

**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

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September 13, 2005

**TO:** Honorable Members of Transportation, and Housing, Community and Economic Development and Committees

**FROM:** Gerry F. Miller   
Chief Legislative Analyst

**VARIOUS ACTIONS RELATIVE TO 636 MAPLE AVENUE  
INTERMODAL PARKING STRUCTURE**

**SUMMARY:**

The Department of Transportation (DOT) requests City Council to concur with Transportation Commission recommendations authorizing DOT to enter into a Parking Licensing Agreement with 636 Maple Avenue Multi-Modal Parking Structure, LLC, to lease 140 parking spaces for public usage for a 30 year term; and to use funds from the Special Parking Revenue Fund to make annual payments to the Developer to lease the 140 parking spaces for use by the public during specified hours of operation as described in the Parking Licensing Agreement (Attachment 1 - DOT transmittal).

Concurrently, the Community Development Department (CDD) is seeking adoption of the attached Resolution (Attachment A) authorizing the issuance of up to \$11 million in tax-exempt and taxable Empowerment Zone Facility Bonds (EZ Bonds). The issuer of the EZ Bonds is the Los Angeles Industrial Development Authority (IDA). The 636 Maple Avenue Intermodal Parking Structure, LLC, (project) or related entity (Borrower) proposes to enter into a 70 year ground lease with the Metropolitan Transportation Authority (MTA) to construct a seven floor parking structure at 636 Maple Avenue (project site). The structure will contain 420 parking spaces of which 140 will be assigned as public parking. The parking structure is located in the Downtown Fashion District, in the Ninth Council District and will provide parking to patrons and tenants in the area.

Additionally, CDD requests authority to: (1) utilize \$1,500,000 of previously approved Urban Development Action Grant (UDAG) and \$500,000 in Block Grant Investments Fund (BGIF) to assist with project financing; and (2) implement two grants awarded to the City specifically earmarked for this project; \$1,092,850 Small Business Administration (SBA) and \$49,500 from the California Pollution Control Financing Authority to finance the project .

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## **Project Financing**

The estimated total project cost is \$13.8 million (Attachments B). Approximately 74% of the project is financed with the EZ Bonds and additional financing is from various City and grant sources 11% UDAG, 8% SBA Grant, 4% BGIF, 2% and the balance from Borrower equity 2% and 1% interest earnings. The Borrower plans to use operating revenues as the primary source of repayment.

As proposed, the City's Special Parking Revenue Fund (SPRF) will provide annual contribution of \$360,000 for twenty (20) years towards debt servicing on the bond payments. These monies will be repaid annually over the next twenty six (26) years and in exchange, the City will receive one third, or 140, parking spaces for use by the public during normal business hours Monday through Saturday for 30 years. The City will not own or construct the structure, as such, there will be no cost overrun risk to the City. The SPRF will also capture revenue off the housing to ensure repayment.

The borrower will be underwritten by Oppenheimer and Co., Inc., a private investment firm in Minneapolis, MN. The bonds are enhanced by a bond insurance policy from ACA Financial Guaranty Corporation in New York and will be sold in \$5,000 increments. Repayment will be made over approximately a 20 year period, with an 18 month capitalized interest period.

A \$500,000 loan in BGIF for this project will be used to pay for soft costs. The loan will have a repayment term of 20 years, simple interest only at 5.5% during the first four (4) years, aggregate interest payments deferred until year 20 when due and retired with the final principal and interest payment. Principal will be amortized over the remaining 16 years at 5.5% compounding interest. Equal monthly Principal and Interest payments of approximately \$2,922 each will commence in year 5. There will be no prepayment penalty associated with this loan. The loan may be renewable and/or transferable subject to City Council approval. Additionally, the City will obtain a Letter of Credit covering the annual BGIF debt service (approx. \$47,000) and a personal guaranty.

On August 15, 2003 (CF: 03-1473) the Council allocated \$1.5 million in Produce Market proceeds to be utilized to assist the 636 Maple Avenue parking structure (formerly known as Santee Court project). These funds will be used to fund the bond insurance premium and fee and construction cost. The CDD is currently reviewing the HUD regulations to ensure that these funds may be used for this project.

The City has also been awarded an SBA grant in the amount of \$1,092,850. The award was made to the City specifically for a parking facility in Downtown to assist in business development. As currently proposed the funds will be used to pay for the ground lease and soft cost. The CDD and CLA have been in constant communication with SBA and have submitted final budget for approval. City staff anticipates approval within the next couple of weeks. In that to date the City has not received final approval from the SBA, we recommend that the EZ bonds not be issued for this project until the City receives SBA approval. Additionally, to expedite the project we recommend that CDD and CLA be authorized to make technical changes relative to the current sources and uses, as necessary subject to SBA response on final budget.

