CITY OF
LONG BEACH

Development Services Department
411 West Ocean Boulevard, 3rd Floor Long Beach, CA 90802
(562) 570-5237

February 1, 2022

R-25
REVISED

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City to (i) approve the issuance of bonds by the California Community Housing Agency to finance the development of the Civic Center Mid-Block, and (ii) authorize the execution of all documents necessary to effectuate the issuance of the bonds and the development of the Civic Center Mid-Block as described below, including a Public Benefits Agreement with California Community Housing Agency. (District 1)

DISCUSSION

On December 15, 2015, the City Council approved the Civic Center Project and certified the associated Supplemental Environmental Impact Report (SCH#2015041054), which tiered off the Downtown Plan Program Environmental Impact Report (SCH#2009071006). The City of Long Beach (City) partnered with Plenary Properties Long Beach, LLC (Plenary), as the developer for this innovative public-private partnership to reimagine its Civic Center and enhance its connection to the Downtown. The approved project consisted of three development sites which are the Civic, Mid-Block, and Library-Lincoln Park Blocks. The Civic Block is now fully built and is home to the new City Hall and Port of Long Beach Administration Buildings. The new Billie Jean King Main Library has been completed on the Library-Lincoln Park Block, and the new Lincoln Park is near completion. The Mid-Block, located between the Civic and Library-Lincoln Park Blocks, contains the former City Hall building and grounds, and is the site of the proposed Project.

Previous efforts by Plenary to secure a developer have not been successful, though one such effort resulted in securing approved entitlements for the site that are the basis for the proposed Project. The approval allows the construction of two new eight-story buildings, the North and South Buildings, which will contain 290 dwelling units each, for a total of 580 dwelling units. The buildings also will contain ground-floor space for retail and restaurant tenants, with 9,750 square feet in the North Building, and 25,650 square feet in the South Building. Each building will have a two-level subterranean parking structure, combined with a smaller at-grade parking garage, and one second-story parking garage for the North Building. Across the Project site, parking will total 885 stalls. Plenary is in the process of demolishing the former City Hall building and will remove all other improvements, clear the site, and is now proposing to construct the Project on the Mid-Block.

The buildings are oriented on an east-west axis with a 60-foot-wide pedestrian paseo separating them. This paseo is aligned with the new Civic Center plaza and will align with the future extension of this paseo into the new Lincoln Park. Four retail spaces, ranging from 3,900 to 6,400 square feet, make up the primary building frontage on both sides of this paseo, with a fifth retail grocery space of 12,500 square feet located on the corner of Ocean Boulevard and Cedar Avenue. Each building has a leasing lobby, building utility spaces, and a level of at-grade parking making up the balance of the ground floors. The North Building features nine two-level live/work townhomes at the ground and second-floor levels, with five units on the east elevation and four units on the west elevation. The North Building also contains a second level of parking above grade, plus the upper levels of the nine townhomes, and other utility and open-to-below space for the ground floor retail. In the South Building, the second level is composed entirely of utility and open-to-below spaces. At the third level, both buildings feature a large interior courtyard surrounded by the first full level of residential units. Each courtyard deck includes a pool, and fitness/amenity space. The remainder of the levels on both buildings, four through eight, is composed of residential flats, with a sky deck feature at the southeast corner of each building at the eighth level.

The Project is required by the Mid-Block Site Conveyance Agreement Between the City and Plenary (Agreement) to include 10 percent of the total number of dwelling units (58 out of 580) as affordable housing units at the Moderate Income (80 percent–120 percent Area Median Income) level. As is typical for affordable units, the City will require that these units be restricted for a 55-year term of affordability with annual monitoring conducted to ensure compliance as approved by the Planning Commission in March 2021. The developer also has agreed to provide the following community benefits:

- Promoting workforce housing for teachers, to include up to 100 units for teachers (inclusive of the 58 required affordable units) through offering leasing opportunities, one-month free rent and waivers of deposit and application fees, and honoring of any additional rental concessions offered at the same time
- Promoting public transit for the teachers' units by providing the 100 teacher units with a $200 annual transit credit that can be applied to a Long Beach Bike Share or Long Beach Transit pass for up to 10 years
- Allowing community use opportunities on the 1st Street Promenade without charge, subject to event permitting by the City
- Providing approximately 1,000 square feet of ground floor tenant space on the Ocean Boulevard frontage free of charge for public, educational, art, or non-profit use
- Provision of 24/7 active security patrols throughout the Project site
- Provision of tenant space for an approximately 12,000-square foot full-service grocery/market in the Project's ground floor commercial space, with the developer required to make every effort to secure a grocery/market tenant for this space.

