

# MOTION ECONOMIC DEVELOPMENT

Major League Soccer (MLS) has awarded Los Angeles a new professional soccer franchise known as the Los Angeles Football Club (LAFC). Significant time and effort has been expended to design a new 22,000 seat soccer-specific stadium to be located in Exposition Park that will host the LAFC and include a 70,000 square foot ancillary facility that will include a team store, conference and events center, and a food hall. The project is expected to create 3,000 construction and permanent jobs, and generate an additional \$2 .5 million in annual revenue to the City.

LAFC has filed an application with the Economic and Workforce Development Department (EWDD) to receive a Section 108 loan from the federal government to support financing of this project. Consistent with previous Council action (CF# 15-0613), EWDD has evaluated the application and determined that there is a financing gap in the project. Section 108 financing could assist in addressing this gap. To move forward on this project, EWDD would need to submit an application to the U.S. Department of Housing and Urban Development to advance the Section 108 loan process.

Constructing this professional soccer venue for the City of Los Angeles is an important priority and presents a major economic opportunity to create good jobs and investment in the City, and in the South Los Angeles community. It is essential that the City take every action necessary to support this project and the economic opportunities that it will create.

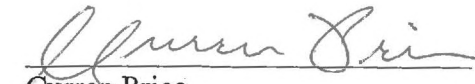
I THEREFORE MOVE that the City Council, with the approval of the Mayor, approve the following actions related to the Los Angeles Football Club stadium and ancillary facilities:

1. FIND that the Project and the City Loan meet National Objective, Eligible Activities and Public Benefit as per the Code of Federal Regulations (CFR); and that the Project is necessary and appropriate to accomplish the City's economic development objectives;
2. AUTHORIZE the General Manager of EWDD, or designee, to apply for a \$22,500,000 Section 108 loan, subject to the U.S. Department of Housing and Urban Development's (HUD) review and approval on eligibility and underwriting requirements and granting accompanying request to waive 24 CFR 570.209(b)(3)(i)(B), if necessary. Such loan funds are to provide financial assistance for the development of the Los Angeles Football Club Stadium Ancillary (Project);
3. APPROVE the City Loan subject to environmental assessments of the Project to be in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA);
4. AUTHORIZE the General Manager of EWDD, or designee, upon HUD approval, to:
  - a. Negotiate and execute a City Loan Agreement and related documents (City Loan Documents) for a City loan of up to \$22,500,000 (City Loan) to LAFC Section 108, LLC (Sponsor/Developer), according to the attached term sheet, for reasonable and eligible development costs of the Project, subject to approval of the City Attorney as to form and legality;



- b. Negotiate and execute a Promissory Note in favor of HUD and related documents (HUD Documents) to borrow up to \$22,500,000, pursuant to the Section 108 Loan Guarantee Program, subject to approval of the City Attorney as to form and legality;
  - c. Negotiate and execute any amendment of the HUD documents that may be needed, subject to approval of the City Attorney as to form and legality.
  - d. Negotiate and execute agreements that will subordinate the City Loan to a construction or a permanent loan, and also other amendment(s) to the City Loan Documents relative to the intent of this Motion, subject to the approval of the City Attorney as to form and legality;
  - e. Prepare Controller instructions, with concurrence from the CAO, including any future technical adjustments relative to the intent of this transmittal, and instruct the City Controller (Controller) to implement these instructions; and
5. AUTHORIZE Controller to:
- a. Establish new account 22N680 LAFC Section 108 Project and appropriate \$22,500,000 within Fund 43F of the EWDD Section 108 Loan Guarantee Program;
  - b. Expend funds upon proper request of the General Manager of EWDD, or designee.

PRESENTED BY:

  
Curren Price  
Councilmember, 9<sup>th</sup> District

SECONDED BY:



