LADF

LOS ANGELES DEVELOPMENT FUND

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

<u>The Los Angeles Development Fund</u>
and
<u>LADF Management, Inc.</u>

March 12, 2024

MEETING *of the*

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

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

MARCH 12, 2024

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LADF
LOS ANGELES DEVELOPMENT FUND

AGENDA

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) 444-9171 US | *Meeting ID*: 893 2951 3283

Tuesday, March 12, 2024 | 10:00-10:30 am

	AGENDA ITEM	PRESENTER	TAB
	Welcome and Call to Order	Yolanda Chavez	
	Roll Call	Sandra Rahimi	
	Public Comment	Yolanda Chavez	
1	**Approval of Minutes for Board Meeting(s) on:**	Yolanda Chavez	
	a. February 8, 2024		Tab 2
	b. March 1,2024		Tab 3
2	**Action Items**	Sandra Rahimi	
	a. Request for Authorization for LADF President, or his or her delegate, to execute documents to effectuate a $10,500,000 Sub-Allocation of New Markets Tax Credits for the Project Angel Food transaction.		Tab 4
3	**Request for Future Agenda Items**	Yolanda Chavez	
	a. LADF Purchase Order Renewal		
	b. LADF Budget Review		
	c. Review JEDI Zone Micro Business Loan RFP Results		
	d. LADF Underwriting and Risk Assessment Procedures and Policies Updated		
4	**Next Meeting Date and Time of Governing Board**		
	a. Thursday, April 11, 2024, 2:30pm – 4:00pm		
	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 ADVISORY BOARD OF LADF AND LADF MANAGEMENT, INC
TUESDAY FEBRUARY 8, 2024 12:00PM-12:30PM

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 **2:42pm**.

ROLL CALL

The following Governing Board directors were present at the meeting:

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

A QUORUM WAS PRESENT

The following Advisory Board director was present at the meeting:

- Director Albert

A QUORUM WAS NOT PRESENT

1. **Approval of Minutes for Board Meeting(s) on:**
    a. **December 19th, 2023**
        - Moved by Director Esparza. Seconded by Director Kalfayan.
        - 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 $4,566,666 Sub-Allocation of New Markets Tax Credits for the Hollywood Art Phase II Project.**
        - Moved by Director Esparza. 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 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

NEXT MEETING DATE AND TIME

- TBD

PUBLIC COMMENT

- None.

ADJOURNMENT

- Meeting was adjourned at **3:01 pm**.

Tab 3

LOS ANGELES DEVELOPMENT FUND
MINUTES OF THE MEETING OF THE GOVERNING BOARD OF LADF AND LADF MANAGEMENT, INC.
FRIDAY MARCH 01, 2024

SPECIAL MEETING

(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 **4:02 pm**.

ROLL CALL

The following Governing Board directors were present at the meeting:

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

A QUORUM WAS PRESENT

1. DISCUSSION ITEMS

a. Project Angel Food: Closing Challenges.

- Sandra Rahimi presented the closing challenges with Project Angel food and proposed mitigant and safeguards.
- Governing Board supported the proposed mitigants and safeguards.

PUBLIC COMMENT

- None.

ADJOURNMENT

- Meeting was adjourned at **4:06 pm**.

Tab 4

LADF
LOS ANGELES DEVELOPMENT FUND

NEW MARKETS TAX CREDITS INVESTMENT REPORT

TO:	LADF Board of Directors
FROM:	Sandra Rahimi, Secretary
DATE:	March 12, 2024
SUBJECT:	Request to Approve a **$10,500,000** New Markets Tax Credits Allocation to a Portion-Of-The-Business of Project Angel Food ("**QALICB**") for the Project Angel Food meal production and distribution facility ("**Project**")

SUMMARY

Project Name:	Project Angel Food ("**Project**")
Location:	Central Hollywood Neighborhood; (CD 13 – Hugo Soto-Martinez)
Project Description:	Substantial Rehabilitation of Existing Building; Community Facility
Sponsor / Developer:	Project Angel Food ("**Sponsor**", or "**PAF**")
Ownership:	• Sponsor owns the fee interest in the land and the improvements • Sponsor will allocate its fee ownership to its portion-of-the-business QALICB
NMTC Investor:	Wells Fargo ("**Investor**")
Total Project Cost:	$ 28,800,000
Total Allocation / QEI: *LADF Allocation / QEI*:	$ 24,500,000 $ 10,500,000 LADF XXXII, LLC *(Certified Sub-Allocatee)*
Job Creation (*Direct*):	**100** Permanent FTEs (55 created & 45 retained); **34** Construction FTEs
Site Eligibility Criteria:	2010 Census Tract No. 06037191810 – *Eligibility under 2011-2015 ACS Data*: • NMTC Eligible and Targeted Distressed Community (*per 2020 Alloc. Agmt*) • 32.1% Poverty Rate (*greater than 20% and 30%*) – Section 3.2(h)(i) • 45.0% AMI (*Less than 80% and 60%*) – Section 3.2(h)(ii) • 16.6% Unemp. Rate / 2.00x Nat'l Unemp. Rate (*greater than 1.5x*) – Section 3.2(h)(iii)
Community Benefits:	• The project will renovate **17,782 square feet** of PAF's existing building • Enhance PAF's kitchen size, storage capacity, and distribution facility • Increase PAF's capacity from **1.3 million** to **3.12 million medically tailored meals prepared and delivered to 9,120 individuals each year**

Key Compliance Criteria under the 2020 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: $ 3,398,850

CONTENTS

PROJECT DESCRIPTION

Project Angel Food ("**PAF**", or "**Sponsor**") will utilize NMTC financing for the renovation of its existing 17,782 SF facility ("**Project**"). The Project aims to expand PAF's kitchen, storage capacity, and distribution facilities. The new campus and kitchen will enhance sustainability, operational efficiencies, and production flow, maximizing resources. Additionally, the new facility will bolster PAF's wraparound services for clients and their families. Lastly, the new campus will feature dedicated space for PAF's innovative research programs in nutrition security and health equity.

