

REPORT OF THE PRESIDENT AND CEO

March 29, 2018

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO ENTER INTO A FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT TO MODIFY THE SCHEDULE OF PERFORMANCE AND PUBLIC IMPROVEMENT LOAN WITH PRIMESTOR JORDAN DOWNS, LLC; APPROVING MODIFICATIONS TO THE LONG-TERM GROUND LEASE TO ADDRESS FINANCIAL AND DEAL STRUCTURE TERMS NECESSARY TO UNDERTAKE THE DEVELOPMENT OF RETAIL PHASE 1C; AND EXECUTION OF AGREEMENTS WITH NEW MARKET TAX CREDIT LENDERS AND PRIMESTOR JORDAN DOWNS, LLC TO PROTECT THE RIGHTS AND REMEDIES OF THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES AS LANDLORD AND VARIOUS EXISTING AND FUTURE LENDERS, INVESTORS AND SUB-TENANTS

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Douglas Guthrie
President and CEO

Jenny Scanlin
Chief Strategic Development Officer

REQUEST: To authorize the President and CEO to enter into a First Amendment to the Disposition and Development Agreement (“DDA”), incorporate revisions to the long-term Ground Lease, and related documents with Primestor Jordan Downs, LLC (“Developer” or “Owner”) and various lenders for the development of the Jordan Downs Retail Phase, an approximately 118,000-square foot commercial retail center (“Project” or “Retail Phase 1C”), with such minor revisions to these documents as approved by legal counsel, and the undertaking of various actions in connection therewith.

FUNDING: The Developer is in the process of obtaining funds necessary to finance the \$44.3 million in costs associated with the development of Retail Phase 1C including \$9.3 million in New Market Tax Credit Equity and \$32.4 million in equity provided by Primestor DevOp, LLC and a Federal Realty Investment Trust as members of Primestor Jordan Downs, LLC and expects to close on their financing by May 1, 2018. On May 25, 2017 the Board of Commissioners’ authorized through Resolution 9360, the use of up to \$2,673,328 in assistance, consisting of a Public Improvement Loan that covers costs up to \$500,000 for construction of Lilac Street, a carryback note amounting to \$1,500,000 for the Developer’s proportional share of the Century Boulevard improvements, and the assignment of up to \$673,328 of Developer’s portion of an Authority B-Permit Reimbursement Note from BRIDGE Housing Corporation for the construction of Laurel Street.

The Chief Administrative Officer confirms that no additional funds are required as a result of the actions recommended in this report and \$2,673,328 in funds approved for the Public Improvement Loan are still available from previously earmarked and committed proceeds.

The Retail Phase 1C transaction incorporates a \$150,000 payment to the Authority for costs incurred by the Authority to develop and monitor the Project paid out at the financial closing of the Project. Developer will also provide the Authority with a

partial payment towards the Multi-Phase Predevelopment Loan provided to Jordan Downs Community Partners, LLC for master planning activities in the amount of approximately \$375,000 for predevelopment work directly benefitting Phase 1C. The \$375,000, paid at Closing, will be utilized to replenish the \$3.2 Predevelopment Cost Ceiling Commitment required under Section 7.4.2 of the Master Development Agreement and Board Resolution No. 8969.

PURPOSE: To consider recommended amendments and modifications to the DDA, Ground Lease and other ancillary documents with the Developer to effectuate the financial construction closing for the Project.

ISSUES:

Background Retail Phase 1C is part of the first phase of the redevelopment of Jordan Downs and is expected to be constructed on approximately 9.6-acres of vacant land spanning the eastern boundary of the 21-acre industrial property purchased by the Housing Authority of the City of Los Angeles (“HACLA”) in 2008 to initiate its vision of the Jordan Downs Urban Village.

On June 28, 2012, the Authority’s Board of Commissioners unanimously authorized the President and CEO to execute a Master Development Agreement (“MDA”) with Jordan Downs Community Partners, LLC, (“Master Developer”), a joint venture of the BRIDGE Housing Corporation (“BRIDGE”) and The Michaels Development Company I, L.P., a New Jersey limited partnership (“Michaels”), for the redevelopment of Jordan Downs. The Master Developer’s response to the Housing Authority’s RFQ, identified Primestor, Inc. as the developer for all commercial development within the proposed master plan. The Housing Authority’s review of the Master Developer’s collective experience and qualifications incorporated in its’ evaluation the expertise of Primestor, Inc. and in 2016 by Resolution 9282, the Authority, Master Developer and the Developer entered into an Assignment of Rights to Develop the Retail Site and First Amendment to Master Development Agreement, providing Primestor Jordan Downs, LLC rights to develop the Phase 1C Retail Project.