## **Project Description:**

The \$13.8 million project has the following components:

1. Purchase of a leasehold interest in the real property located a 636 Maple Avenue from the MTA;
2. Design, development, construction and installation of a seven story commercial parking structure consisting of approximately 420 parking spaces and related facilities on the Project Site;
3. Payment of certain costs of issuance and capitalized interest with respect to the empowerment zone facility revenue bonds to be issued for the benefit of the project.
4. Pursuant to the Parking Licensing Agreement between the Borrower and the City of Los Angeles, the Borrower will make available to the general public not less than 140 of the parking spaces in the Parking Facility on certain days and at certain times

The project consists of construction of a seven-story concrete parking structure on approximately 31,000 sq. ft. of land located within the City's Federal Empowerment Zone. The proposed structure will provide a staging area for MTA buses on the ground floor, and 420 parking spaces on the second through seventh floors. The structure will be a secure, 24-hour facility serving the fashion district patrons and tenants in the adjacent residential development. The project will provide significant benefits to the fashion district area and downtown as a whole by alleviating significant parking shortages in the area.

The structure will be constructed on land currently owned and operated by the Metropolitan Transit Authority (MTA) as a bus staging area. On July 25, 2002, the MTA Board of Directors approved a 70-year ground lease with the developer. Subsequently, a Ground Lease and Development Agreement have been executed with MTA. The Agreements require a \$600,000 Ground Lease payment to be deposited in an escrow account, and construction to commence by October 1, 2005, with completion no later than December 31, 2006. Failure to comply will result in MTA's ability to regain the property rights for lease to other interested parties.

In order to maximize community involvement in the planning, development and use of area resources to ensure low to moderate income individuals residing in the area benefit from the development, the developer worked with City staff and the Council District to establish a pre-apprenticeship program. MJW has entered into an MOU with the Westlake Workforce Center to establish a pre-apprenticeship program with the following components: (1) a mechanism whereby low-income individuals will receive job training in the precise skills requested by the developer; (2) a hiring policy which targets qualified individuals; (3) a system for prompt referral of applicants as jobs become available and (4) an At Risk Youth Apprentice Program. The developer anticipates creating 58 jobs at this site. The program however may be expanded to other construction projects in the area.

## **Public Hearings**

The Internal Revenue Tax Code (section 147 (f)) requires that a public hearing be held to allow for the public to voice any objections to the project. The City conducted a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing on June 28, 2005. The TEFRA notice was published in the Metropolitan News on December 3, 2003. CDD reports that neither verbal comments or written remarks from the public were made regarding the Borrower's project. On September 30, 2004, the Citizens Unit for Participation (CUP) also considered the project for public comments. The CUP has recommending authority over the BGIF loan request.

The City's Debt Management Policy stipulates that the proposed financing must have a public benefit to the residents of the City to merit its support of the financing. In this case, the borrower anticipates creating 28 new living wage positions at the site. The employer will provide employment opportunities to residents living in the vicinity of the project site and has established an At Risk Youth Apprentice Program with Westlake Worksource Center.

The proposed actions comply with the City Financial Policies concerning debt financing. The recommended actions do not affect the City debt limit. There are no General Fund obligations and the City bears no financial responsibility for repayment of the EZ bonds.

## **RECOMMENDATIONS:**

That the City Council,

1. Concur with the recommendations of the Board of Transportation Commissioners, with specified modifications, to; (a) approve and authorize Department of Transportation (DOT) to enter into a Parking Licensing Agreement with the Developer, MJW Investments, to lease 140 parking spaces in the 636 Maple Avenue Intermodal Parking Structure for 30 years and; (b) to use monies from the Special Parking Revenue Fund to make annual lease payments for 20 years to the Developer for the use of the 140 parking spaces over 30 years as described in the Parking Licensing Agreement, DOT transmittal dated September 6, 2005 (CF: 03-1223).
2. Find that the: (1) subject project is necessary and appropriate to accomplish the City's community and economic development objectives; (2) project has been reviewed the environmental records in this matter and find that the 636 Maple Avenue Intermodal Parking Structure project will have no significant impact on the environment; (3) that the 636 Maple Avenue Intermodal Parking Structure project meets a National Objective of the Housing and Community Development Act and is necessary and appropriate to accomplish the City's economic development objectives;
3. Adopt the attached Resolution (Attachment A) relative to the issuance of tax-exempt and taxable Empowerment Zone (EZ) Facility revenue Bonds by the Los Angeles Industrial Development Authority in an amount not to exceed \$11 million for the benefit of 636 Maple Avenue Intermodal Parking Structure project; and instruct staff not to proceed with the issuance of the EZ bonds until the City is in receipt of final approval of the SBA budget.

