase is seeking approval to provide a \$1.5 million allocation, generating \$16.1 million in total allocation, inclusive of LADF's allocation. Of this, a total of \$9.2 million will be used to address cost overruns resulting from plan check delays and the increase in the scope of work on the Arts Building. An additional \$5.3 million is earmarked for the build out of new headquarters and a service center for the Sponsor in the Wilcox Building, while \$1.6 million is designated for covering NMTC and other closing and carrying costs.

PROJECT DESCRIPTION

The QALICB will continue to use the proceeds from the first NMTC closing in 2022 for the substantial rehabilitation Arts Building.

The QALICB will use the proceeds of this second NMTC closing to fund the following:

- Increased seismic and structural scope of the Arts Building related to the City's requirements for obtaining building permits.
- Increased labor and material costs related to the 18-month delay in the project's schedule.
- Tenant improvements for the 8,556 SF commercial space leased in the neighboring Wilcox Building (*this building and the related tenant improvements to the leased space was not included in the budget for the first NMTC transaction in February 2022*)



This project, led by the Entertainment Community Fund (“**Sponsor**” or “**ECF**”), a leading arts non-profit, aims to revitalize the neighborhood while offering new opportunities for underserved youth. Here's an overview of the two buildings and the impactful services they will provide:

Arts Building: The Rita Moreno Arts Building (6518-6552 Hollywood Blvd.)

- This existing two-story, 19,122 square-foot commercial building along Hollywood Boulevard is being transformed into a vibrant arts hub.
- 4,800 square-foot ECF Training & Career Center, equipped with meeting rooms, a recording studio, staff offices, and more.
- 8,500 square feet of gallery, exhibit, performance, education., and rehearsal spaces for tenants and neighborhood arts organizations.
- 71-seat black box theater for nonprofit theater, music, dance rehearsals, and community meetings.
- A pedestrian passage through the building links Hollywood Boulevard to various arts spaces within.

Wilcox Building: The Cicely Tyson Residential Building (1641 N. Wilcox Ave.)

- Newly constructed 152-unit affordable housing project financed with LIHTCs that serves low-income artists at 30%-80% AMI, creating a diverse and vibrant community.
- Owned and operated by the Sponsor in partnership with TSA
- The second NMTC funding will fund the tenant improvements of a portion of the bottom two floors of the Wilcox Building, which houses the ECF's extensive social and health insurance services, including case management, counseling, and benefits advocacy.

The QALICB's three primary tenants that will operate programming at the Project include:

1. **Entertainment Community Fund / Sponsor:** A national non-profit organization supporting entertainment industry professionals, offering career, money management, health insurance, and social service programs. This project will enable the organization to expand its services and provide essential services to over 5,500 individuals annually through its comprehensive programming. This includes career services, social services, financial wellness programs, health insurance support, affordable housing workshops, and emergency financial assistance. These services will empower artists and industry professionals to achieve financial stability and career growth.

2. **Los Angeles Contemporary Exhibitions (LACE):** Hosting exhibitions for emerging artists and arts-related programs. LACE is a vital contributor to the local arts community. LACE has occupied space in the Arts Building since 1993. They will be paying rents that are 75% below market.
3. **Los Angeles County High School for the Arts (LACHSA):** Diverse Young Filmmakers program providing career technical education programs in film, theatre technology, and music production, preparing young artists for careers in the entertainment industry. LACHSA is a new tenant that was not originally identified at the time of the first NMTC closing, and they will also be paying rents that are 25% below market.

The Sponsor serves a diverse clientele, with 38% being people of color. Most program participants are low-income individuals, making these services essential for their financial stability and career advancement. The organization is committed to diversity, equity, and inclusion in both staffing and program offerings. The new space will have a new recording studio funded by Bloomberg Philanthropies which will enable the creation of educational content in financial wellness, career counseling, and health insurance and housing education. Additionally, the new space will foster an integrated community of artists collaborating on projects for local youth and artistic development, while also providing a new theater, a home for LACE, and a satellite campus for LACHSA to serve the young people of Hollywood and East Hollywood. Specifically, the Sponsor's programs and services provided include:

- Career Services/Job Placement – Helping industry professionals find “portfolio careers” – or part-time positions that use their arts skills – to supplement their income between arts engagements. ECF also provides classes on resume writing, entrepreneurship, new media, and job searching. Approximately **1,162 people/year** use these programs.
- Social Services – Providing 14 social workers that offer life stabilizing services including case management; short-term counseling; benefits advocacy; and community referrals around issues including mental health/crisis management, addiction recovery, HIV/AIDS, senior services, disabilities, and unemployment. Approximately **2,700 people/year** use these services.
- Financial Wellness – Providing money management trainings that range from single sessions to 6-week workshops focused on budgeting, balancing multiple sources of income, planning for dry spells, managing debt, and saving. Approximately **1,600 people nationwide/year** use these programs in nationally based trainings, 470 people/year use these programs in the Los Angeles office.
- Health Insurance – Providing trainings and individual counseling to help artists understand and then enroll in insurance. Approximately **1,500 people/year** use this program.
- Affordable Housing Workshops – Providing seminars on how to navigate the affordable housing system, with a goal of finding housing. Approximately **1,100 people/year** use this program.
- Emergency Financial Assistance – Historically, ECF provided approximately \$2-4 million annually to performing arts professionals for emergency rent, food, utility, medical, and health insurance payments. During the pandemic, \$30 million was provided and with the recent entertainment strikes, over \$6 million was distributed between May and September of 2023. Half of this money comes to southern California. In typical years, approximately **860 people/year** use this program in the Western Region. (*the Sponsor designates its Western Region as areas west of Colorado and Texas, but the vast majority of people served are from Southern California, especially Los Angeles*)

Additionally, by providing affordable space, comprehensive services, and educational opportunities, this project will not only support the entertainment community but also serve as a catalyst for positive change in Hollywood and Southern California. It represents a commitment to the arts, diversity, and economic stability in the region.

The project is currently under construction and is expected to be completed in June 2025.

COMMUNITY AND ECONOMIC BENEFITS

The Community Benefits Agreement (“CBA”) entered into at the time of the first NMTC closing on February 2, 2022, required the QALICB and Sponsor to make commercial reasonable efforts to achieve certain community and economic impacts. The following table represents the community benefits expected to be in the CBA for the new funding, with changes in the impacts expected from the first NMTC closing noted in purple.

<i>Job Creation/Retention:</i>	<ul style="list-style-type: none"> • Creating: 4 Permanent FTEs and 85 Construction FTEs (<i>increased from 65 FTEs</i>) • Retaining: 42 Permanent FTEs (<i>increased from 39 FTEs</i>)
<i>Quality Jobs:</i>	<ul style="list-style-type: none"> • 100% of Construction FTEs will pay Prevailing Wages • At least 50% of Construction FTEs will receive health benefits and retirement • 97% of Permanent FTEs will pay Living Wages (<i>increased from 91%</i>) • 90% of Permanent FTEs will provide benefits
<i>Accessible Jobs:</i>	<ul style="list-style-type: none"> • 68 (or 80%) of Construction FTEs will be accessible to people without a college degree and/or Low-Income Persons (<i>increased from 55 FTE</i>) • 10% of Permanent FTEs will be accessible to people without a college degree and/or Low-Income Persons
<i>Community Goods/Services to Low-Inc. Communities:</i>	<ul style="list-style-type: none"> • The Project Sponsor offers a broad spectrum of programs, a calendar of workshops, support groups and online resources to support the unique, essential needs of all who work in the entertainment and performing arts • The Project will result in increased access to community services for Low-Income Persons and low-income community residents as follows: <ul style="list-style-type: none"> ○ 12 art exhibitions, public lectures, panel discussions and/or literary events; ○ 12 public performances or screenings; ○ 1 item of public art on display in the Property courtyard; ○ 6 educational programs (workshops); and ○ 10 educational programs supporting the artistic community (drop-in sessions, coaching, feedback on proposals, among others) • Anticipated community impacts not included in the CBA: <ul style="list-style-type: none"> ○ Increase Sponsor capacity to serve 5,500 primarily low-income persons with career and social services, approximately 10% more than today. Typically, nearly 40% of the Sponsor’s clients are BIPOC. ○ LACE hosts 35-50 shows annually with 7,400 attendees, and 80% of these shows feature emerging artists. Typically, 85% of the attendees at LACE shows are BIPOC. ○ LACHSA is launching an on-site Diverse Filmmakers Program, anticipating an annual enrollment of 120-200 students. (Expected a minimum of 65% of these students will be from BIPOC backgrounds)
<i>Financing Minority Businesses:</i>	<ul style="list-style-type: none"> • 10% of development related contracts (<i>i.e. architecture, environmental consultant, entitlement consultant, general contractor, subcontractors etc.</i>) as measured by dollars has been and will continue to be filled by minority-owned businesses