The Authority and Developer have been working closely to implement the vision of a redeveloped Jordan Downs since Board approval of all deal terms and legal documents in May 2017. The Developer has progressed significantly in finalizing its site plan, architectural designs, and ensuring its entitlement package is complete. The Developer has marketed the site rigorously, executed Letters of Intent with its master tenants and key shop tenants and is currently negotiating final lease documents. The Financing Plan for Phase 1C has progressed steadily as funding strategies have solidified in the past few months with further certainty of lease terms and construction costs.

When developed, the Project will contribute to the health, welfare and economic vitality of the Watts community through the creation of new businesses; quality prevailing wage construction jobs for residents of the local community as well as permanent jobs within the development, currently estimated at 344 full-time equivalent; and meet the need for healthy food options and other underserved commercial retail needs. The Developer expects to open the commercial center in late 2019.

Prior to construction closing, the Authority reviews all funding assumptions based on final updated appraisal values, debt/equity terms, and income projections. Based on staff review and further discussion with the Developer it was determined that adjustments to some of the deal terms and documents were necessary to address changes in conditions, risk, and return for both the Developer and HACLA. The actions recommended in this report provide for these necessary modifications and create an appropriate approach that protects public investment and HACLA as a fee owner, lender and regulatory body. Otherwise, the actions taken under Resolution 9360 are still valid and provide all authority necessary to move the Project forward under administrative review and approval of the President and CEO or his designee. The Authority staff, as well as the Authority's outside legal counsel, Reno and Cavanaugh, and third party financial advisors CSG and EPS have negotiated the deal points and drafted the documents referenced in this report.

DDA

The DDA was executed by Developer and HACLA in July 2017 and incorporated a Schedule of Performance for key submittal dates with the expectation that construction financing would close by November 30, 2017 and construction would start in January 2018. However, the predevelopment timeline has been extended as a result of the design review process, the need to conform the project to the Specific Plan, the site preparation required by HACLA to have the property ready to deliver as clean and buildable, and the complexity of incorporating up to four lenders in the New Market Tax Credit deal. The First Amendment to the DDA is required to address these shifts and extensions in the Schedule of Performance to allow for financial closing and construction start by the 3rd quarter of 2018 and the delivery of the Project to be slated for 15-18 months after construction start.

As a result of the extension on the Retail Phase 1C construction schedule, it has been determined that Lilac Street, which borders both Phase 1C and Phase 1B residential will be constructed by the developer for Phase 1B. Therefore, the funds in the Public Improvement Loan associated with covering Phase 1B's portion of construction (\$250,000) will be removed and are recommended to be provided to the Phase 1B developer directly instead. Additionally, the Developer and HACLA have determined that the Project will only require \$1 million in funding through the Public Improvement Loan and the balance of public improvement obligations will be paid out of conventional debt or Developer equity. The Public Improvement Loan will consist of the assignment of the note for Laurel, the funding for Lilac and a portion of the cost for Century Boulevard.

Ground Lease

Under the terms of the Ground Lease, the Authority will lease 9.6 acres of land for the Project ("Property") to the Owner for a period of 55 years with two 10-year options for renewal. The ground rent structure is an important component of the ground lease and includes four different rent calculations. No changes are being requested to the construction phase, where Developer will pay a Construction Ground Lease rent of \$12,000 per year and all required property taxes for a term equal to the earliest of 19 months after the ground lease is effective or 75%

occupancy of the retail center. Additionally, no changes are being requested for the first ten years of the Operation Period Rent, which starts at \$85,000 per year in Years One through Five after stabilization and goes up to \$93,500 per year for Years Six through Ten.