The project scope entails renovations on the first and second floors to expand the kitchen and enhance storage capacity. It includes the installation of new rooftop HVAC units, a complete roof replacement, the addition of a full sprinkler system for improved safety, and the installation of a transformer. The garbage area will also be expanded. No walls will be removed, and no additional square footage will be added.

Founded in 1989, PAF is a nonprofit organization that prepares and delivers over 1.3 million medically tailored meals annually out of this facility, at no cost to individuals with life-threatening illnesses in Los Angeles County. With a focus on customized nutrition, the organization's registered dietitians work closely with clients and healthcare case managers to provide personalized dietary solutions. The kitchen efficiently manages 13 variations of each menu. Recognized as an essential service by LA Mayor Eric Garcetti during the COVID-19 pandemic, PAF significantly increased its output, now serving over 2,500 people daily, marking a 54% rise from pre-pandemic levels.

The project is in line with the objectives of local and city-wide plans, such as the *Hollywood Community Plan*, which promotes the continuous reassessment and adaptation of social services to meet evolving needs as funding becomes available. It also supports the *Plan for a Healthy Los Angeles*, an element of the Los Angeles General Plan, by aligning with its vision of complete neighborhoods that provide for the basic needs of all residents, including accessibility for individuals with disabilities and of all ages. Specific policies it supports include enhancing access to affordable, health-promoting goods and services, with an emphasis on low-income areas and striving to remove accessibility barriers to health care and resources for those with disabilities.

PAF also owns the 5,422 SF retail building located directly across the street at 954-962 Vine Street and is currently in the planning stages for a new construction project of a 15,000 SF facility at the site ("**Phase 2**"). The Phase 2 project aims to build a facility that will house PAF's administrative offices, Nutrition Services and Client Services, as well as enhance the programming at the existing site. The combined development, with both phases, will create a combined 32,000 SF campus. PAF will seek New Markets Tax Credits for the Phase 2 project in the future upon advancing its capital campaign to raise the necessary funding.

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:

- 922 Vine Street, Los Angeles, CA 90038 – Council District 13, Councilmember Hugo Soto-Martinez

The site is located within the Central Hollywood neighborhood and spans approximately 0.42 acres. Currently, it is occupied by a two-story building with a total of 17,782 square feet, utilized by PAF for catering services and office purposes. Adjacent to the building, the east portion of the property is designated as an asphalt-paved parking area. Since 1966, the site has undergone significant changes. The current office structure is positioned in the west portion, while the east once held residential structures, which have been demolished to make way for the parking area, resulting in the property's present layout. Historical usage of the site includes administrative offices, medical offices, costume making, and a catering kitchen.

The project will utilize New Markets Tax Credits ("**NMTCs**") to expand PAF's kitchen size, storage capacity, and distribution facility. The property is zoned as C2-1D, allowing for commercial uses such as retail and commercial services, professional offices, and medical facilities. It benefits from being in a Transit Priority Area. PAF is conveniently located a mile from the Hollywood Vine metro station, a 25-minute walk, and a mere minute from the Vine/Willoughby bus stop on the 211-bus line.

Site Control

On December 6, 2005, PAF acquired the property at the subject site and undertook renovations to upgrade the facilities. The first floor of the building is predominantly occupied by cold storage and kitchen equipment. Office spaces were constructed on the second floor. LADF has reviewed a preliminary title report prepared by the Chicago Title Company. Additionally, a Deed of Trust for $4,500,000 (*current balance of $4.3 million*) was recorded against the property on May 26, 2022, by City National Bank. PAF used the proceeds from the City National Bank to finance the purchase of the building adjacent to its existing location.

COMMUNITY AND ECONOMIC BENEFITS

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

Job Creation/Retention:	• Creating: **34** Construction FTEs and **55** Permanent FTEs • Retaining: **45** Permanent FTEs
Quality Jobs:	• **100%** of construction jobs will pay at or above the living wages[1] and are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance. • **30%** of retained jobs will pay at or above the living wages and 98% of them are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance. • **30%** of permanent jobs to be created will pay at or above the living wages and 98% of them are expected to receive benefits such as health, dental, vision, 401k, disability, and/or life insurance. • **Training and Advancement:** Project Angel Food employees have access to ongoing training and professional development opportunities, and education reimbursement is available for courses or training that will help employees grow in their positions or fill a future position at the organization. PAF has also supported employees seeking certifications.
Accessible Jobs:	• **86%** of the **construction jobs** are expected to be targeted toward and/or available to Low-Income Persons, residents of Low-Income Communities, individuals with lower levels of education, and people facing other

[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 $26.63 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.

	barriers to employment, such as long-term unemployment, displacement, former incarceration, limited language proficiency, homelessness, etc. • **72%** of the **retained jobs** are expected to be targeted toward and/or available to Low-Income Persons, residents of Low-Income Communities, individuals with lower levels of education, and people facing other barriers to employment, such as long-term unemployment, displacement, former incarceration, limited language proficiency, homelessness, etc. • **92%** of the **permanent jobs to-be-created** are expected to be targeted toward and/or available to Low-Income Persons, residents of Low-Income Communities, individuals with lower levels of education, and people facing other barriers to employment, such as long-term unemployment, displacement, former incarceration, limited language proficiency, homelessness, etc.
Community Goods/Services to Low-Inc. Communities:	• **Medically Tailored Meals Program**: Currently, PAF prepares and delivers 1.3 million meals to 3,800 individuals annually, featuring customized meal plans designed to meet the complex medical needs of clients. By establishing food and nutrition standards grounded in research, the program aims to enhance health outcomes, minimize healthcare costs, and boost patient satisfaction. After completion of the project, PAF expected to prepare and deliver **3.12 million meals to 9,120 individuals annually** (*increase by 1.82 million meals and 5,320 individuals served*). These projected outcomes are expected to be realized within the seven-year NMTC Compliance Period. PAF anticipates that within 10 years of NMTC closing, its meal preparation and delivery will increase to 3.9 million meals serving 11,400 individuals annually. • **Native American Diabetes Project:** This project supports 312 Native Americans with diabetes through a multi-dimensional approach that focuses on reducing blood sugar levels and alleviating social isolation. It is a collaborative effort with UAII, AICC, and Tribal TANF, all of which serve AIAN patients. • **Wilbur May Foundation Healthy Mornings Program**: This program ensures that children of clients receive healthy breakfasts every day of the week, contributing to their overall well-being and nutrition. • **Telephone Angels Program:** As a pilot initiative, this program connects volunteers with clients for weekly social calls, fostering friendships and combating feelings of loneliness among clients.