Flexible Lease Rates:

- The Project Sponsor will offer lease rates that are **25%-75% below market** for at least 99 years; allows one legacy non-profit, LACE, which has been on-site for 30 years to remain in place and in operation.
- 71-seat Black box theatre will be offered to artists and arts organizations at low to no cost
- Anticipated community impacts not included in the CBA:
 - Attracts cultural tourists, contributing at least \$172,458 in additional revenue to area businesses annually.
 -

Environmentally

Sustainable Outcomes:

- Anticipated community impacts not included in the CBA:
 - Green Building: achieve LEED certification

The community benefits detailed in this section will be required of the QALICB and the Sponsor by way of a newly amended and restated CBA, which will supersede the CBA that was signed at the first closing. The new CBA will continue to enforce the requirement for the QALICB to use commercially reasonable efforts to realize the specified impacts. Furthermore, it will retain the annual reporting requirement to monitor and quantify community impacts.

PROJECT FEASIBILITY

The first NMTC closing in 2022 involved the Arts Building. At the time of closing LADF staff completed its due diligence on that building. The Wilcox Building was not a part of the first NMTC closing, however, and thus third-party reports were obtained for this site, including an ALTA survey and a plan and cost review. A broker opinion of value is also being obtained, and is currently in process, to provide supporting documentation of market rental rates.

LADF has reviewed a Phase I report prepared by California Environmental Geologists & Engineers, Inc. (“**Calenviro**”) in January 2024 for the Arts Building and Wilcox Building. Calenviro’s assessment revealed no evidence of significant data gaps, Recognized Environmental Conditions (RECs), Controlled RECs (CRECs), or Historical RECs (HRECs) in connection with the Arts Building or the Wilcox Building. The assessment did note a de minimis condition. The nearest listed contaminated site to the Wilcox Building is located at 6525 Sunset Boulevard, approximately 1000 feet to the south. On October 29, 2006, a 1,500-gallon heating oil Underground Storage Tank (UST) was removed from this offsite property. Soil samples collected during the removal activities indicated a release of petroleum hydrocarbons. A total of 72 cubic yards of impacted soil were removed from the UST excavation. The site received case closure status on January 16, 2009. Due to the distance from the subject property, it is considered unlikely that this offsite release impacted the subject property’s subsurface. Therefore, no additional environmental assessment is required at this moment.

The CDEs, including LADF, will engage PACS, a third-party construction inspection firm, to provide a cost review of the initial budget for the Wilcox tenant improvement work.

PACS has reviewed the increased budget on the Arts Building and found it sufficient to cover the increased costs. LADF has reviewed the Analysis Update Memo prepared by PACs from December 2023, a supplemental report will be prepared before closing to include the revised overall development budget. If the supplemental report includes a material or adverse finding in the updated budget analysis, then LADF will require additional capital from the Sponsor to ensure that the project will be fully funded to

completion. PACS will also inspect progress on both the Arts Building and the TIs in the Wilcox building and provide monthly reports that will be relied upon by LADF and other stakeholders.

FINANCIAL FEASIBILITY

The table below shows the sources and uses for the first NMTC closing in 2022, and the proposed sources and uses for the second NMTC closing in 2024:

SOURCES		USES	
Sources for 1st Closing on 02/02/2022		Uses for 1st Closing on 02/02/2022	
- TD Bank Loan:	9,404,140	- Arts Bldg Ground Lease Value (<i>contrib.</i>):	6,785,000
- Sponsor Cash-on-Hand (<i>at closing</i>):	7,588,140	- Arts Bldg Hard Costs:	17,325,870
- Sponsor Cash-on-Hand (<i>during constr.</i>):	721,500	- Arts Bldg Soft Costs:	2,362,760
- Sponsor Cash-on-Hand (<i>end of constr.</i>):	1,387,000	- Arts Bldg Owner Contingency:	1,718,220
- Sponsor Contribution of Ground Lease:	6,785,000	- Arts Bldg FF&E (<i>paid by Sponsor</i>):	500,000
- NMTC Equity (LADF QEI):	3,656,250	- Developer Fee (TAF):	1,200,000
- NMTC Equity (Genesis QEI):	3,334,500	- Financing – Int. & Carrying Costs:	211,350
- NMTC Equity (Chase Bank QEI):	N/A	- Financing – NMTC Closing Costs:	1,243,380
		- Financing – NMTC Reserves:	1,237,950
		- Sponsor – Financing & Op. Costs:	292,000
Project Sources (1st NMTC Closing)		Project Uses (1st NMTC Closing)	
	\$32,876,530		\$32,876,530
Sources for 2nd Closing in Feb-2024		Uses for 2nd Closing in Feb-2024	
- Sponsor Cash-on-Hand (<i>at closing</i>):	11,191,690	- Arts Bldg Hard Costs (<i>additional</i>):	7,577,140
- Sponsor Cash-on-Hand (<i>during constr.</i>):	81,590	- Arts Bldg Soft Costs (<i>additional</i>):	1,500,000
- Sponsor Cash-on-Hand (<i>end of constr.</i>):	599,280	- Arts Bldg FF&E (<i>add'l, pd by Sponsor</i>):	81,590
- NMTC Equity (LADF QEI):	1,389,180	- Wilcox Bldg Tenant Improvements:	4,227,270
- NMTC Equity (Genesis QEI):	3,042,000	- Wilcox Bldg Owner Contingency:	456,550
- NMTC Equity (Chase Bank QEI):	456,300	- Wilcox Bldg Soft Costs:	250,000
		- Wilcox Bldg FF&E:	332,400
		- Financing – Int. & Carrying Costs:	483,517
		- Financing – NMTC Closing Costs:	896,833
		- Financing – NMTC Reserves:	954,740
Project Sources (2nd NMTC Closing)		Project Uses (2nd NMTC Closing)	
	\$16,760,040		\$16,760,040

The second NMTC closing represents a \$16.1 million Qualified Equity Investment (“QEI”) generating tax credit equity at \$0.78 per tax credit, alongside \$0.6 million Sponsor contribution from cash-on-hand. The funding sources will be utilized towards approximately \$9.2 million in additional costs related to the Arts Building (*the sole project site in the first NMTC closing*), \$5.3 million in costs related to the tenant improvements in the Wilcox Building (*not included in the first NMTC closing*), and \$2.3 million in financing associated with the NMTC closing and increased carrying costs (*property taxes, property insurance, etc.*) associated with delays to construction in the Arts Building.

DEVELOPMENT PRO FORMA

The total project cost is estimated to be \$49.6 million, of which (1) \$23.9 million was leveraged through the NMTC structure at the first NMTC closing in February 2022 to make \$23.6 million in Qualified Low-Income Community Investment (“**QLICI**”) loans to the Project and (2) \$16.1 million will be leveraged through the NMTC structure at this second NMTC closing in 2024 to make \$15.8 million in QLICI loans to the Project.

For the second, \$16.1 million NMTC closing, the QLICI funds will be disbursed as follows at closing:

- \$1.3 million – Reimbursement of pre-closing development costs incurred within the last 24 months related to the Wilcox Building tenant improvements.
- \$0.6 million – Pay NMTC and Other Closing Costs.
- \$0.9 million – Fund the CDE-controlled Fee and Expense Reserve Accounts.
- \$13.0 million – Fund the CDE-Controlled Construction Disbursement Account, separate from the disbursement account in the first NMTC transaction

Additionally, \$600,000 will be provided towards the end of construction by the Sponsor using cash-on-hand. This additional capital needed from the Sponsor for the Project was originally projected to be \$1.4 million at the time of the first NMTC closing. With the additional \$600,000 projected with the second NMTC closing, the total capital needed from the Sponsor towards the end of construction is \$2.0 million. This amount will not be required to be reserved by the Sponsor in advance of making the contribution. It is determined by the CDE lenders that the Sponsor’s ability to raise capital is sufficient to make a reasonable expectation that this additional capital source would be available at the time it is needed to complete construction of the Project.

NMTC-related reserves held by the QALICB will total \$0.9 million for the second NMTC closing 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 \$287,750 held in a separate account pledged to LADF.