In addition to the above Project benefits, the Project also includes the following benefit highlights as part of the bond financing and proposed Public Benefit Agreement (Attachment A):

- 120 Regional Housing Needs Allocation units
- Utility assistance
- Amortized bond at the end of the bond cycle
- Capital reserve maintenance account for property maintenance
- New jobs
- Retail sales tax

The average typical unit mix is shown for each building in the tables below:

North Building

Unit type	No. of subtypes	Average sq. ft.	Total No. of units	Percent of unit mix
Studio	3	570	57	20 percent
1 Bedroom	6	763	179	62 percent
2 Bedrooms	4	1,265	45	15 percent
Townhomes	2	1,036	9	3 percent
Total		**811**	**290**	**100 percent**

South Building

Unit type	No. of subtypes	Average sq. ft.	Total No. of units	Percent of unit mix
Studio	2	600	61	21 percent
1 Bedroom	5	775	191	66 percent
2 Bedrooms	5	1,348	38	13 percent
Townhomes	(none)			0 percent
Total		**814**	**290**	**100 percent**

The two proposed eight-story buildings, each approximately 85 feet tall, are designed in a contemporary style, primarily using colored metal as the main exterior cladding materials, in conjunction with some areas of smooth plaster. The design features high-quality architectural metals, windows, accents, and other finish items. The City has engaged an architectural peer review on the proposed building design to ensure that it is of the highest quality due to the prominence of the site and its integral position in the middle of the Civic Center. The applicant has submitted several iterative redesigns of the Project in response to comments received from the peer reviewer and the Development Services Department.

On February 16, 2021, the City Council adopted a Resolution authorizing the City to support the California Statewide Communities Development Authority Community Improvement Authority's (CSCDA) issuance of bonds to enact moderate-income deed restriction on the existing Oceanaire apartment project, located at 150 W. Ocean Boulevard (Oceanaire), and authorized the execution of a Public Benefits Agreement with CSCDA in connection therewith. The City Council also requested the City Manager to develop a proposed policy for any future similar projects that participate in the Middle-Income Housing Program and stipulated that the Oceanaire was designated as a pilot, with no similar projects to be approved until the City Council has considered the City Manager's proposed policy.

On January 18, 2022, the City Council reviewed the proposed Middle-Income Housing Program (MIHP) and requested that staff return with further enhancements. The MIHP, as currently drafted, would establish City policy parameters, and terms and conditions for tax-exempt bond financing for middle-income housing projects, including new construction and the acquisition of existing market-rate housing communities.

Tax-exempt bonds offer the project sponsor a means of 100 percent project financing required to purchase or build the apartment buildings including all associated financing and transaction fees. The bonds are structured in two pieces: Series A and Series B. The Project will involve two Series A Bonds that will pay for land acquisition, construction, financing, reserves, and other costs. The "A Bond" is fully amortized, with the principal balance to be paid during the bonds' 40-year term. The subordinate "B Bond" is given to the project sponsor, Mid-Block Site DevCo LP, which initiated the proposal. This B Bond, effectively a form of preferred equity, carries a tax-exempt interest rate that is typically 10 percent, and the principal is paid at the eventual sale of the Project.

Plenary has indicated its desire to utilize the draft MIHP to finance the development of the Project and has submitted a detailed project proposal. The proposal has been reviewed by staff and the City's consultant, HR&A. HR&A has prepared analysis providing a detailed review of the proposal, including its potential risks and benefits along with a summary of the proposed housing affordability structure, financing structure, and property tax abatement implications (Attachment B). This structure will increase from 10 percent affordable (required by the project entitlements) to 100 percent middle-income affordable housing (120 RHNA qualified middle-income units and 460 Tax Credit Allocation Committee) qualified middle-income units.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 19, 2022 and Director of Financial Management Kevin Riper on January 20, 2022.