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

QALICB: Project Angel Food QALICB ("**QALICB**", or "**PAF POB**")

The Sponsor will set up a portion of its business ("**POB**") as a separate books subsidiary, which will serve as the Qualified Active Low-Income Community Business ("**QALICB**") for the NMTC transaction purposes. The POB will not be a separate legal entity but will be a portion of the Sponsor's existing business that will implement separate operating policies and maintain separate books and records based on income generated from the Project. The POB will be established to control and manage the real estate interests in the Project, including fee ownership in the land, building, and improvements. The POB will receive a portion of the unrestricted revenues generated by the Sponsor, which will operate the programming at the PAF's facility. The POB will be considered a "real estate" QALICB for NMTC purposes. It will have no employees and maintain at least 85% of its tangible property within the low-income community where the project is located during the seven-year NMTC compliance period.

An Agreed-Upon Procedures report[1] will be required for the QALICB. Since this is a newly designated POB, there are no financial statements to review. The POB will be the beneficiary of the NMTC and direct project financing, which PAF originally solicited.

Sponsor: Project Angel Food ("**Sponsor**", or "**PAF**")

Project Angel Food is a California not-for-profit corporation incorporated in March 1987, with 501(c)(3) nonprofit tax-exempt status under IRS Code. Based in Los Angeles County, PAF provides free, medically-tailored meals to individuals too sick to shop and cook for themselves. Since its inception, the mission of PAF has been to nourish and feed critically ill individuals, ensuring they don't have to choose between purchasing necessary medications and food. PAF prepares and delivers over 1.3 million medically tailored meals each year, free of charge, to homes of men, women, and children affected by life-threatening illnesses.

The organization was established during the height of the AIDS crisis and has since expanded its services to individuals suffering from various life-threatening illnesses, including cancer, diabetes, and heart disease, among others. This expansion allows them to serve a broader community with different dietary and nutritional needs, emphasizing that "food is medicine."

The median age of PAF's clients is 65 years old, with 66% of PAF's clients being over the age of 60. Additionally, 81% of PAF's clients live at or below the federal poverty level and 97% are considered "Very Low Income" by the Housing and Urban Development (HUD) standards. With many clients being close to experiencing homelessness, PAF is the only consistent food source for nearly 87% of its clients.

PAF's operation relies heavily on community support, with a vast network of volunteers who assist in meal preparation and delivery. The organization has delivered millions of meals since it started, and it runs several fundraising events throughout the year to support its mission. Notably, their annual Angel Awards gala has been a significant source of funds, and the organization has also participated in community partnerships to enhance their service and reach.

PAF is led by Richard Ayoub (CEO), who is renowned for his dynamic and compassionate leadership, having notably increased the number of clients served by the organization from 1,050 to 2,300 daily since joining in 2016. His leadership extends beyond the organization to roles such as the Past Chair of the California Food is Medicine Coalition (CalFIMC) and a member of the advisory council for the national Food Is Medicine Coalition (FIMC). Acknowledged for his excellence, Ayoub has received recognition as a nominee for the Los Angeles Business Journal's Nonprofit Executive of the Year in 2021, as well as accolades from various Los Angeles institutions for his impactful community service. Under his stewardship, PAF has not only been celebrated with numerous awards but also achieved the highest rating from Charity Navigator. An Emmy-award winning producer, Ayoub brings his media expertise to the organization's outreach initiatives, including producing a successful telethon. True to his hands-on approach, he is often seen delivering meals alongside notable figures, emphasizing that the true stars are the clients served by PAF.

FINANCIAL STATEMENT ANALYSIS

LADF has reviewed PAF's audited financial statements for the fiscal years 2020-2022 and has also reviewed the unaudited financial statements for the year ending November 30, 2023. The analysis reveals that PAF's primary sources of revenue stem from a combination of federal and state grants and contracts, private fundraising, and corporate and foundation grants and contracts. Notably, insurance companies represent a significant client segment, compensating PAF for medical meal provisions for their insured patients.

The financial performance of PAF over the observed period shows net incomes of $4.44 million for 2020, $5.53 million for 2021, $2.68 million for 2022, and $7.29 million for the first five months of 2023. The significant increase in income for the first five months of 2023 reflects a surge in fundraising activities to support the improvements proposed in this transaction. This demonstrates robust earning capabilities, with a temporary decline in 2022 attributed to impacts from the COVID-19 pandemic and associated delays in fundraising activities. As of November 30, 2023, PAF's cash reserves stood at $24.56 million, reflecting a consistent growth from $5.6 million in 2020, $7.4 million in 2021, to $10.5 million in 2022. Total assets over the past three years were reported at $10.5 million in 2020 (with $8.5 million unrestricted), $16 million in 2021 (with $14.7 million unrestricted), and $18.7 million in 2022 (with $17.1 million unrestricted). These figures indicate a steady increase in net assets, bolstered by active fundraising campaigns and the recent enhancement of operational facilities. The new kitchen and freezing storage financed by NMTCs are expected to expand service capabilities and potentially further strengthen net income.

PAF's consistent profitability since 2020 suggests a stable financial position, indicating minimal risk associated with the organization's ability to service its debt obligations. Currently, PAF only holds a single long-term debt obligation of $4.3 million with City National Bank, carrying an interest rate of 3.45% and maturing in 2025. PAF is scheduled to make monthly interest payments of $12,775 and will settle the principal with a balloon payment upon maturity. According to the latest financial projections dated February 14, 2024, PAF's average debt service coverage ratio is estimated to be 3.55x up until the maturity of the CNB loan, factoring in operational expenses. Presuming PAF refinances the CNB loan at a market rate of 7% and 20-year amortization, its annual debt service will be approximately $400,000. This represents a 1.28x debt service coverage ratio on PAF’s projected net income in 2026 and grows to 1.44x by the end of the 7-year NMTC Compliance Period.