At NMTC Closing, after funding of the QLICIs, the Sponsor will receive a \$1.3 million reimbursement from the QALICB for Project costs incurred within the prior 24 months related to the Wilcox Building. Currently, it is being determined whether LADF will require that Reznick (*NMTC accountant engaged for the transaction*) provide an AUP report to LADF confirming the eligibility of these costs. If there are more than 15 invoices, then LADF will require the AUP report. If there are less than 15 invoices, LADF, Genesis, and Chase will each independently confirm that these expenses are valid for this project and fall within the 24-month window and no outside AUP will be required.

QALICB UNDERWRITING CRITERIA

With the funding of the second NMTC closing, the QALICB will be sufficiently capitalized to complete construction of the Project. The one exception is that the Sponsor will make a contribution of \$2 million toward the end of construction to complete the capital stack.

The QALICB’s operating revenues will consist of rental payments made by the Sponsor under its master lease of Arts Building and its sub-lease of the commercial space in the Wilcox Building. It is the same QALICB for both financings, and the QALICB was newly established at the first closing in 2022; therefore, there are no financial statements available to review. The QALICB will in turn pay debt service on the QLICI loans using the rental payments received from the Sponsor and release of NMTC reserves. After accounting for operating expenses, the QALICB’s debt service coverage for the Project is estimated at 1.03x (*per the current financial projections dated January 15, 2024*).

SPONSOR UNDERWRITING CRITERIA

The Sponsor's financials from previous years reflect that the Sponsor's revenues are predominantly generated through fundraising. Given the Sponsor's track record of fundraising, the risk of the Sponsor being unable to make its rent payments is minimal. The Entertainment Community Fund is a national non-profit organization with offices in New York, Chicago, and Los Angeles. The financials presented here encompass the entirety of operations across these locations, rather than being limited to the Los Angeles branch alone. The Sponsor will also use rent payments received from third-party sub-tenants, such as LACE, to fund the rent payments it makes to the QALICB.

LADF has reviewed the Sponsor's consolidated audited financial statements for the fiscal years ending December 31, 2020, December 31, 2021, and December 31, 2022, as well as the unaudited financial statement from January to September for 2023. As of September 30, 2023, the company had a total of \$53.3 million in cash and \$219.5 million in total assets, indicating a strong, healthy financial position. Additionally, the company had \$125.0 million in net assets. As of December 31, 2022, the organization raised \$13.3 million in 2022 Contributions and private grants without donor restrictions and \$4.5 million with donor restrictions.

The sponsor also closed a \$9.4 million TD Bank loan in the first closing. The \$9,404,138.00 commercial mortgage has a five-year term with monthly interest-only payments for the first 18 months, followed by principal and interest payments based on a 30-year amortization schedule. The rate is fixed at TD Bank's cost of funds plus 175 basis points. The loan matures in 2027 at which time it will be refinanced for a projected 25-year term financing. Additionally, the Sponsor carries other debt obligations in its books that require fixed annual payments of \$2.1 million until 2050. The sponsor maintains an average debt service coverage ratio between 1.02x and 1.26x.

REVISED PROJECT TIMELINE

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

- December 9, 2021: **NMTC Transaction Close (1st Closing – \$23.9 million NMTC Allocation)**
- December 2023: Construction Commencement
- February 2024: **NMTC Transaction Close (2nd Closing – \$16.1 million NMTC Allocation)**
- June 2025: Construction Completion

FINANCING STRUCTURE

The NMTC financing structure for the second NMTC closing will mirror that of the first NMTC closing, with the exception that LADF and Genesis LA will utilize two new Sub-CDEs for purposes of this transaction. The first NMTC closing involved LADF XXV, LLC, while this second NMTC closing will involve LADF XXXI, LLC. Another difference is that Chase did not provide allocation in the first NMTC closing but will provide allocation through its Sub-CDE in the second NMTC transaction.

Additionally, the first NMTC closing involved a source loan from TD Bank that was used by the Sponsor to make the leverage loan. For the second NMTC closing there will be no additional third-party debt and the leverage loan will be fully funded with cash-on-hand from the Sponsor.

For purposes of disbursing loan proceeds through the construction draw process, there will be a new second disbursement account established for the second transaction to hold Chase, Genesis and LADF's QALICIs. The disbursement account established at the first NMTC closing will continue to hold Genesis and LADF's remaining QLICIs from the first transaction.