However, the calculation for Year 11 on, which is intended to represent a Fair Market Value Rent is recommended to be adjusted to reflect adequate risk and return requirements for the Developer and reasonable available cash flow to satisfy tax credit investors. An appraisal for the property was conducted by HACLA by Curtis-Rosenthal Incorporated and produced a fair market value on the land of \$12,283,920. The revisions to the ground lease rent calculation assume an annual rent starting in Year 11 to be set at 5% of the fair market value of the land after deducting all direct costs of a vapor barrier system to be constructed under approximately 70,000 square feet of building space per the requirements of the Department of Toxic Substance Control. The initial fair market rent set in Year 11 will incorporate a Consumer Price Index ("CPI") adjustment on the 5% calculated from Year 1-10 as the base rate. Instead of the initial requirement for upward adjusters every five years and a reappraisal every ten years, the revised terms would continue the base rent and annual CPI adjustments bracketed by no lower than 1% or higher than 3% in any one year.

Ground lease rents are based on a percentage of the fair market fee simple value. According to research of public ground leases across the Los Angeles basin and in similar markets, rents fall between the 5 to 8 percent range of fair market value for long-term ground leases that support private real estate development. The return public agencies accept is affected by: (1) whether there is upside participation for the public agency/lessor or not; (2) the aggressiveness of the escalation schedule/re-appraisal frequency in the ground lease; (3) the length of the ground lease; (4) the scale of planned investment in infrastructure and buildings (as well as the presence of any existing improvements); and, (5) whether any special community benefit is provided by the proposed project. Upside participation, high escalation rates, and community benefits typically serve to reduce the ground rent return that is accepted. Based on the fact that HACLA will also participate in net cash flow, the proposed structure guarantees annual escalation in the rate by CPI, the extended length of the ground lease, the extensive off-site investments and A-Class buildings being proposed to complete the Project, and the risk of the retail market in this area returning conservative tenant pricing justifies a fair market value on the lower end of the spectrum.

A new provision has been added to the rent calculation at a sale or capital event that would allow HACLA to make up for any deferred rent or repayment of the public improvement loan and mitigate loss of participation rights. This Post Sale Rent escalation would provide an increase in the rent by .25 percent if HACLA is not re-paid the public improvement loan in full as part of the sale and 1.0 percent increase on ground rent if HACLA is not re-paid for its ground lease discount at sale. Both provisions would ensure equivalent re-payment through the end of the lease term on a net present value basis.

The Ground Lease revisions also provided further clarity to the definition of Net Project Costs to ensure it covers all reasonable soft and hard costs related directly to the development of Retail Phase 1C and provided the Developer additional time

to close out their Project-related costs and establish their base line of Net Project costs. A new concept of Additional Net Project costs has been added allowing the Developer to submit a request that HACLA, as landlord, consider allowing any additional capital expenses be added to the value of the prior certified Net Project Cost if those costs are incurred after depleting the Capital Reserves Account or are (i) in excess of \$0.60 per foot per year, (ii) not included in Lessee's Annual Operating Costs, (iii) not covered by insurance, and (iv) made more than five (5) years after the Project is constructed and are not reimbursed in whole or substantially in part directly by subtenants. These costs can be submitted starting in Year 11 and are accumulated and submitted in any tenth lease year. The purpose of this added concept is to incentivize the Developer to make extraordinary capital investments in the retail center if required or necessary by providing them with a reasonable manner to recoup their investment within their calculated return rate which is based on a percentage of Net Project Costs.

HACLA has negotiated the current ground lease payment structure and profit participation based on a clearer sense of the Project's economics. HACLA staff, along with its third-party financial advisor and underwriter, reviewed all funding assumptions and believe these recommended adjustments are to the ultimate benefit of all Parties and ensure the viability of the Project. Although the final structure shows a slightly lower projected return to HACLA, the reduction is not the result of any changes in the deal terms but is wholly reliant on the actual income from rents expected to be achieved under the Final Financing Plan. The return comparison is further described in detail in the attached memorandum from HACLA's consultant, EPS. HACLA is forecast to receive \$162.6 million in nominal dollars over the 75-year lease term. This represents about \$61.4 million in inflation-adjusted, constant dollar terms, an average of \$820,000 annually. The net present value of the forecasted HACLA revenue stream is estimated to be \$18.9 million, when a 5 percent discount is applied.