4. Approve, subject to the approval of the Mayor, the : (1) transfer of \$11,000,000 of the City's \$230,000,000 Empowerment Zone allocation to the Industrial Development Authority (IDA); (2) use of previously awarded grant funds, \$1,092,850 Small Business Administration (SBA) and a \$49,500 from the State Pollution Control Authority; (3) use of \$1,500,000 in previously approved Urban Development Action Grant (UDAG) and a \$500,000 Block Grant Investment Fund (BGIF) loan within the Community Development Block Grant to assist the 636 Maple Avenue Intermodal Parking Structure, LLC or a related entity;.
5. Authorize the General Manager of the Community Development Department (CDD), to
  - a. Prepare and submit an application to the California Industrial Development Finance Advisory Commission (CIDFAC) for its review; and
  - d. Negotiate and execute all Empowerment Zone bonds, Small Business Administration, UDAG and BGIF/Loan documents and any other ancillary agreements required for issuance of the Bonds and extension of the grants and loan. Such documents shall be reviewed by the City Attorney and Bond Counsel to the Industrial Development Authority (IDA) as to form and legality; and
  - c. Prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with this action subject to the approval of the City Administrative Officer (CAO) and instruct the Controller to implement these instructions.
6. Authorize the Controller to:
  - a. Establish new account Y701 636 Maple Street and appropriate \$1,500,000 within UDAG Miscellaneous Revenue Fund #356 and expend funds upon proper demand of the General Manager of CDD.
  - b. Expend funds in an amount not to exceed \$500,000 from account W245 Block Investment Fund within the Community Development Block Grant #424.
  - c. Establish an interest-bearing fund titled SBA CDD Programs to be administered by CDD.
  - d. Establish a new account Y701 636 Maple Street and appropriate \$1,092,850 within the newly established Fund and expend funds upon proper demand of the General Manager of CDD.
7. Relative to the SBA grant funds, authorize CDD and CLA to make technical changes relative to the current sources and uses, as necessary, subject to SBA approval on final budget.
8. Relative to the California Pollution Control Grant, request the Mayor's Office to negotiate with the developer to determine the options available for installation of solar panels for the project, and instruct CDD and CLA to make the necessary technical amendments to the Source and Uses once a determination has been made.

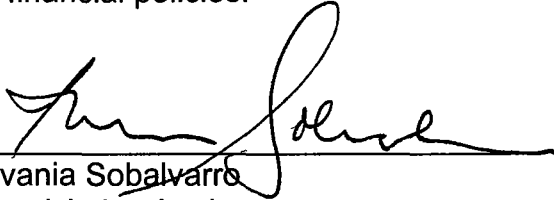
9. Relative to the UDAG funds, in the event that the project is ineligible, we recommend that staff be authorized to identify an alternate source of funds that may be used or exchanged, prepare controller instructions and request controller to implement the instructions to meet the intent of this action.

### **Fiscal Impact Statement**

There is no General Fund impact to the City from the proposed bond financing. Proceeds derived from the bonds are generated from private investor capital and require no pledge of public funds for their backing or security. The primary source of repayment will be the operating income of the Borrower. The City does not provide funds in these bonds, and under the structure and terms of the bond financing, will not bear any financial responsibility for repayment of the bonds under any circumstances. SBA Grant, UDAG and CDBG (BGIF) funds will be extended to the project to cover construction and soft costs associated with the project. These are grant funds that do not impact the General Fund.

There will be a long-term impact to the Special Parking Revenue Fund (SPRF). Annual lease payments of \$360,000 are proposed over 20 years of the 30-year term for a total of \$7.2 million. The lease payments coincide with the 20-year debt service on the Empowerment Zone Bonds and assure partial coverage of annual debt service payments over 20 years of the 30-year term. It is anticipated that the SPRF will be fully reimbursed its investment of \$7.2 million and will earn an additional \$3.2 million by the end of the 30-year term. The revenue projections are supported by a parking study prepared by Walker Parking Consultants which analyzed parking patterns in the area. Further, the revenue projections were approved by Bond Counsel and incorporated in the final bond documents.