Leverage Lender: Friends of Project Angel Food (“**FPAF**”)

Friends of Project Angel Food, a nonprofit supporting corporation incorporated on January 11, 2024, operates in Los Angeles County. FPAF has been established to serve as the leverage lender. Given that our Qualified Active Low-Income Community Business is a Portion of Business of PAF's operations, it is not permissible for PAF to fulfill the role of leverage lender. PAF is recognized under Section 501(c)(3) of the IRS Code, and FPAF is a controlled supporting organization of PAF as defined in Section 509(a)(3) of the Code. It will act as the Leverage Lender and Guarantor for this transaction. While FPAF is a recently established entity with no financial records available for review, it serves as a supporting organization of PAF. Consequently, the guarantees and indemnities provided by FPAF are supported by PAF due to their close affiliation.

Construction Manager: Freeman Group, Inc. (“**CM**”, or “**Freeman**”)

Freeman Group, Inc. (“**CM**”, or ”**Freeman**”) is a consulting firm specializing in project management from start to finish. Freeman’s expertise spans across managing institutional, multi-family, office, mixed-use, residential, and industrial projects. Freeman offers a full range of services, from initial due diligence and land acquisition to overseeing project development, construction, and stabilization. Freeman emphasizes delivering exceptional project outcomes through comprehensive service offerings.

Founded in 1993 by Rodney Freeman, Rodney has overseen a variety of projects for community and institutional organizations. Steve Wallock, a key member since 2003, brings extensive experience in architecture, development, and construction. Steve's focus includes managing projects across a range of sectors, particularly for non-profit organizations. Both Rodney and Steve have backgrounds in architecture and construction, contributing their expertise to the company's operations and project successes.

Freeman will serve as owner's representative and construction manager for the project. Freeman was also the CM in one of LADF's past projects, related to the Anita May Rosenstein Campus transaction closed in June 2017.

General Contractor: Taslimi Construction Co INC ("**GC**", or "**Taslimi**")

Taslimi, established in 1985 by Shidan, Susanne, and Mehran Taslimi, is a family-owned firm based in Santa Monica known for delivering high-quality services and products in the construction sector. The company has a dedicated team that includes project managers with diverse technical backgrounds such as architecture, civil, and mechanical engineering, and superintendents with strong trade experience and safety knowledge. Embracing workplace diversity, Taslimi boasts a management team comprising 50% women and 64% minorities, with a goal to further increase this representation. Their portfolio spans various sectors, including new construction, major renovations, and the development of hospitality, studio, and technical facilities, as well as interior office projects. Taslimi's commitment to top-tier service and product quality is reflected in their long-standing client relationships, marked by high expectations and repeat engagements.

Taslimi exhibits a strong portfolio of commercial kitchen remodel projects in the downtown Los Angeles area. Their extensive 150,000 SF project for Spotify is indicative of a lively corporate cafeteria designed to serve a large workforce, necessitating comprehensive storage, refrigeration, and supply chain solutions to manage the substantial volume of daily meal service. The 5,000 SF Niku X, a Japanese BBQ restaurant, along with the upscale 14,000 SF steakhouse La Boucherie, highlight Taslimi's expertise in engineering high-performance kitchens.

Freeman, the CM for the project, has requested approval from the CDE lenders that the GC provide a subguard insurance policy (*safeguarding against defaults by subcontractors*) instead of a payment & performance bond that is traditionally provided in most of the projects LADF has financed. The CDE lenders and Wells Fargo, the Investor, are waiting on further details about the subguard policy and will take the request under consideration. Based on the GC's financial strength, we recommend accepting the subguard policy in lieu of a P&P bond from the GC if Wells is comfortable with the substitution.

LADF has reviewed the General Contractor's unaudited financial statements for 2023. Taslimi reports a cash balance of $20.5 million, total assets amounting to $33.5 million, and net assets of $22.7 million. With an annual net income of $8.86 million, Taslimi demonstrates robust financial health and profitability. Furthermore, LADF has reviewed a bondability letter from Gallagher Construction Services, which verifies Taslimi's qualification for single project bonds of up to $40 million and an aggregate uncompleted backlog of $100 million.

Architects: J.S. Egan Design, Inc. d.b.a. Egan Simon Architecture ("**Architect**", or "**ESA**")

Egan Simon Architecture ("**ESA**"), operating since 1999, specializes in architectural and construction management services with over 1,000 units of housing developed. As a California-incorporated S-Corporation, ESA is led by John S. Egan and emphasizes sustainable design. The firm employs 15 full-time staff, including 2 registered architects. They are recognized for projects like the West L.A. Cal-Vet Kitchen and Step-Up on Vine, showcasing ESA's commitment to creating environmentally conscious and community-enhancing spaces.

ESA has an extensive portfolio of projects that demonstrate their expertise and commitment to addressing social needs through design and architecture. Notably, the West L.A. Cal-Vet Kitchen project expanded beyond its initial scope to a 15,000 square foot facility, enabling the full production and distribution of meals for veterans, which was fast-tracked due to its high priority status and completed in 2017 for $2.5 million. The Step-Up on Vine project is another highlight, providing 34 units of permanent supportive housing for low-income, chronically homeless adults with mental health issues, featuring a community-use cafe and a rooftop aeroponic garden. The LEED Platinum-certified project, with a construction cost of $8.46 million, is a model of sustainable design in supportive housing. Lastly, ESA worked on the initial improvements at Project Angel Food, completed in 2008 for over $3 million, which featured an 8,500 square foot commercial kitchen at a new consolidated location, helping PAF to deliver over 800 meals daily to those in need and exemplifying ESA's design philosophy that merges functionality with social responsibility.

John Sexton Egan, as the Principal of ESA, has dedicated over three decades to providing high-quality design and construction services. With a strong commitment to socially beneficial projects, in addition to serving private clients, John leverages his extensive construction knowledge to make informed assessments and recommendations, ensuring each project's success. He upholds the belief that a project's success is deeply rooted in the strong interaction and synergy of the team involved. Holding a Bachelor of Architecture from the University of Southern California, John is not only well-educated but also well-affiliated within the industry. His past roles include serving on the boards of The American Institute of Architects Los Angeles and the U.S. Green Building Council – Los Angeles. He is a licensed architect in California, Florida, and Illinois and is registered with the National Council of Architectural Registration Board (NCARB). Moreover, his expertise in sustainable design is certified through his accreditation as a LEED professional.