TIMING CONSIDERATIONS

City Council action is requested on February 1, 2022, to allow the developer to assemble financing for the Project.

FISCAL IMPACT

The Project sponsor is providing funding for staffing and consultant costs associated with this transaction. The residential project will be off the tax rolls once construction is complete, but a host fee is required, and the loss of City property tax is expected to be fully offset for the City by this fee. The Developer has agreed to fully abide by the draft policy on middle-income units proposed by City staff in its report to the City Council on January 18, 2022, which will help in avoiding fiscal impacts. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

OSCAR W. ORCI
DIRECTOR OF DEVELOPMENT SERVICES

Kevin Riper

KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

ATTACHMENTS: RESOLUTION
ATTACHMENT A – PUBLIC BENEFITS AGREEMENT
ATTACHMENT B – HR&A PLENARY PROPOSAL REVIEW MEMORANDUM

APPROVED:

THOMAS B. MODICA
CITY MANAGER

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH, CALIFORNIA APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO THE CALIFORNIA COMMUNITY HOUSING AGENCY, AND THE FORM OF A PUBLIC BENEFIT AGREEMENT; AND APPROVING THE ISSUANCE OF REVENUE BONDS BY THE AGENCY FOR THE PURPOSE OF FINANCING THE ACQUISITION, CONSTRUCTION OR IMPROVEMENT OF PROJECTS LISTED HEREIN

WHEREAS, pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), certain public agencies (the “Members”) have entered into a Joint Exercise of Powers Agreement Relating to the California Community Housing Agency, dated as of January 29, 2019 (as amended, the “Agreement”), in order to form the California Community Housing Agency (the “Agency”), for the purpose of promoting economic, cultural and community development, and in order to exercise any powers common to the Members or granted by the Act, including by the issuance of bonds, notes or other evidences of indebtedness; and

WHEREAS, the City of Long Beach (the “City”), has determined that it is in the public interest and for the public benefit that the City become an Additional Member of the Agency pursuant to Section 12 of the Agreement in order to facilitate the promotion of economic, cultural and community development activities in the City, including the financing of projects therefor by the Agency; and

WHEREAS, the Agreement has been filed with the City, and the members of the City Council of the City (the “City Council”), with the assistance of its staff, have

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
411 West Ocean Boulevard, 9th Floor
Long Beach, CA 90802-4664

reviewed said document; and

WHEREAS, the Agency is authorized to issue and sell revenue bonds for the purpose, among others, of financing or refinancing the construction, acquisition and rehabilitation of capital projects; and

WHEREAS, the Agency proposes to issue revenue bonds (the “Bonds”) to finance the acquisition, construction, development and certain related costs of a 580-unit multifamily housing property within the City located at 321 West Ocean Boulevard (the “Project”); and

WHEREAS, the Agency proposes to grant to the City in connection with the financing of the Project the right to cause the Agency to sell such Project to the City or its designee, starting upon the date fifteen (15) years from the issuance of the Bonds pursuant to a Public Benefit Agreement (the “Public Benefit Agreement”), by and between the Agency and the City, substantially in the form which has been filed with the City Council, subject to insertion of such non-material modifications as have been approved by the City Manager and approved as to form by the City Attorney; and

WHEREAS, it is in the public interest and for the public benefit that the City Council approve the issuance of the Bonds by the Agency for the aforesaid purposes; and

WHEREAS, Section 3.A of the Agreement and Section 6508.1 of the California Government Code expressly provide that the Agency’s “debts, liabilities and obligations do not constitute debts, liabilities, or obligations of any Members”;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The foregoing recitals are true and correct.

Section 2. The City hereby requests to become an Additional Member of the Agency pursuant to Section 12 of the Agreement. The Agreement is hereby approved and the City Manager or the designee thereof is hereby authorized and directed to execute said document.