The recommendations comply with City's financial policies.



Ivania Sobalvarro  
Legislative Analyst

### **Attachments:**

- Attachment A: Resolution
- Attachment B: Sources and Uses

## **Background/ Funding Sources**

### **Empowerment Zone Bonds (EZ Bonds)**

On January 1, 2000, Los Angeles was designated as a U.S. Department of Housing and Urban Development Empowerment Zone (EZ), an economic development program that carries special tax incentives and bond provisions to encourage private investment. Los Angeles is eligible for \$230 million in tax-exempt facility revenue bonds for qualified projects located within the EZ. The current authority is estimated at \$13.2 million. The EZ Bonds are a type of tax-exempt bond created to encourage businesses that are located in the EZ to expand or develop new facilities. The Borrower's project represents the City's fourth transaction utilizing its allocation of EZ Bonds.

### **LADOT Special Parking Revenue Funds / Parking Licensing Agreement**

In March 2003, the Council allocated \$3 million in SPRF to assist the project with a shortfall and to secure public parking. The Council instructed DOT and Controller to establish new accounts and transfer funds as necessary. Subsequent to this action, financing for the project increased due to the increase in construction cost and expenses associated with securing EZ bond financing. The SPRF will instead be utilized to make bond payments of \$360,000 over a 20 year period for a total of \$7.2 million and would begin receiving reimbursement from projected revenues on the lease payments by year three (3). The Parking Licensing Agreement allows the City to participate in any project revenue (excess profits) based on the pro forma projecting a total development cost of \$13.8 million (DOT Transmittal). Over 20 years SPRF could earn \$3.2 million above the initial \$7.2 million investment over the 30 year term. Project expenditures would be monitored through a post construction audit. SPRF's contribution is secured by a \$450,000 Letter of Credit, to be shared with the bond holders.

At its October 14, 2004 meeting, the Board of Transportation Commissioners considered and approved, as amended, the recommendations of the DOT staff to (1) enter into a Parking Licensing Agreement with 636 Maple Avenue Intermodal Parking Structure, LLC (a subsidiary of MJW Investments) to lease 140 parking spaces for public usage for a 30 year term; and (2) use funds from the Special Parking Revenue Fund to make annual payments to the Developer to lease the 140 parking spaces for use by the public during specified hours of operation as described in the Parking Licensing Agreement. Tenants in the adjacent residential development have access to these spaces during evening hours and overnight, but must vacate in time for the 140 spaces to become available for public parking per terms and conditions outlined in the Licensing Agreement between the Borrower and DOT. The remaining 280 parking spaces will be used by the tenants on a monthly pass purchase basis.

The Parking Licensing Agreement dictates the terms relative to the City's participation in the projects design, management and operations, operating hours, rates, parking access and revenue control equipment, and maintenance and repair. The Agreement establishes the Maple Avenue Parking Fund into which all revenues for the project will be deposited and distributed. The revenues will be applied by the Licensor or Trustee on behalf of the Licensor as follows in order of priority: On a monthly basis: City Parking Occupancy Tax, Operating Costs, Debt Service and Operating Reserve Fund Deposit; Semiannually: Reserve Fund and BGIF loan and Annually: Rebate Fund Deposit, Reimbursement of License Fees and Disbursement of Excess Revenues. The Agreement contains all the City requirements.

Additional information relative to the project financing is provided in the DOT transmittal dated September 6, 2005. To date all Transportation Board Commission concerns have been addressed in the Parking Licensing Agreement.

### **Urban Development Action Grant (UDAG)**

On August 15, 2003 (CF: 03-1473) the Council allocated \$1.5 million in Produce Market proceeds to be utilized to assist the 636 Maple Avenue parking structure (formerly known as Santee Court project). The monies will be utilized to fund soft cost and construction materials. The CDD is currently reviewing the HUD regulations to ensure that these funds can be used for this project. In the event that the project is ineligible, we recommend that staff be authorized to identify an alternate source of funds that may be used or exchanged, prepare controller instructions and request controller to implement the instructions to meet the intent of this action.

In order to maximize community involvement in the planning, development and use of area resources to ensure low to moderate income individuals residing in the area benefit from the development, the developer has entered into an MOU with the Westlake Workforce Center to establish a pre-apprenticeship program with the following components: (1) a mechanism whereby low-income individuals will receive job training in the precise skills requested by the developer; (2) a hiring policy which targets qualified individuals; (3) a system for prompt referral of applicants as jobs become available and (4) an At Risk Youth Apprentice Program. The developer anticipates creating 28 jobs at this site. The program however may be expanded to other construction projects in the area.