If there should be a return of capital during the seven-year NMTC compliance period, capital will be redeployed as follows (*includes first and second NMTC closings*):

1. Genesis Sub-CDE – first \$11.1 million of capital redeployment [1st QLICI in 2022]
2. LADF XXV, LLC – next \$12.5 million of capital redeployment [1st QLICI in 2022]
3. Genesis Sub-CDE – next \$9.7 million of capital redeployment [2nd QLICI in 2024]
4. LADF XXXI, LLC – next \$4.6 million of capital redeployment [2nd QLICI in 2024]
5. Chase Bank Sub-CDE – next \$1.5 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 Chase Bank to identify for reinvestment a project within the City of Los Angeles that is acceptable to both entities; thereafter Chase Bank can remove LADF Management, Inc. as managing member of LADF XXXI, LLC and choose an investment without LADF's input. However, it must still be within Los Angeles County per LADF's 2020 Allocation Agreement. With Chase 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.

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 06037190700. 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 **26.3%** (*greater than 20%*)
- Median Family Income of **73.9%** of the greater Metro area (*less than 80%*)

Further, the site also qualifies under Section 3.2(h) of LADF's 2020 Allocation Agreement as a Targeted Distressed Community by meeting two of the alternative criteria listed in Sections 3.2(h)(vi) through Sections 3.2(h)(xvi) based on the following qualifying measure(s) listed:

- Poverty Rate of **26.3%** (*greater than 25%*)
 - Section 3.2(h)(vi) provides for Census tracts with one of the following: (a) poverty rates greater than 25 percent; or (b) if located within a Metropolitan Area, median family income that does not exceed 70 percent of the greater of the statewide median family income or the Metropolitan Area median family income; or (c) unemployment rates at least 1.25 times the national average.
- Located in a Federally designated *Promise Zone*
 - Section 3.2(h)(xiv) provides for Federally designated *Opportunity Zones, Promise Zones, Impacted Coal Counties, base realignment and closure areas, State enterprise zone programs, or other similar state/local programs targeted towards particularly economically distressed communities.*

2016-2020 ACS DATA

The subject site is located in the 2020 Census Tract 06037190701. The population within the Census tract is 1,867 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 **37.2%** (*greater than 20%*)

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

- Poverty Rate of **37.2%** (*greater than 30%*)

QALICB Analysis

The Hollywood Arts Building QALICB will satisfy the requirements for QALICBs and will be considered a business engaged in "Real Estate Activities", as defined by LADF's 2020 Allocation Agreement¹, 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. It is important to note that in conducting these tests, funds from both NMTC transactions will be considered, reinforcing the expectation that the QALICB will successfully meet the stipulated test criteria.

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

LADF 2020 Allocation Agreements Compliance

This transaction will use \$4,566,666 in allocation from LADF's 2020 Allocation award from the CDFI Fund. With the closing of this transaction and the Project Angel Food transaction, the 2020 Allocation award will be 100% invested.

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

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

- §3.2(a) – LADF’s allocation will be used to make a loan to a QALICB
- §3.2(b) – Project is located in the County of Los Angeles
- §3.2I – LADF XXXI, 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
- §3.2I – LADF will have invested greater than 60% threshold in QEIs by Dec. 31, 2024
- §3.2(f) – LADF’s QLICI provides flexible terms (*discussed below*)
- §3.2(h) – The subject site is located in a Targeted Distressed Community (*discussed above*)
- §3.2(j) – 100% of QEI will be passed down as a QLICI

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

Section 3.2(k) (*Affordable Housing*) is applicable under LADF’s 2020 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 Wilcox Building includes affordable housing units, the NMTC investment by LADF will only be made for the commercial component, 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 1.0% and satisfy part (b) of this paragraph. To support the compliance with this provision, LADF will rely on a better rates and terms letter provided by the Sponsor. This letter is expected to indicate that the market interest rate for the transaction is at least two-times greater than LADF’s QLICI interest rate.

Reimbursement of Costs

As part of guidance published by the CDFI Fund in December 2015 a new provision, Section 3.3(j), was incorporated into all allocation agreements after that time pertaining to monetizing existing assets in NMTC transactions. Section 3.3(j) of the 2020 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:

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.

- (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. LADF will require that an AUP be provided by CohnReznick LLP, the accounting firm also producing the financial projections for the NMTC transaction, to confirm this if there are more than 15 invoices to be reimbursed. If there are less than 15 invoices, LADF, Genesis, and Chase will each independently confirm that these expenses are valid for this project and fall within the 24-month window and no AUP will be required.