Ground Lease Indemnity

The Authority has been in discussions with Atlas Iron & Metals Co., its neighbor, on securing the removal of the border wall on Lot 15 which encroaches slightly on the Ground Lease property from Alameda Street to the proposed termination of Lilac Street. Resolution of the encroaching wall can be handled through various means which are being explored but will not be concluded prior to closing on title (the "Financial Close"). In order for the Financial Close to occur, which requires delivery of the site in a clean and buildable condition, the Developer, and its financiers require that the Authority indemnify, defend and hold harmless the Developer against certain financial impacts caused by any delays in addressing the encroaching Atlas wall such as costs associated with delays in the construction schedule. In exchange for accepting the encumbered property and the indemnities, the Developer has agreed to work with the Authority in good faith to identify various alternatives to address the wall encroachments.

Non-Disturbance Agreements

Under the current financing structure the Developer is not expecting to utilize conventional debt and therefore the Authority will not be required to subordinate to debt financing outside of provisions for priority returns to the Developer on their

equity. However a key aspect to the feasibility of this Project is the use of New Market Tax Credits. In order to induce lenders to make what will amount to leasehold loans with this tax credit product, HACLA will need to execute a Non-Disturbance, Attornment and Estoppel Agreement with all four New Market Tax Credit lenders which provides these lenders notice and cure rights and an assurance that HACLA will not encumber the fee or its ground lease interest without notice and agreement from lenders. Additionally, sub-tenants have requested execution of a Fee Owner Recognition Agreement which recognizes their rights in tenancy in case of termination of the ground lease.

*Various
Authorities*

The final versions of the Disposition and Development Agreement, Ground Lease and Right of First Refusal, the Public Improvements Loan Documents, the B-Permit Reimbursement Loan Agreement, and all other supplemental documents (collectively, the "Authority Financing Documents") may require finalization of non-key provisions which the President and CEO, with the support of the Authority's senior staff attorneys, outside legal counsel and staff, will finalize prior to their execution. Examples of such non-key provisions include compilation and insertion of various supporting exhibits and documents, selection of specific terminology to appropriately refer and identify parties, events and periods and clarification of other references and concepts. The final language of such non-key provisions will not materially alter the negotiated Authority Financing Documents or other ancillary documents or key business terms.

SECTION 3: HACLA has approved the Developer's Construction Section 3 Plan. The Developer will ensure that the residents of the Jordan Downs public housing community, other low-income Watts neighborhood residents, participants of Youth-Build, and qualifying residents in the City of Los Angeles have the opportunity to share in the economic benefits generated by the proposed development. Local Hire and Section 3 requirements for the Developer and their General Contractor will require the use of best efforts to set aside at least thirty percent (30%) of all new construction jobs generated by the redevelopment, first for residents of Jordan Downs, second for residents of Watts, third to HUD's Youth-Build Program in the City, and finally to residents of the City to the maximum extent feasible. Furthermore, the Developer and their General Contractor shall strive and use best efforts to set aside at least ten percent (10%) of their overall 30% Section 3 commitment for disadvantaged workers. Additionally, the Owner is committed to providing 10% of the total dollar amount of building trades work for all construction contracts and 3% of the total dollar amount of all non-construction contracts to Section 3 Businesses.

A Section 3 Plan has also been developed for the post construction phase and the Developer will require its Anchor Tenants to implement a Section 3 hiring plan for opportunities generated post construction. The plan includes an exclusive two week job posting with Watts/Los Angeles WorkSource Center before doing a general solicitation and outreach in order to achieve maximum job placements for Jordan Downs residents.

CEQA: No further environmental review is required for the Authority's recommended actions because based on the project record there has been no change to the Jordan Downs Redevelopment or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164. Based on this, the Authority will file a Notice of Determination after the Board of Commissioners has acted on this item. The mitigation measures and related conditions of approval applicable to the Jordan Downs Redevelopment have been reviewed and will be monitored for compliance.

NEPA: Pursuant to 24 CFR Part 58, the City of Los Angeles, through its Housing and Community Investment Department serves as the environmentally responsible entity in preparation of the Environmental Assessment and Finding of No Significant Impact (EA/FONSI) for the Jordan Downs Public Housing Community Project. The EA/FONSI was circulated for public review on June 13, 2014 through July 2, 2014. On December 22, 2015 a technical memorandum was prepared to review any changes to the project description. Based on this memorandum HCID/LA found that changes to the project description did not result in changes to the conclusion of the EA/FONSI. On February 11, 2016 the U.S. Department of Housing and Urban Development's Office of the Field Office Director issued approval of the Housing Authority's Environmental Certification.