### **Block Grant Investment Fund (BGIF)**

The BGIF are CDBG funds earmarked to assist selective public investments in catalytic commercial and industrial projects to leverage significant private sector investment. The fund was designed to provide the necessary gap financing for projects which cannot be carried by the project's private sector cash flows, specifically in targeted areas of the City. In October 2003 (CF: 03-1223-s1) Council Motion (Perry-Garcetti) was introduced requesting the BGIF working group to review the project for eligibility, on February 6, 2004 the BGIF working group reviewed the project and determined that it met the BGIF policy criteria. The \$500,000 loan will be used to pay for soft costs and will have a repayment term of 20 years, simple interest only at 5.5% during the first four (4) years, aggregate interest payments deferred until year 20 when due and retired with the final principal and interest payment. Principal will be amortized over the remaining 16 years at 5.5% compounding interest. Equal monthly Principal and Interest payments of approximately \$2,922 each will commence in year 5. There will be no prepayment penalty associated with this loan. The loan may be renewable and/or transferable subject to City Council approval. Additionally, the City will obtain a Letter of Credit covering the annual BGIF debt service (approx. \$47,000) and a personal guaranty.

### **U.S Small Business Administration (SBA)**

In Fiscal Year 2003, Congresswoman Lucille Roybal-Allard secured a Congressionally Mandated Award in the amount of \$1,092,850. The funds were awarded to the City specifically for a parking facility in Downtown to assist in business development. On Dec. 18, 2003 (CF: 03-1223) the Council authorized the Mayor's Office of Economic Development and the Chief



Legislative Analyst to submit, accept and execute the necessary documents on behalf of the City. Subsequently, the Mayor's Office transferred grant administration to CDD. The CDD and CLA have been in constant communication with SBA and have submitted final budget for approval. In that to date the City does not have final approval from the SBA and staff anticipates an approval from SBA within the next couple of weeks, we recommend that the bonds not be issued for this project until the City receives a determination from the SBA. Additionally, to expedite the project we recommend that CDD and CLA be authorized to make technical changes relative to the current sources and uses, as necessary subject to SBA response on final budget.

### **California Pollution Control Financing Authority/ Solar Panels**

The City was awarded a Sustainable Communities Grant and Loan Program grant in the amount of \$350,000 for the 7<sup>th</sup> Street Transit/ Pedestrian 24-Hour Safe Passage Project. The grant included \$49,500 to help fund a mechanism to provide solar power (solar panels) to the street lights on 7<sup>th</sup> street. Additionally, a match of \$100,000 is provided as a match for the solar panels by bond proceeds. The Mayor's Office administers this grant and is currently in negotiations with the developer relative to the implementation of the solar panels, in that the costs may be prohibitive. We recommend that staff be authorized to make technical changes relative to the sources and uses once a determination relative to the solar panels is made.



**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF LOS ANGELES**

**APPROVING THE ISSUANCE BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LOS ANGELES OF NOT TO EXCEED \$11,000,000 AGGREGATE PRINCIPAL AMOUNT OF THE AUTHORITY'S EMPOWERMENT ZONE REVENUE BONDS SERIES 2005 (SANTEE COURT PARKING FACILITY PROJECT) FOR THE BENEFIT OF 636 MAPLE AVENUE INTERMODAL PARKING STRUCTURE, LLC, AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS RELATING TO A PARKING LICENSE AND PAYMENTS FROM THE CITY'S SPECIAL PARKING REVENUE FUND, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, pursuant to the Community Renewal and New Markets Act of 2000 (the "Act"), the federal government expanded the tax incentives available to businesses in the portion of the City of Los Angeles ("City") designated as a federal empowerment zone (the "Los Angeles Empowerment Zone"); and

**WHEREAS**, pursuant to the Act, among the tax incentives conferred upon the City is the ability to issue up to \$230 million in tax-exempt empowerment zone facility bonds (the "Empowerment Zone Ceiling") to make loans to qualifying business borrowers to finance the cost of certain commercial, retail, industrial or other facilities qualifying as "enterprise zone facilities" as that term is defined in Section 1394 of the Internal Revenue Code of 1986, as amended (the "Code");