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| <b>TERM SHEET</b>         |  |
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| Borrower:                 | L AFC Section 108, LLC, A Delaware limited liability company (" <b>Borrower</b> ") that is a wholly owned subsidiary of StadCo (as defined below).   |
| Lender:                   | The City of Los Angeles, California (the " <b>City</b> ")  |
| StadCo:                   | L AFC StadiumCo, LLC, a special purpose limited liability company established under the laws of the State of Delaware (" <b>StadCo</b> "), which will (i) borrow funds from the lenders under the senior secured facility (the " <b>Senior Secured Facility</b> ") to finance the Project (as herein defined) and certain other improvements, (ii) permit the use of the stadium site, the stadium and certain other improvements by L AFC Sports, LLC, a Delaware limited liability company (the " <b>Team</b> "), which owns the right to operate the Major League Soccer (" <b>MLS</b> ") team known as the Los Angeles Football Club and (iii) develop, construct, maintain and operate the stadium site, the stadium and other related improvements (the " <b>Project</b> ").   |
| HoldCo:                   | L AFC Partners, LLP, a limited liability limited partnership established under the laws of the State of Delaware (" <b>HoldCo</b> "), which owns 100% of the equity interest in StadCo (and, indirectly, 100% of the equity interest in Borrower).   |
| City Loan:                | Up to Twenty-Two Million Five Hundred Thousand Dollars (\$22,500,000) Section 108 term loan.   |
| Purpose:                  | Borrower will use the proceeds of the City Loan to (i) fund interest that becomes due on the City Loan during construction of the Project and (ii) pay eligible costs of the Project, consistent with the applicable provisions of the Code of Federal Regulations.  |
| Maturity Date:            | The twentieth anniversary of the closing on the City Loan (the " <b>Maturity Date</b> ").  |
| Interest and Amortization | <p><u>Initial Variable Interest Rate Period:</u></p> <p>Beginning on the closing date and until the Conversion Date (as defined below), there will be no amortization of the principal of the City Loan and the City Loan shall bear interest at a variable rate equal to one-month LIBOR plus 0.20% per annum, payable on a quarterly basis (the "<b>Variable Interest Rate</b>"). "<b>Conversion Date</b>" shall mean the fourth anniversary of the closing on the City Loan.</p> <p><u>Fixed Interest Rate Period</u></p> <p>From the Conversion Date through the Maturity Date, the City Loan shall bear interest at a fixed rate equal to the then-current interest rate on 10-year US Treasury Notes plus 1.5% per annum, payable on a quarterly basis (the "<b>Fixed Interest Rate</b>").</p> <p>During the Fixed Interest Rate period, the principal of the City Loan will be repaid based on a twenty-five (25) year amortization schedule, payable on a quarterly basis, which a balloon payment of the outstanding principal amount payable at the Maturity Date.</p> |

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| Prepayment:       | During the Variable Interest Rate period, the City Loan may be prepaid without penalty. During the fixed Interest Rate period, prepayment of the City Loan will be subject to a make-whole payment determined by reference to the difference between the yield on the City Loan and the yield on US Treasury Notes having the same duration as the remaining life of the City Loan.   |
| Interest Reserve: | <p>The City will establish an interest reserve account (the “<b>Interest Reserve Account</b>”), funded with a portion of the proceeds of the City Loan, in an amount sufficient to pay debt service on the City Loan at the Variable Interest Rate during the construction period.</p> <p>On the Conversion Date, any proceeds remaining in the Interest Reserve Account will be advanced to Borrower or applied to the payment of eligible Project costs.</p>  |
| Security:         | <p>HoldCo shall execute a letter of direction to StadCo directing that all distributions permitted to be made by StadCo to HoldCo are first to be transferred by StadCo directly into an appropriate account of Borrower for the benefit of the City, until the amount on deposit in such account equals the amount of the regularly scheduled principal of and interest on the City Loan (i) to be paid during the six-month period following the date of such deposit and (ii) with respect to which no other sources of payment are available. Such distributions will be treated as equity contributions from StadCo to Borrower.</p> <p>In addition, the Senior Secured Facility will expressly permit HoldCo to make equity contributions to StadCo for the purpose of enabling StadCo to make equity contributions to Borrower to provide for the payment of the principal of and interest on the City Loan.</p> <p>In addition to the letter of direction, a Leasehold Deed of Trust will be received by the City on an adjacent 2.9 acre sub-parcel. This site or other similar real property is to be appraised at no less than 125% of the loan amount or \$28,125,000.</p> <p><i>Letter of direction and security documents are pending HUD and City review and approval.</i></p> |
| Priority:         | The City Loan and the rights of the City thereunder shall be subordinated to the rights of the lenders under the Senior Secured Facility.   |
| MLS Consent:      | The City will be required to enter into an MLS consent letter with MLS and Soccer United Marketing, LLC (“ <b>SUM</b> ”) The MLS consent letter will provide, among other things, that: (a) any attempt by the City to foreclose on the City Loan will require the prior written consent of MLS and SUM (b) upon an event of default under the City Loan, the City must deliver a foreclosure notice to MLS and SUM by the City or the date that MLS or Sum delivers a notice to the City regarding a default under the Team’s operating agreement), MLS and SUM will have exclusive and unrestricted rights to conduct a sale of assets on behalf of the Team, StadCo and Borrower, (d) the City will have no resource against HoldCo’s equity interest to the extent  |

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|                      | <p>received by HoldCo), and € any foreclosure proceedings must be conducted in accordance with MLS rules and policies.</p> <p><i>Pending HUD and City review and approval.</i></p>  |
| Conditions Precedent | <p>The City Loan shall be subject to customary closing conditions, including, without limitation, receipt of the MLS consent letter, the closing of the Senior Secured Facility and receipt of other sources of funding required for the Project and Project compliance with the California Environmental Quality Act and the National Environmental Policy Act.</p>  |
| Additional Terms     | <p>Final HUD and City review and approval on eligibility and underwriting requirements still pending.</p> <p>Fund disbursement to be made on a pro-rata basis with other funding sources.</p> <p>Job creation requirement for Section 108 loan = 643.<br/> Job creation requirement for CDBG loan = 86.<br/> Total job creation requirement =729</p> <p>EWDD will also validate the job creation formula that supports the expected number of jobs to be created.</p> |
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