

RESOLUTION NO.

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE CONSENTING TO THE REDEMPTION OF INVESTMENT FUND'S MEMBERSHIP INTERESTS IN THE (1) NDC NEW MARKETS INVESTMENTS LXV, LLC (HOLDER OF QLICI NOTES A AND B), (2) NORTHERN CALIFORNIA COMMUNITY LOAN FUND NMTC SUB-CDE III, LLC (HOLDER OF QLICI NOTES C AND D), AND (3) BROWNFIELD REVITALIZATION XV, LLC (HOLDER OF QLICI NOTES E AND F) IN EXCHANGE FOR ASSIGNMENTS OF QLICI NOTES (A-F) (COLLECTIVELY, THE "QLICI NOTES") AND THE QLICI LOAN DOCUMENTS SECURING THE QLICI NOTES TO THE INVESTMENT FUND; AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE CONSENT TO THE REDEMPTION AND ASSIGNMENT

WHEREAS, the NMTC SJEIC Investment Fund, LLC ("Investment Fund") is a company created to raise funds through loans and equity contributions to enable the Investment fund to participate in a New Market Tax Credit transaction, with Chase Community Equity, LLC, a Delaware limited liability company ("Chase Investor") and Community Development Properties New Markets MM, INC ("Chase Manager"), collectively ("Fund Investors"); and

WHEREAS, the Investment Fund borrowed from the City of San Jose a loan in the approximate amount of \$19,609,645 ("Leverage Loan"); and

WHEREAS, in addition to the Leverage Loan, the Investment Fund obtained an equity investment in the approximate amount of \$7,705,415 ("Chase Equity Investment") from Chase Community Equity, LLC, a Delaware limited liability company ("Chase Investor"); and

WHEREAS, the Investment Fund used the proceeds from the Leverage Loan and the Chase Equity Investment to make qualified equity investments (“QEI”) in three community development entities (“CDEs”), NDC New Markets Investments LXV, LLC (“NDC”), Northern California Community Loan Fund NMTC Sub-CDE III, LLC (“NCCLF”), and Brownfield Revitalization XV, LLC (“BR”), to facilitate the investment in qualified low-income communities through New Market Tax Credits; and

WHEREAS, the CDEs utilized the QEI to make a loan to the EIC QALICB Inc. in the approximate amount of \$25,944,813 (“QLICI Loan”); and

WHEREAS, the QLICI Loan is evidenced by six promissory notes executed by EIC QALICB in favor of CDEs (“QLICI Notes”), which are secured by a Leasehold Deed of Trust recorded against the EIC; and

WHEREAS, the New Market Tax Credit compliance period will expire on November 8, 2018, and the parties now wish to unwind the transaction; and

WHEREAS, as part of the unwind process, the CDEs intend to redeem the Investment Fund’s interest in the CDEs by assigning to the Investment Fund the QLICI Notes and the Leasehold Deed of Trust; and

WHEREAS, the City intends to consent to the termination of any interest that the Investment Fund may have in the CDEs; and

WHEREAS, the City, as sole member of the Investment Fund, will repay the Leverage Loan by assigning the QLICI Notes and Leasehold Deed of Trust to the City and terminate the Investment Fund;

NOW, THEREFORE, BE IT RESOLVED THAT THE COUNCIL OF THE CITY OF SAN JOSE:

1. Consents to the redemption of Investment Fund's membership interests in the (1) NDC New Markets Investments LXV, LLC (holder of QLICI Notes A and B), (2) Northern California Community Loan Fund NMTC Sub-CDE III, LLC (holder of QLICI Notes C and D), and (3) Brownfield Revitalization XV, LLC (holder of QLICI Notes E and F) in exchange for assignments of QLICI Notes (A-F) (collectively, the "QLICI Notes") and the QLICI Loan Documents securing the QLICI Notes to the Investment Fund; and
2. Authorizes the City Manager to execute the Consent to the Redemption and Assignment.

ADOPTED this _____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk

RD:RLT
10/16/2018