PROJECT FEASIBILITY

Property Valuation

Champion Appraisal performed an appraisal with an as-is market value of $15,250,000 for the fee interest of the subject property, in its "as-is" condition as of March 7, 2022, including an insurable replacement cost valued at $3.98 million. Considering the $24.08 million in QLICI loans being made to the project, this represents a Loan-to-Value ("**LTV**") ratio of 157.9%, which is much higher than a typical market lending requirement. However, the appraisal classifies the subject property as an office building, excluding the value of the kitchen amenities and the health department permits vested in the property, and the appraisal is not entirely up to date. To provide further support, LADF has requested additional Loan-to-Value ("**LTV**") and Debt Service Coverage Ratio ("**DSCR**") calculations in the Better Rates and Terms Letter that will be provided and attested to by Wells Fargo. A market rent analysis will not be required for the transaction because there is no lease component to the transaction that would typically require such an analysis to support the rental rates.

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

Andersen Integrated Services ("**AIS**"), a Los Angeles, CA-based consulting and construction firm, ranks in the top 27% of 336,931 California licensed contractors according to BuildZoom. They offer a wide array of environmental, engineering, health, and safety services, specializing in environmental due diligence with Phase I and II Environmental Assessments, soil gas surveys, and vapor intrusion studies. Additionally, their environmental compliance services are comprehensive, covering remediation planning and monitoring, underground tank removal, and stormwater pollution prevention.

AIS conducted a Phase I Environmental Site Assessment on December 14, 2023 of the subject property. AIS'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. No additional investigation is recommended at this time.

LADF has reviewed an Asbestos and Lead Survey Inspection Report prepared by Focus Environmental Consulting dated January 26, 2024. The report shows (1) that no asbestos was detected in the samples collected and (2) very low levels of lead were detected during sampling which are below the thresholds for being considered lead-based paint.

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, and Wells Fargo have engaged PACS, a third-party construction inspection firm, to provide a cost review of the initial budget and monthly construction inspection reports for draws. PACS will conduct a costing analysis based on final plans and specifications. The current projected timeline anticipates final plans and specifications in May 2024 and PACS' costing analysis report in June 2024. 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 Wells Fargo Bank in its role as the disbursement agent. Wells Fargo 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.

Probable Maximum Loss Report

A Probable Maximum Loss ("**PML**") will not be required given that the project is a substantial rehabilitation and will need to conform to the current building codes to obtain building permits and to obtain a Certificate of Occupancy upon completion. It is a reasonable expectation that the design and construction will reflect the most current seismic design standards which would result in a PML of 20% or less.

LADF has reviewed the Structural Engineer's statement confirming that the building structure is in satisfactory condition and will not be impacted by the planned renovations. Here is the statement provided by the structural engineer, John Labib, S.E.:

> *"At the locations where modifications are proposed for the existing building, the structure has been strengthened according to the latest Building Code. The existing building will not be adversely impacted by the proposed renovations."*

LADF
LOS ANGELES DEVELOPMENT FUND

Financial Feasibility

SOURCES		USES	
Sponsor Sources		**Construction Uses**	
- City National Bank Senior Loan:	4,300,000	- Property Acquisition (*pre-incurred*):	4,300,000
- CA Dept. of Social Services (*FEED Program*):	3,000,000	- Pre-Incurred Soft Costs (*<24 mos*):	571,875
- Sponsor Cash-on-Hand (*PAF Capital Fund*):	6,336,027	- Hard Costs:	13,422,918
- Sponsor Cash-on-Hand (*Individ. Donors*):	7,233,323	- Hard Cost Contingency:	1,032,661
		- Soft Costs:	3,256,114
Sponsor Sources	$20,869,350	- Soft Cost Contingency:	0
		- Furniture, Fixtures & Equipment:	285,000
		- *Working Capital*:	2,778,675
		Sub-Total	$25,647,243
NMTC Investor Equity		**Financing-Related Uses**	
- NMTC Equity (**LADF QEI**):	3,398,850	- Interest Expense (*net of reserves*):	209,907
- NMTC Equity (Genesis QEI):	4,531,800	- Monthly Inspections & Title Fees:	22,500
		NMTC Closing Costs	
NMTC Sources	$7,930,650	- Pre-Incurred Clsg Costs (*<24 mos*):	5,000
		- Legal/Acctg./Consulting Fees:	807,500
		- **LADF CDE** Placement Fee:	210,000
		- Other CDE Upfront Fees/Expenses:	420,000
		- Inv. Fund Fees:	0
		NMTC Reserves	
		- **LADF** Asset Mgmt. Fee Reserve:	551,250
		- **LADF** Expense Reserve:	104,000
		- Other CDE Fee/Exp. Reserves:	822,600
		Sub-Total	$3,152,757
Total Project Sources	**$28,800,000**	**Total Project Uses**	**$28,800,000**

DEVELOPMENT PRO FORMA

The total project cost is estimated to be $28.8 million, $24.5 million of which will be leveraged through the NMTC structure to make $24.08 million in Qualified Low-Income Community Investment ("**QLICI**") loans to the Project. The QLICI funds will be disbursed as follows at closing:

- $0.57 million – Reimbursement of pre-closing development costs incurred within the last 24 months.
- $1.02 million – Pay NMTC and Other Closing Costs.
- $1.48 million – Fund the CDE-Controlled Fee and Expense Reserve Accounts
- $21.01 million – Fund the CDE-Controlled Construction Disbursement Account (*$2.78 million of the funds held in the disbursement account will be budgeted for working capital*)

NMTC-related reserves held by the QALICB will total $1.48 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 $655,250 held in a separate account pledged to LADF.

At NMTC Closing, after funding of the QLICIs, the Sponsor will receive a $576,875 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 $4.9 million, so upon reimbursement from the QALICB the amount remaining of the Sponsor's contribution to the project will be $4.3 million (*this amount reflects the Sponsor's pre-incurred expenses towards the property acquisition and was financed with the CNB senior loan*).