**WHEREAS**, \$13,200,000 of the City's Empowerment Zone Ceiling has been used as of the date of this Resolution; and

**WHEREAS**, the Industrial Development Authority of the City of Los Angeles (the "Authority") has accepted an application from 636 Maple Avenue Intermodal Parking Structure, LLC (the "Borrower") requesting the Authority to issue its empowerment zone revenue bonds pursuant to the California Industrial Development Financing Act, being Title 10 of the California Government Code, as supplemented and amended (the "Act"), to finance the (1) acquisition of a leasehold interest in the real property located at 636 Maple Avenue, Los Angeles, California (the "Project Site"), (2) construction of improvements at the Project Site consisting of a seven-level parking garage containing approximately 420 parking spaces (the "Parking Facility") and (3) payment of capitalized interest and certain costs of issuance in connection with the bonds to be issued by the Authority (collectively, the "Project"); and

**WHEREAS**, the Board of Directors of the Authority, in its Project Resolution No. 02-03, adopted on September 17, 2002, as modified by Project Resolution 05-03, adopted on October 14, 2004

and Project Resolution 06-03, adopted on August 5, 2005, expressed its intention to issue empowerment zone facility bonds pursuant to the provisions of the Act in an aggregate principal amount not to exceed \$11,000,000 for the benefit of the Borrower; and

**WHEREAS**, the Authority proposes to issue its Empowerment Zone Facility Revenue Bonds, Series 2005 (Santee Court Parking Facility Project) (the “Bonds”) in an aggregate principal amount not to exceed \$11,000,000 to finance the costs of the Project; and

**WHEREAS**, the City desires to provide additional off-street public parking in and around the Parking Facility to better serve local businesses and promote economic development in the City and has agreed to assist the Borrower in the development and operation of the Parking Facility; and

**WHEREAS**, pursuant to a Parking License Agreement (the “City License Agreement”), between the Borrower and the City, the Borrower has agreed to license not less than 140 parking spaces in the Parking Facility to the City for use by the general public pursuant to and in accordance with the terms and provisions of the City License Agreement; and

**WHEREAS**, pursuant to the City License Agreement, the City will make certain payments (the “City License Fees”) to the Borrower in consideration for the City Parking License; and

**WHEREAS**, the Borrower will assign all of its rights under the City License Agreement, including the right to receive the City License Fees, to the Authority who will in turn assign all of such rights to the Trustee pursuant a City Parking License Assignment Agreement (the “City License Assignment Agreement”), by the Borrower and the Authority and acknowledged by the City, as security for the payment of a portion of the Borrower’s obligations under the loan agreement to be entered into with the Authority; and

**WHEREAS**, the City License Fees will be paid from the City’s Special Parking Revenue Fund, established pursuant to Section 5.117 of the Administrative Code of the City (the “Special Parking Revenue Fund”), in accordance with the terms and provisions set forth herein; and

**WHEREAS**, the payment of the City License Fees will be junior and subordinate to the lien on and security interest in the parking revenues and other assets of the Special Parking Revenue Fund granted to secure the City’s outstanding parking revenue bonds; and

**WHEREAS**, the Authority has made the determinations required to be made pursuant to Section 91530 of the Act preliminary to the issuance by the Authority of the Bonds; and

**WHEREAS**, the Borrower has requested that the City designate the Authority as an issuer of a portion of the City’s Empowerment Zone Ceiling for the purpose of issuing the Bonds to finance the Project for the benefit of the Borrower; and

**WHEREAS**, the Council of the City (the “Council”) in evaluating the Project has relied upon the written facts and information represented in the application and other materials by the Borrower and has considered the determinations of the Authority; and

**WHEREAS**, it appears appropriate for the Council to designate the Authority as an issuer of a portion of the City’s Empowerment Zone Ceiling in order to benefit the Project as described in the application; and

**WHEREAS**, the issuance of the Bonds must be approved by this City Council in order to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”) and Section 91530(f) of the Act; and

**WHEREAS**, the Authority has caused a notice to appear in the Metropolitan News-Enterprise, which is a newspaper of general circulation in the City of Los Angeles, on June 13, 2005 to the effect that a public hearing would be held by the Authority on June 28, 2005, regarding the issuance of the Bonds and the nature and location of the Project; and

**WHEREAS**, the Authority has held said public hearing on June 28, 2005, providing a reasonable opportunity for persons to comment on the issuance of the Bonds and the nature and location of the Project; and