Attachments:

1. Resolution
2. EPS Memorandum (March 20, 2018)
3. List and description of all modified Financing Documents

ATTACHMENT 1

RESOLUTION

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO ENTER INTO A FIRST AMENDMENT TO THE DISPOSITION AND DEVELOPMENT AGREEMENT TO MODIFY THE SCHEDULE OF PERFORMANCE AND PUBLIC IMPROVEMENT LOAN WITH PRIMESTOR JORDAN DOWNS, LLC; APPROVING MODIFICATIONS TO THE LONG-TERM GROUND LEASE TO ADDRESS FINANCIAL AND DEAL STRUCTURE TERMS NECESSARY TO UNDERTAKE THE DEVELOPMENT OF RETAIL PHASE 1C; AND EXECUTION OF AGREEMENTS WITH NEW MARKET TAX CREDIT LENDERS AND PRIMESTOR JORDAN DOWNS, LLC TO PROTECT THE RIGHTS AND REMEDIES OF THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES AS LANDLORD AND VARIOUS EXISTING AND FUTURE LENDERS, INVESTORS AND SUB-TENANTS

WHEREAS, the Housing Authority of the City of Los Angeles (“Authority”) intends to transform the Jordan Downs public housing community into a mixed-income, mixed-use, environmentally friendly, vibrant urban village, conducive to healthy living and economically progressive conditions; and

WHEREAS, on August 1, 2012, the Authority’s President and CEO executed a Master Development Agreement (“MDA”) with Jordan Downs Community Partners, LLC, (“the Master Developer”) for the redevelopment of Jordan Downs (the “Redevelopment”) following which the MDA was further amended on July 13, 2017 to assign responsibility from the Master Developer to Primestor Jordan Downs, LLC (“Phase 1C Owner”) as the Owner Entity for development and management of the retail/commercial Phase 1C of the Redevelopment; and

WHEREAS, the Authority and Phase 1C Owner executed a Disposition and Development Agreement on July 13, 2017 and have been working to implement the vision of the vertical commercial development of the Phase 1C Project (the “Project”) through community engagement, feasibility studies, site preparation, architectural review and financial analysis; and

WHEREAS, the Project will be comprised of an approximately 118,000 square feet neighborhood commercial retail center, anchored by a fresh food grocery store and providing 500 parking spaces including electric vehicle charging stations, bicycle parking, significant landscaped and programmed pedestrian linkages and plazas, and will provide local permanent and construction employment opportunities; and

WHEREAS, the Phase 1C Owner expects to obtain all funding necessary to finance the development of the Project including \$9.3 million in New Market Tax Credits by April 30, 2018; and

WHEREAS, on May 25, 2017 the Board of Commissioners under Resolution 9360 approved the form of DDA, Ground Lease, the Public Improvements Promissory Note, the Public Improvements Loan Agreement, the Public Improvements Leasehold Deed of Trust (with the Public Improvements Promissory Note and the Public Improvements Loan Agreement, the “Public Improvements Documents”) , the Authority B-Permit Reimbursement Agreement, the Offsite Improvement Access Agreement and other ancillary documents (collectively “the Authority Financing Documents”), subject to minor non-material editorial revisions; and

WHEREAS, after analyzing the updated Project financing as well as lender, equity and sub-tenant terms, HACLA staff determined that material provisions of key documents should be amended or added to improve and update deal terms and desired to recommend such terms for the Board of Commissioners consideration and approval; and

WHEREAS, under the California Public Resources Code, Section 21166 and the California Environmental Quality Act (CEQA) including but not limited to sections 15162, 15163 and 15164, on the basis of substantial evidence contained in the whole record, that since the adoption of the Environmental Impact Report (ENV-2010-32-EIR) by the City Planning Commission on April 17, 2013, for the Jordan Downs Urban Village Specific Plan which incorporated all the components of the JD Redevelopment (the "Project") including the Phase 1C Project currently being proposed, there have been no changes to the Project, changes with respect to the circumstances under which the Project is being undertaken, or new information of substantial importance concerning the Project, which cause new significant environmental effects or a substantial increase in the severity of previously identified effects in the Environmental Impact Report; two addendums to the FEIR were prepared on January 11, 2016 and April 4, 2016 respectively to address any additional impacts not considered in the EIR as the result of a proposed Specific Plan Amendment and found no subsequent EIR, addendum or further environmental documentation is necessary; this entire record was considered by the City Planning Commission on April 14, 2016 and has been provided to the Board of Commissioners in their consideration of this item.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Housing Authority of the City of Los Angeles does hereby authorize and approve the President and Chief Executive Officer, for and on behalf of and in the name of the Authority, to negotiate, execute and attest to the Authority Financing Documents, their proposed amendments as specified in the Board Report incorporated herein by reference and any other documents, agreements and certificates necessary to accomplish the transaction contemplated by this Resolution, with such changes therein as approved with the advice of legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof; and