The amount reserved for working capital in the project budget totals $2.8 million, which is expected to be expended on operating costs such as salaries and wages during construction. Considering that the GC's contract amount is not finalized, plan and cost review is not finalized, and permits are expected to be obtained 5 months after closing, this amount budgeted for working capital will remain available to be applied towards any higher-than-expected construction costs or as construction contingency, as the costing is finalized and as the CDE lenders deem necessary. The current proposal for when the $2.8 million of working capital will be disbursed is as follows:

Construction Completion Milestone	**Allowable Working Capital Draw Amount**
➢ 25%	$566,667 (*33% of $1.7 million*)
➢ 50%	$566,667 (*33% of $1.7 million*)
➢ 75%	$566,667 (*33% of $1.7 million*)
➢ 100%	$1,100,000 (*remaining WC budget*)
Total	**$2,800,000**

Additionally, the $2.8 million working capital amount in the budget excludes $840,000 that is currently budgeted to cover rental expense for the Sponsor to operate at an offsite location, which it has identified and is ready to lease (*Note: the offsite location will be required to be in a NMTC qualifying census tract*). The Sponsor and QALICB have not finalized their decision whether to move operations offsite during construction or to have the GC work around the Sponsor's operations onsite during construction. The anticipation is that if they decide on the latter, this $840,000 amount that is currently budgeted for offsite rental expense will be then applied towards higher construction costs related to constructing and operating concurrently onsite.

OPERATING PRO FORMA
The project's operating revenues will consist of unrestricted revenue, primarily from grants and donations, allocated to the QALICB POB by the Sponsor. The revenue allocated to the QALICB will be $181,680 annually during the NMTC compliance period, which suffices to service the QLICI interest payments. After accounting for operating expenses, the QALICB's average debt service coverage ratio for the Project is estimated at 1.05x, 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 March 2024*):

- March 2024: GC Contract Execution, without Schedule of Values, prior to NMTC Closing

- March 15, 2024: **NMTC Transaction Close**
- March 31, 2024: GC receives final bids from subcontractors
- May 1, 2024: GMP and Schedule of Values incorporated into GC contract
- June 1, 2024: Cost Review by PACS
- September 1, 2024: Full building permits ready-to-issue
- October 2024: Construction Commencement
- December 2025: Construction Completion (*14-month construction timeline*)

FINANCING PARTNERS

The project-level costs of the QALICB will be funded in whole by the QLICI loans. 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.

NMTC Investor

Wells Fargo Community Investment Holdings, LLC ("**Investor**" or "**Wells**"), a subsidiary of Wells Fargo Bank, is the NMTC Investor that will provide the equity contribution to the Investment Fund. Wells Fargo provides tax credit equity to low- and moderate-income communities through community development lending and equity investments.

LADF has closed four previous transactions with Wells Fargo as Investor. The transactions were for the Bobrick Washroom Equipment manufacturing facility project (*closed in December 2012*), Anita May Rosenstein Campus / LGBT Center community facility project (*closed in June 2017*), the Children's Institute Watts Campus project (*closed in January 2020*), and the Angeles House (*closed in March 2020*).

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 XXXII, LLC*	$10,500,000
Genesis LA CDE LLC	*GLA Sub-CDE XXXIII, LLC*	$14,000,000
	Total NMTC Allocation	**$24,500,000**

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 (*February 2022*), Vermont Manchester (*June 2022*), California Science Center (*April 2023*) and First Street North (*January 2024*).

FINANCING STRUCTURE

The project's total development cost will be funded by the $24.5 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 $16.60 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) $3.0 million California Department of Social Services Grant (*FEED Program*) (2) $7.23 million capital campaign funds (*from individual donors*), and (3) $6.33 million Sponsor Capital Fund (*i.e. cash on hand*). 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. Wells Fargo Bank will be the NMTC Investor Member and own 100% of the investment fund. The equity contribution at the upper tier by Wells Fargo Bank will total $7.93 million. In exchange, Wells Fargo Bank will receive $9.56 million in tax credits that will be generated through the Fund (*39% of the total $24.5 million QEI*). This exchange of equity for tax credits reflects a pricing of $0.83 per tax credit dollar for QEIs associated with SubCDE's allocations.

The $16.60 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 1.02%. After the end of the interest-only period, the self-leverage loan will amortize over the following 21 years.

Wells Fargo Bank's tax credit equity contributions combined with the leveraged loan will be used to capitalize the investment fund with $24.5 million in total. Upon closing of the NMTC transaction, the investment fund will use its capital to make a $24.5 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 $24.5 million.

With regards to LADF's Sub-CDE, LADF Management, Inc. (*LADF's subsidiary entity*) will contribute $1,050 to capitalize the LADF Sub-CDE and own 0.01% share in the LADF Sub-CDE. LADF will earn $78,750 in annual income related to management services it provides on behalf of the Sub-CDE.

LADF's Sub-CDE will provide two QLICI notes – matching one with the leverage loan ("**A note**") and the other with the NMTC equity component ("**B note**"). The A notes will have interest rates of 1.03% 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 $13.58 million of capital redeployment
2. LADF Sub-CDE – next $10.50 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 Wells

Fargo Bank to identify for reinvestment a project within the City of Los Angeles that is acceptable to both entities; thereafter Wells Fargo Bank can remove LADF Management, Inc. as managing member of LADF XXXII, 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 Wells Fargo 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 March 19, 2024, prior to the CDFI Fund's March 21, 2024 threshold deadline under the 2023 NMTC Application requirements for investing certain percentages of prior NMTC Allocations. 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*: Completed
- *Permits (RTI)*: Expected in September 2024
- *Tenant Leases*: *Not Applicable*
- *GMP Construction Contract*: Contract to-be-signed prior to closing; however, GMP contract amount and schedule of values will be incorporated by May 1, 2024. The GC bid out the project to subcontractors on Feb. 19, 2024, with an expectation to receive responses in 4 weeks, or Mar. 18, 2024. As such, the working capital portion of the project budget will remain available to be applied as construction contingency in the event the GC's contract amount is higher than what is currently budgeted.
- *Financing Commitments*: LOIs have been issued by Wells Fargo (*as NMTC Investor*), LADF (*as NMTC Allocatee*), and Genesis LA (*as NMTC Allocatee*).
- *Outstanding 3rd Party Issues*: As the lender in senior position on the subject property, City National Bank must consent to the QLICI loans being made in subordinate position. CNB's consent will be received prior to NMTC 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 2015 Census Tract 06037191810. The population within the Census tract is 3,501 individuals per the 2015 Census. Based on the CDFI Fund's GeoCode Report for the site, LADF has determined that the site is located in a Qualified Census Tract based on the following eligibility measure(s):