**WHEREAS**, in addition to the other approvals provided in this resolution it is intended that this Resolution shall constitute the approval of the Project and the issuance of the Bonds required by Section 147(f) of the Code and Section 91530(f) of the Act; and

**WHEREAS**, there has been presented to this meeting and is now on file with the City Clerk the following:

- 1) A proposed form of the City License Agreement, to be entered into by and between the Borrower and the City;
- 2) A proposed form of the City Parking License Assignment Agreement (the “City License Assignment Agreement”), to be executed by the Borrower and the Authority and acknowledged by the City, pursuant to which the Borrower collaterally assigns its interest in the City License Agreement as security for the Bonds;
- 3) A proposed form of the Empowerment Zone Facility Compliance Agreement (the “Compliance Agreement”), to be entered into by and among the Authority, the Borrower and the City;
- 4) A proposed form of the Funding Agreement (the “Funding Agreement”), to be entered by and among the Borrower, the Authority, the City and the Trustee with respect to the disbursement of the City Funds for the Project;

- 5) A proposed form of Subordination, Non-Disturbance and Attornment Agreement (the “SND Agreement”), to be entered into by and between the City and the Trustee;
- 6) A proposed form of the City Parking License Estoppel Certificate and Consent (the “Estoppel Certificate”), by and among the Borrower, the City and the Trustee;
- 7) A proposed form of the Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), executed by the City;
- 8) A proposed form of Agreement to Enter into Ground Lease (the “Ground Lease Agreement”), to be entered into by and among the Borrower, the MTA, the City and the Trustee; and
- 9) A proposed form of the Preliminary Official Statement (the “Preliminary Official Statement”) to be used by the Underwriter in connection with the offering and sale of the Bonds.

**NOW, THEREFORE, BE IT RESOLVED**, by the Council of the City of Los Angeles, that:

**Section 1.** This Council hereby expresses its full support for the Project to be undertaken by the Borrower. The Council finds and determines that the Project is vital to the City’s business community and will provide significant public benefits to residents of the Los Angeles Empowerment Zone.

**Section 2.** The Authority is hereby designated as an issuer of Bonds in an amount of the City’s Empowerment Zone Ceiling in an amount not to exceed \$11,000,000 for the benefit of the Borrower (the “Allocation”). Such Allocation may only be used by the Authority for the issuance of the Bonds for the Project, as specifically described above. Any modification of the Project may require reconsideration by the Council before the Allocation may be used for the Project. The Authority is not authorized to transfer the Allocation set forth herein to any other governmental unit in the State of California except the City.

**Section 3.** Unless the City has extended the date by which the Allocation must be used by the Authority, the Allocation designated to the Authority herein shall automatically revert to the City unless the Authority has issued the Bonds for the Project by the close of business on December 31, 2005.

**Section 4.** The Authority shall notify the Council in writing within fifteen (15) days of the bond closing that the financing is complete and reporting the exact amount of Bonds issued. Any difference between the amount of Bonds issued and the amount of the Allocation designated in Section 2 shall automatically revert to the City. If at any time prior to December 31, 2005, the Authority determines that all or part of the Allocation designated to the Authority in Section 2 will not be used to issue the Bonds by that date, the Authority shall take prompt action by resolution of its governing board and return such unneeded Allocation to the City.

**Section 5.** The City Council hereby approves the Project, subject to fulfillment of all requirements under the Act, and approves the issuance of the Bonds, which Bonds may be tax-exempt or taxable as approved by the Authority in its final resolution, in an amount not to exceed \$11,000,000 to finance costs of the Project. The Bonds and the interest thereon shall be paid from revenues received by the Authority from the Borrower pursuant to a loan agreement with respect to the Project to be entered into between the Authority and the Borrower. This resolution shall constitute both "host" and "issuer" approval of the Bonds within the meaning of Section 147(f) of the Code and shall constitute the approval of the Project and the issuance of the Bonds within the meaning of Section 91530(f) of the Act.