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

APPROVED AS TO FORM:
MICHAEL FEUER

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

CITY ATTORNEY



BY: _____
GENERAL COUNSEL

BY: _____
CHAIRPERSON

DATE: _____

ADOPTED:

ATTACHMENT 2

EPS MEMORANDUM

MEMORANDUM

To: Jenny Scanlin, HACLA
From: Teifion Rice-Evans and Michelle Chung
Subject: HACLA Revenue Forecast for Jordan Downs Commercial Ground Lease
Date: March 20, 2018

The Economics of Land Use



The Housing Authority of the City of Los Angeles and Primestor Jordan Downs, Inc. are in the process of completing their ground lease negotiations. In early 2017, Economic & Planning Systems, Inc. (EPS) developed a financial analysis to estimate potential revenues to HACLA under different ground lease terms, market conditions, and other pertinent factors. This memorandum provides a brief description of the revenue forecasts to HACLA under the current (March 2018), expected ground lease terms and a series of market, inflationary, and other factors/ assumptions. It also compares the results of the March 2018 financial analysis revenue forecasts with those developed in March 2017 when less specific information was known about developer revenues, project development costs, land values, and ground lease terms. The forecasts are based on the developer holding the development through the full lease term. The lease includes specifications if a sale occurs.

There are numerous factors/ assumptions that underpin the results of the forecasts of revenue to HACLA. The ground lease terms are key as they define the two components of the HACLA revenue stream, including the base ground rent payments as well as the additional participation payments.¹ Other key factors, include: (1) retailer leases - the terms between the retailers and the developer (Primestor, Inc.) that determine gross operating revenues and their adjustments through time; (2) Development Costs - the ultimate net project development costs that, under the terms of the ground lease, will determine the base return the developer will receive prior to HACLA participation; and, (3) market performance of the project through time and its effects on retailer tenure, retailer lease re-negotiations, and other revenue drivers (and the potential need for additional developer capital investments over time).

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¹ Additional participation payments are expected to pay back the public improvement loan and recoup below-market ground rent payments in the first ten years as well as allowing HACLA to benefit from project economics in the later portion of the lease term.

Current Revenue Forecasts

Table 1 shows the forecast of potential HACLA revenues under the current ground lease terms, the latest estimates of net development costs, the expected leases between the retailers and the developer, and other assumptions. A forecast of total revenues is provided along with the two core components, the direct ground lease payments and the participation component. The revenue forecasts are provided in nominal dollar terms and, more importantly, in today's inflated-adjusted constant dollar terms, and as a net present value using a 5 percent discount rate. Key observations include:

- HACLA is forecast to receive \$162.6 million in nominal dollars over the 75-year lease term. This represents about \$61.4 million in inflation-adjusted, constant dollar terms, an average of \$820,000 annually. The net present value of the forecasted HACLA revenue stream is estimated to be \$18.9 million, when a 5 percent discount is applied.
- Direct ground rent payments provide a larger proportion of revenues than the additional participation payments. In constant dollar terms, the direct ground rent payments are forecast to provide about \$37 million, about \$500,000 annually, to HACLA over 75 years. The additional participation, which by its nature, is more uncertain is forecast to provide an additional \$24 million, about \$325,000 annually.
- As intended, the ground rent payments and additional participation are modest in the first decade to support project economics. At the start of the second decade (Year 11), the direct ground rent payment increases to market rate and ground rent payment are greater from the second decade onwards. Overall project economics are not expected to provide major additional participation in the second decade, though by the third decade and increasing thereafter participation becomes a larger portion of the HACLA revenue stream.