DEMONSTRATED NEED FOR NMTC FINANCING (“BUT FOR” TEST)

The equity generated through the NMTC structure of this second NMTC closing will provide an estimated \$2.5 million in subsidy (*net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the Project, approximately 15.9% of the \$16.1 million QEI in the transaction and 5.1% of the \$49.6 million of total project costs. The first NMTC closing provided an estimated \$4.3 million in net subsidy to the Project, approximately 18.0% of the \$23.9 million QEI in the transaction and 8.7% of the \$49.6 million of total project costs.

The LADF Sub-CDE's portion of the total net subsidy is approximately \$2.7 million from its \$12.5 million QEI in the first NMTC closing and \$1.0 million from its \$4,566,666 QEI in the second NMTC closing.

NMTCs are a crucial part of completing the Project's construction. Without them, the sponsor will need to use substantial operating funds for construction rather than programming, and it won't be able to fund the endowment to support below market rents indefinitely. This would result in increased rents for non-profit tenants, fewer community-serving amenities such as low- or no-cost theatre space, and reduced services for those in the creative economy.

COLLATERAL AND GUARANTEES

The LADF's QLICI loans will have the following security interest, including:

- A Second Deed of Trust on the QALICB's leasehold interest in the Arts Building, which is subordinated to the Deed of Trust from the QLICIs of the first NMTC transaction.
- A security interest in the new disbursement account from the second transaction.
- A security interest in its own reserve accounts.

Before closing, five estoppels are needed to ensure ECF's community services continue without interruption for the compliance period: two for the Hollywood Arts Building from the City of LA and Hollywood Arts Building, LLC, and three for the Wilcox Building from the City of LA, Hollywood Arts Collective LP, and Hollywood Arts Commercial, LLC. However, as the value of the TIs and the rental stream

from the space in the Wilcox Building are minimal, LADF and Genesis are not requiring a Deed of Trust on the commercial space in the Wilcox Building. At this time, Chase has not finalized its internal approval to forego this security.

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

The existing QLICIs from the first NMTC closing are anticipated to unwind at the end of the 7-year compliance period ending in 2029. The QLICI loans made in the second NMTC closing will unwind in 2031.

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 Chase Bank (*as the Investor*). Chase Bank may exercise its put option and sell its respective interest in the Fund to the Sponsor for \$1,000. If Chase 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 transaction.

LADF FEE LOAD AND RESERVES

The LADF will receive the following fees from the transaction:

- Placement Fee – 2% of QEI (equates to \$91,333). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for \$4,566,666 of 2020 Allocation
 - This equates to \$239,750 (quarterly installments of \$8,562.50 paid out of QLICI interest received for 7 years)
 - CDE Expense Reimbursements – estimated at \$6,000 annually per CDE for 8 years (equates to \$48,000). In the first NMTC closing in 2022, LADF waived the requirement for reserving expense reimbursements for the 8 years, which was requested by the project to address a compliance issue related to Non-Qualified Financial Property. LADF accepted that the project, with the financial backing of the Sponsor, could cover the expense reimbursements out of its operating cash flows. In the second NMTC closing, LADF will require the \$48,000 total of reimbursements to be reserved upfront. 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 Expense Reimbursements for the entire NMTC Compliance Period, which total \$287,750, will be placed in a separate, LADF-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 \$6,000 in any given year during the Compliance Period, then \$6,000 will be paid out of the reserve account and the QALICB will be responsible to pay for the overage.

POLICY EXCEPTIONS

This will constitute a policy exception since our previous allocation of \$12.5 million, combined with an additional \$4,566,666, totals \$17.0 million allocation to the project, surpassing our policy maximum of \$15 million per project. However, considering that this is a two-phase project with substantial community benefits and factoring in the increased construction costs, the LADF staff recommends that this exception be presented for the Governing Board's review. The project's potential impact justifies a re-evaluation of LADF's investment cap in this instance.

RECOMMENDATION

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

ATTACHMENTS

EXHIBIT A: Hollywood Arts Collective and Career Center Flow of Funds (*as of January 15, 2024, Final Projections Pending*)

EXHIBIT A: Hollywood Arts Collective and Career Center Flow of Funds (as of January 15, 2024, Final Projections Pending)

NEW MARKETS DIAGRAM - SECOND CLOSING LEVERAGE LOAN FUNDING