**Section 6.** The form of the City License Agreement presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Department of Transportation of the City is hereby authorized and empowered to execute and deliver the City License Agreement, and the City Clerk is authorized to attest thereto, with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 7.** The form of the City License Assignment Agreement presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Department of Transportation of the City are each individually hereby authorized and empowered to execute and deliver the City License Assignment Agreement, and the City Clerk is authorized to attest thereto, if necessary, with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 8.** The form of the Compliance Agreement presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Community Development Department of the City are each hereby individually authorized and empowered to execute and deliver the Compliance Agreement with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 9.** The form of the Funding Agreement presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Community Development Department of the City are each hereby individually authorized and empowered to execute and deliver the Funding Agreement with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 10.** The form of the SND Agreement presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Department of Transportation of the City are each hereby individually authorized and empowered to execute and deliver the SND Agreement with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 11.** The form of the Estoppel Certificate presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Community Development Department of the City are each hereby individually authorized and empowered to execute and deliver the Estoppel Certificate with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 12.** The form of the Continuing Disclosure Certificate presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Department of Transportation or the City Administrative Officer or any Assistant City Administrative Officer are each hereby individually authorized and empowered to execute and deliver the Continuing Disclosure Certificate with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 13.** The form of the Ground Lease Agreement presented at this meeting is hereby approved and the General Manager or any Assistant General Manager of the Department of Transportation or the City Administrative Officer or any Assistant City Administrative Officer are each hereby individually authorized and empowered to execute and deliver the Ground Lease Agreement with such nonsubstantial changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof.

**Section 14.** Those portions of the Preliminary Official Statement describing the City and the Special Parking Revenue Fund (the "City Disclosure Information") presented at this meeting are hereby approved. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement containing the City Disclosure Information in connection with the sale of the Bonds with such changes and insertions in such City Disclosure Information as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof. The preparation and delivery of a final Official Statement ("Official Statement") containing the City Disclosure Information, and its use by the Underwriter in connection with the sale of the Bonds, is hereby approved. The City Disclosure Information in the Official Statement shall be in the form of the City Disclosure Information in the



Preliminary Official Statement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by the City Attorney, such approval to be conclusively evidenced by the delivery thereof. The General Manager or any Assistant General Manager of the Department of Transportation of the City or the City Administrative Officer or any Assistant City Administrative Officer are each individually hereby authorized and empowered to deem the City Disclosure Information in the Preliminary Official Statement substantially final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended, said determination to be conclusively evidenced by a certificate signed by such officer. The Underwriter is hereby authorized to distribute copies of the Official Statement containing the City Disclosure Information to the purchasers of the Bonds.

**Section 15.** All actions heretofore taken by the officers, employees and agents of the City with respect to the approval, issuance and sale of the Bonds and the execution and delivery of the documents set forth above are hereby approved, confirmed and ratified, and the officers and employees of the City and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and documents which they or bond counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds, the execution and delivery of the documents set forth above and otherwise to effectuate the purposes of this Resolution.

**Section 16.** The City Clerk is authorized and directed to transmit a copy of this Resolution to the Authority together with a request that the Authority retain a copy of this Resolution in the Authority's official records.

**Section 17.** This Resolution shall take effect from and after its adoption.

I hereby certify that the foregoing Resolution was passed and adopted by the Council of the City of Los Angeles at a meeting thereof duly held on the \_\_\_ day of \_\_\_\_\_, 2005, by a majority vote of all its members.

FRANK T. MARTINEZ  
City Clerk

By \_\_\_\_\_  
Deputy

## ATTACHMENT B

<b>Proposed Issuance of Tax Exempt and Taxable Empowerment Zone Facility Revenue Bonds on Behalf of 636 Maple and Other Sources</b>							
<b>PROPOSED SOURCES &amp; USES</b>	<b>TAX-EXEMPT EZ BONDS</b>	<b>SBA</b>	<b>UDAG/or other city funds</b>	<b>BGIF</b>	<b>STATE GRANT</b>	<b>BORROWER</b>	<b>TOTAL</b>
MTA Ground Lease		\$575,000				\$25,000	\$600,000
Bond Insurance Premium			\$1,020,815				\$1,020,815
Debt Service Reserve	\$799,601						\$799,601
Cost of Issuance/Closing Costs	\$688,285						\$688,285
Underwriter's Discount	\$202,421			\$2,279			\$204,700
Original Issue Discount	\$113,970						\$113,970
Construction Operating Reserve	\$257,500						\$257,500
Construction Cost	\$7,255,309		\$479,185			\$428,366	\$8,128,649
Solar Panels	\$100,500				\$49,500		\$150,000
Soft Costs	\$814,900	\$517,850					\$1,332,750
Bond Issuance Fee				\$497,721			\$531,932
Rounding	\$2,513						\$2,513
<b>TOTAL</b>	<b>\$10,235,000</b>	<b>\$1,092,850</b>	<b>\$1,500,000</b>	<b>\$500,000</b>	<b>\$49,500</b>	<b>\$502,866</b>	<b>\$13,830,716</b>