- Poverty Rate of **32.10%** (*greater than 20%*)
- Median Family Income of **45.07%** of the greater Metro area (*less than 80%*)

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

- Poverty Rate of **32.10%** (*greater than 30%*)
- Median Family Income of **45.07%** of the greater Metro area (*less than 60%*)

2016-2020 ACS Data

The subject site is located in the 2020 Census Tract 06037191810. The population within the Census tract is 3,188 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 **20.50%** (*greater than 20%*)
- Median Family Income of **50.78%** of the greater Metro area (*less than 80%*)

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

- Median Family Income of **50.78%** of the greater Metro area (*less than 60%*)

QALICB Analysis

The QALICB in the transaction will be a portion of the business ("**POB**") of the Sponsor, PAF. LADF has required that an AUP report be provided for the transaction affirming that the POB will satisfy the requirements for a QALICB at closing of the transaction, and also provide reasonable expectations that the POB will remain a QALICB through the end of the 7-year NMTC compliance period. The QALICB will be considered a business engaged in "Real Estate Activities", as defined by LADF's 2020 Allocation Agreement[1], because its sole business activity is the development of the project.

The QALICB will meet the Non-Qualified Financial Property ("**NQFP**") Test. 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. The transaction will be structured to pass the NQFP test.

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 $10.5 million in allocation from LADF's 2020 Allocation award from the CDFI Fund. With the closing of this transaction and the Hollywood Arts Phase II transaction, the 2020 Allocation award will be 100% invested. Of the 2022 Allocation $35 million remains un-deployed.

[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
LOS ANGELES DEVELOPMENT FUND

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

- §3.2(a) –LADF's allocation will be used to make a loan to a QALICB
- §3.2(b) – Project is located in the County of Los Angeles
- §3.2(c) – LADF XXXII, 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 using 2020 allocation 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 marked "Applicable" in LADF's 2020 Allocation Agreement. However, the Project does not include any housing units, so LADF will maintain compliance with Section 3.2(k).

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

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

LADF's QLICI notes bear interest rates of 1.03% and satisfy part (b) of this paragraph. To support compliance with this provision, LADF will obtain a standard lending rates and terms letter from Wells Fargo Bank. The current draft of this letter indicates that the market interest rate for the transaction would be around 8.50% for note A and around 15.0% for note B as subordinate debt, 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 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:

(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

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

(ii) no more than 5 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 $4.78 million in subsidy *(net of NMTC closing costs, placement/origination fees, management fees, and on-going expenses*) to the Project, approximately 19.50% of the $24.5 million QEI in the transaction and 16.59% of the $28.8 million total project cost.

Given the nonprofit Sponsor and social service nature of the proposed facility, the Project could not move forward without the NMTC equity injection. Community facilities projects such as the PAF historically have relied on public funding sources and capital campaigns to provide funds for development costs. The Sponsor already has expended and reserved a significant amount of equity (*approx. $16.57 million*), using capital campaign funds. Its ability to raise an additional $4.78 million for this project is highly unlikely and would take a substantial amount of time. Without the NMTC financing, the Project would need to be scaled back or could not move forward without raising the gap funding through a larger capital campaign than anticipated.

COLLATERAL AND GUARANTEES

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

- Junior Deed of Trust on the QALICB's fee interest in the subject property (*second in lien priority behind City National Bank's senior loan with outstanding principal balance of $4.3 million*)
- Security interest in the construction disbursement and reserve accounts (*totaling $22.5 million at NMTC Closing*); and
- Additional security for the QLICI loans will consist of guaranties from the Sponsor.

The Sponsor and Leverage Lender (*newly formed nonprofit and supporting organization of the Sponsor*) will provide an indemnity to the CDE lenders for environmental losses. The Sponsor and Leverage Lender will also provide an indemnity to the Investor for reimbursement of lost tax credits and losses related to loss of tax credits. The Leverage Lender 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. To cure any default under the QLICI loan agreement, LADF would exhaust its remedies against the Sponsor before it could pursue remedies under the Leverage Lender's guaranties provided.

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 Leverage Lender (*a newly formed nonprofit and supporting organization of PAF*) and Wells Fargo Bank (*as the Investor*) at NMTC Closing. Wells Fargo Bank may exercise its put option and sell its respective interest in the Fund to the Leverage Lender for $1,000. If Wells Fargo 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: POST-CLOSING ITEMS (GMP, PERMITS AND PLAN & COST REVIEW)

In order to qualify for receiving NMTC Allocation from Genesis, the transaction is required to close by the threshold deadline under the Notice of Allocation Authority for the 2023 NMTC Application, which is March 21, 2024. This threshold deadline is the date by which CDE applying for 2023 Allocation must have certain percentages of prior round allocations invested.

Thus, in order to meet this timeline, the transaction will need to close prior to (i) the project receiving its building permits from the City of LA and (ii) the CDE lenders obtaining a final plan and cost review from PACS. Additionally, it is expected that the GC won't receive final bids from subcontractors prior to closing and therefore will be unable to provide a final contract amount with schedule of values. While the GC contract will be executed prior to closing, the schedule of values will be attached to the contract after closing.