Table 1 – Potential HACLA Revenues

Return to HACLA	Years 1-10	Years 11-20	Years 21-40	Years 41-75	Total Years 1-75	Annual
Nominal Dollars						
Ground Rent Payments	\$892,500	\$7,252,740	\$20,760,153	\$63,474,129	\$92,379,522	\$1,231,727
Additional Participation Revenues	<u>\$859,390</u>	<u>\$396,269</u>	<u>\$10,591,690</u>	<u>\$58,416,802</u>	<u>\$70,264,150</u>	<u>\$936,855</u>
Total	\$1,751,890	\$7,649,008	\$31,351,843	\$121,890,931	\$162,643,672	\$2,168,582
Annual	\$175,189	\$764,901	\$1,567,592.16	\$3,482,598.03	\$2,168,582.29	–
Constant Dollars						
Ground Rent Payments	\$799,807	\$5,313,675	\$11,274,510	\$19,730,392	\$37,118,384	\$494,912
Additional Participation Revenues	\$741,110	\$278,759	\$5,491,444	\$17,705,771	\$24,217,083	\$322,894
Total	\$1,540,917	\$5,592,433	\$16,765,954	\$37,436,163	\$61,335,467	\$817,806
Annual	\$154,092	\$559,243	\$838,297.69	\$1,069,604.65	\$817,806.23	–
Net Present Values (5%)						
Ground Rent Payments	\$685,182	\$3,389,922	\$4,722,579	\$3,831,955	\$12,629,638	\$168,395
Additional Participation Revenues	\$597,353	\$166,804	\$2,176,528	\$3,308,708	\$6,249,393	<u>\$83,325</u>
Total	\$1,282,534	\$3,556,726	\$6,899,107	\$7,140,663	\$18,879,031	\$251,720
Annual	\$128,253	\$355,673	\$344,955.35	\$204,018.96	\$251,720.42	–

Comparison to Former Revenue Forecasts

Table 2 shows a comparison of the current (new scenario) HACLA revenue forecasts with the preliminary forecasts (former scenario) developed in March 2017. Revenue forecasts are compared for the 75-year ground lease terms in constant dollars and net present value dollar terms. Key observations include:

- The new revenue forecasts to HACLA are between 70 and 80 percent of the prior forecasts (depending on the constant dollar or net present value comparison).
- The difference is driven by newer, more specific information on the lease terms the developer was able to negotiate with individual retailers and their scale relative to the new development cost information. It was not driven by changes in the ground lease terms. The retailer lease terms included more modest annual increases in lease payments, and hence developer revenues, than originally assumed.
- The base ground rent payments are marginally higher under the new scenario than under the old scenario. This is the result of a higher appraised land value than originally assumed. The additional participation revenues are lower due to the more modest expected pace of increase in retailer revenues to the developer over time. By its nature, this revenue stream is more uncertain and will be dependent on market conditions and project performance over time.

Table 2 – Comparison of March 2018 to March 2017 Revenue Forecasts

Return to HACLA	Years 1-10	Years 11-20	Years 21-40	Years 41-75	Total Years 1-75	Annual
CONSTANT DOLLAR TERMS						
Former Scenario						
Ground Rent Payments	\$1,150,454	\$4,067,336	\$9,427,844	\$21,646,543	\$36,292,178	\$483,896
Additional Participation Revenues	<u>\$995,242</u>	<u>\$2,208,112</u>	<u>\$10,466,357</u>	<u>\$36,303,368</u>	<u>\$49,973,078</u>	<u>\$666,308</u>
Total	\$2,145,696	\$6,275,448	\$19,894,201	\$57,949,911	\$86,265,257	\$1,150,203
Annual	\$214,570	\$627,545	\$994,710.07	\$1,655,711.74	\$1,150,203.42	--
New Scenario						
Ground Rent Payments	\$799,807	\$5,313,675	\$11,274,510	\$19,730,392	\$37,118,384	\$494,912
Additional Participation Revenues	\$741,110	\$278,759	\$5,491,444	\$17,705,771	\$24,217,083	<u>\$322,894</u>
Total	\$1,540,917	\$5,592,433	\$16,765,954	\$37,436,163	\$61,335,467	\$817,806
Annual	\$154,092	\$559,243	\$838,297.69	\$1,069,604.65	\$817,806.23	--
NET PRESENT VALUES						
Former Scenario						
Ground Rent Payments	\$950,861	\$2,598,187	\$3,912,227	\$4,085,771	\$11,547,046	\$153,961
Additional Participation Revenues	\$814,251	\$1,381,215	\$4,228,247	\$6,685,952	\$13,109,666	<u>\$174,796</u>
Total	\$1,765,112	\$3,979,403	\$8,140,474	\$10,771,723	\$24,656,712	\$328,756
Annual	\$176,511	\$397,940	\$407,023.69	\$307,763.51	\$328,756.16	--
New Scenario						
Ground Rent Payments	\$685,182	\$3,389,922	\$4,722,579	\$3,831,955	\$12,629,638	\$168,395
Additional Participation Revenues	\$597,353	\$166,804	\$2,193,324	\$3,308,708	\$6,266,189	<u>\$83,549</u>
Total	\$1,282,534	\$3,556,726	\$6,915,903	\$7,140,663	\$18,895,827	\$251,944
Annual	\$128,253	\$355,673	\$345,795.14	\$204,018.96	\$251,944.36	--