MITIGANTS

To mitigate the risks associated with accepting these items as post-closing items, the CDE lenders will take the following measures:

- Prior to receiving the RTI letter, funding of draws will be restricted to the following items (*estimates*):

Elevator and Switch Gear Deposit	$1.40 million
NMTC Closing Costs	$1.44 million
Interest Charges through December 2024 (*excluding portion paid out of NMTC fee reserves*)	$279,000
Total	**$2.72 million**

- At the Lenders' discretion, the $2.8 million budgeted for working capital is available as a contingency to address any shortfalls in the construction budget. Should it become necessary to reallocate funds from the working capital budget to cover construction cost overruns, this will result in a corresponding decrease in the periodic draws from the working capital. Following are the restrictions related to potential draws from the working capital line:

Construction Completion Milestone	**Allowable Working Capital Draw Amount**
➢ 25%	$566,000 (*33% of $1.7 million*)
➢ 50%	$566,000 (*33% of $1.7 million*)

➢ 75%	$566,000 (*33% of $1.7 million*)
➢ 100%	$1,100,000 (*remaining WC budget*)
Total	**$2,800,000**

- With regards to the proposed releases of working capital at the various construction completion milestones (*see table above*), the milestones at 25%, 50%, and 75% completion will allow releases of 33% of $1.7 million of the total $2.8 million working capital budget. And at final 100% completion, the remaining $1.1 million may be released. Should a portion of the working capital budget be reallocated to the construction budget due to cost overruns, then the amounts released at each milestone will be reduced commensurately and retain the same disbursement schedule of 33% releases at each milestone of 25%, 50%, and 75% completion with $1.1 million held for release at completion, assuming that it has not been used to cover cost overruns.

  The $13.35 million hard cost budget includes $1 million in contingency and LADF staff, Genesis, and Wells Fargo consider $2.8 million (an additional 19% of the $13.35 million total hard cost budget) to be sufficient additional contingency to cover possible cost overruns.

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 $13.6 million was returned to the CDE lenders.
- 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 $210,000). LADF will receive fee in lump sum at closing.
- CDE Servicing & Compliance Fee – 0.75% of QEI per year for $10.5 million of 2020 Allocation

  - This equates to $551,250 (quarterly installments of $19,687 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 $655,250, 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.

POLICY EXCEPTIONS

None.

RECOMMENDATION

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

ATTACHMENTS

EXHIBIT A: Project Angel Food Flow of Funds (*as of February 14,* 2024 – Final Projections Pending)

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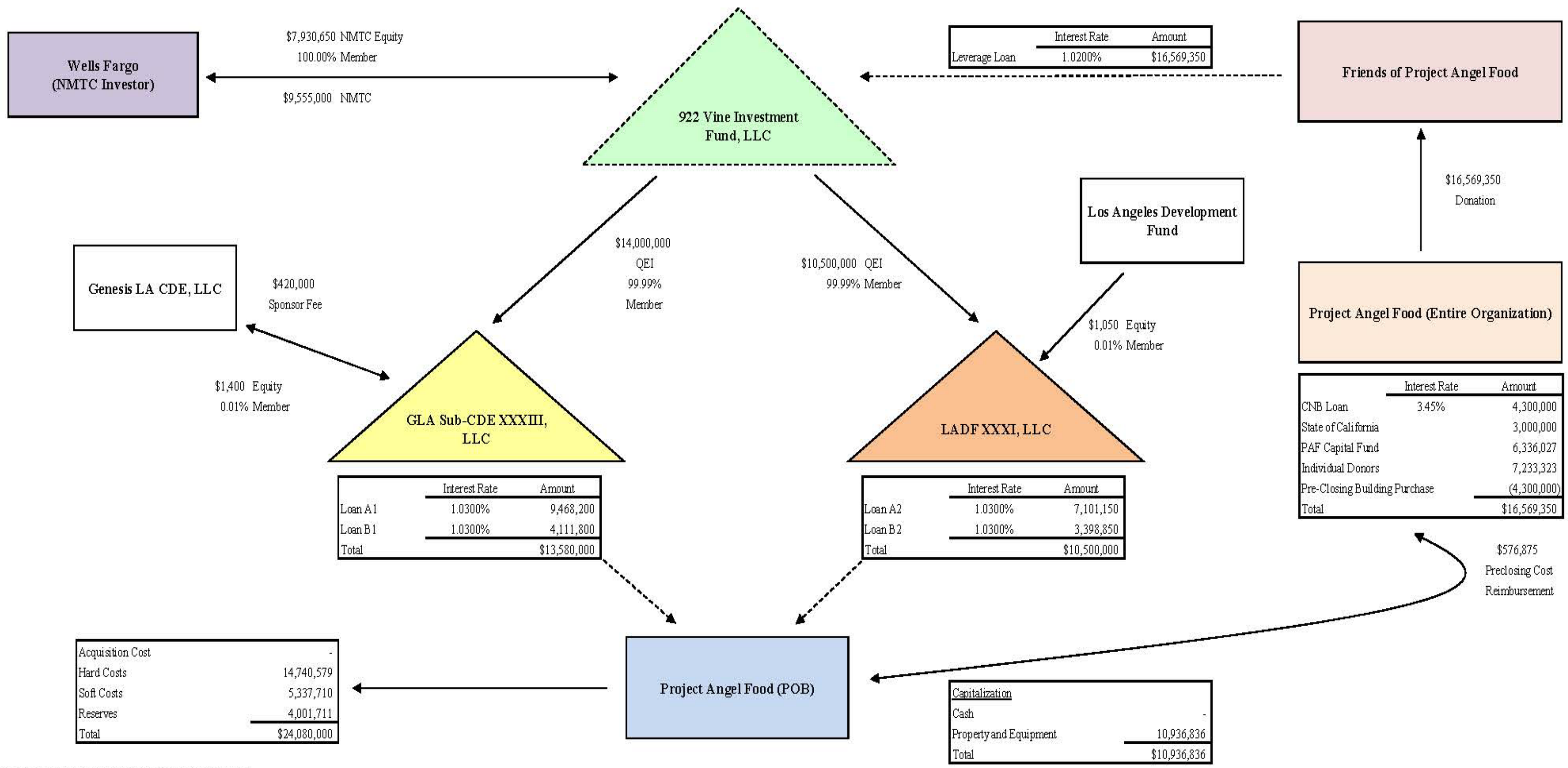

* Project Angel Food (POB) will operate the facility directly.