ATTACHMENT 3

LIST AND DESCRIPTION OF ALL FINANCING DOCUMENTS REQUIRING MODIFICATION REFERENCED IN REPORT

**HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
JORDAN DOWNS RETAIL PHASE DOCUMENTS
REFERENCED IN BOARD REPORT**

PARTY KEY:

HACLA - Housing Authority of the City of Los Angeles Developer - Primestor Jordan Downs, LLC HACLA's Counsel - Reno & Cavanaugh, PLLC Phase IA Developer - Jordan Downs IA LP Assignor - Phase IA BRIDGE Housing Corporation	Phase IC Developer - Primestor Jordan Downs, LLC
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	DOCUMENT/ITEM	SIGNATORIES	RECORDABLE	DESCRIPTION
I.	SITE CONTROL DOCUMENTS			
1	Ground Lease Agreement (Jordan Downs Phase IC)	HACLA; Developer	NO	Tenancy document providing for a 55-year lease of the property to the Developer. Includes following indemnification provisions: (a) Developer indemnifies HACLA from claims, actions, costs, expenses, and attorneys' fees arising out of certain acts or omissions, including failure to comply with applicable laws; and (b) Developer indemnifies HACLA from claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial actions, and all costs and expenses incurred in connection with (i) Developer's failure to comply with applicable environmental laws, (ii) Hazardous Substances and Materials on the Property after commencement of lease, and (iii) Developer's act or omission regarding handling, treatment, removal, storage, decontamination, cleanup, transport, or disposal of Hazardous Substances and Materials. Further, HACLA indemnifies Developer from claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial actions, and all costs and expenses incurred in connection with (i) HACLA's failure to comply with applicable environmental laws prior to the commencement of the Lease, (ii) Hazardous Substances and Materials on the Property prior to commencement of lease other than as disclosed to Developer, and (iii) non-Developer acts or omissions regarding handling, treatment, removal, storage, decontamination, cleanup, transport, or disposal of Hazardous Substances and Materials prior to commencement of the Lease.
	A. Memorandum of Ground Lease and Right of First Refusal(Jordan Downs Phase IC)	HACLA; Developer	YES	Memorandum to be recorded evidencing the Ground Lease
2	First Amendment to Disposition and Development Agreement	HACLA; Developer	NO	Update to DDA modifying the schedule of performance with Primestor, approving certain modifications to the long-term ground lease, and non-substantive updates to various other documents to correctly reflect deal terms approved by the Board
3	Fee Owner Recognition Agreement	HACLA; Developer; Subtenants	NO	Document providing commercial subtenants of the Developer with certain attornment and recognition rights and obligations in the event of a termination of the Ground Lease by HACLA
4	Non-Disturbance, Attornment and Estoppel Agreement (Ground Lease)	HACLA; Developer; NMTC Lenders	NO	Document providing certain rights to Developer's NMTC lenders in the case of a termination of the Ground Lease with Developer
II.	PUBLIC IMPROVEMENTS LOAN DOCUMENTS			
5	Public Improvements Loan Agreement	HACLA; Developer	NO	Amendments to previously approved loan agreement to more accurately reflect agreed transaction structure
6	Public Improvements Leasehold Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing	Developer	YES	Amendments to previously approved deed of trust to more accurately reflect agreed transaction structure
7	Public Improvements Loan Note	Developer	NO	Amendments to previously approved promissory note to more accurately reflect agreed transaction structure
III.	REGULATORY DOCUMENTS			
8	Land Use Covenant and Agreement – Environmental Restrictions	HACLA; Department of Toxic Substances Control	YES	