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Section 3. The proposed form of Public Benefit Agreement on file with the City is hereby approved. In connection with the Project, the City Manager or the designee thereof is hereby authorized and directed to execute an agreement in substantially said form, subject to insertion of such non-material changes therein as such officer executing the same may deem consistent with this Resolution and its basic purpose, and subject to the approval as to form of the City Attorney, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The City Council hereby approves the issuance of Bonds by the Agency to finance the Project.

Section 5. The issuance of Bonds shall be subject to the approval of the Agency of all financing documents relating thereto to which the Agency is a party. The City shall have no responsibility or liability whatsoever with respect to the Bonds.

Section 6. The adoption of this Resolution shall not obligate the City or any department thereof to (i) provide any financing to acquire or construct any Project or any refinancing of any Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the acquisition, construction, rehabilitation or operation of any Project; (iii) make any contribution or advance any funds whatsoever to the Agency; or (iv) except as provided in this Resolution, take any further action with respect to the Agency or its membership therein.

Section 7. The executing officers(s) and all other proper officers and officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this Resolution and the transactions herein authorized.

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Section 8. The City Clerk shall forward a certified copy of this Resolution and an originally executed Agreement to the Agency:

California Community Housing Agency
1400 W. Lacey Boulevard
Hanford, California 93230
Attention: Michael LaPierre

Section 9. This resolution shall take effect immediately upon its adoption by the City Council, and the City Clerk shall certify the vote adopting this resolution.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of __________________________, 2022 by the following vote:

Ayes: Councilmembers: ________________________________

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Noes: Councilmembers: ________________________________

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Absent: Councilmembers: ________________________________

____

Recusal(s): Councilmembers: ________________________________

____

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City Clerk

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
411 West Ocean Boulevard, 9th Floor
Long Beach, CA 90802-4664

RECORDING REQUESTED BY
California Community Housing Agency

WHEN RECORDED RETURN TO:
Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Justin Cooper

THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE

PUBLIC BENEFIT AGREEMENT

By and Between

CALIFORNIA COMMUNITY HOUSING AGENCY

and

CITY OF LONG BEACH

Dated as of [●], 2022

Relating to

CALIFORNIA COMMUNITY HOUSING AGENCY
ESSENTIAL HOUSING REVENUE BONDS, SERIES 2022
(321 W. OCEAN DEVELOPMENT)

PUBLIC BENEFIT AGREEMENT

This PUBLIC BENEFIT AGREEMENT ("*Public Benefit Agreement*") is dated as of [●], 2022, by and between the CALIFORNIA COMMUNITY HOUSING AGENCY, a joint exercise of powers agency organized and existing under the laws of the State of California (including its successors and assigns, "*Owner*"), and the CITY OF LONG BEACH, a California municipal corporation ("*Host*").

BACKGROUND

WHEREAS, Owner proposes to issue Bonds (as hereinafter defined) to finance Owner's acquisition of the certain multifamily rental housing project (the "*Project*") to be developed and located at 321 W. Ocean Boulevard, Long Beach, California, located on the real property site described in Exhibit A hereto; and

WHEREAS, Owner intends to grant Host an option to purchase the Project pursuant to this Public Benefit Agreement.

AGREEMENT

In consideration of the mutual covenants herein contained, and such other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Owner and Host mutually agree as follows:

Section 1. Grant of Option. Owner hereby grants to Host an option ("*Option*") to purchase the Optioned Property (as herein defined) upon payment of the Option Price (as herein defined) within the Option Term (as herein defined) and in compliance with and observance of all of the terms and conditions of this Public Benefit Agreement.

Section 2. Definitions. Capitalized terms used in this Public Benefit Agreement shall have the meanings assigned to them in this Section 2; capitalized terms used in this Public Benefit Agreement and not defined in this Section 2 or elsewhere herein shall have the meanings assigned to them in the Indenture (as herein defined).

(a) "*Acquisition Date*" -- the date on which Owner acquires title to the Optioned Property pursuant to a recorded deed.

(b) "*Bonds*" – collectively, the Series A Bonds and the Series B Bonds.

(c) "*Bond Documents*" – the Indenture, this Public Benefit Agreement, the Regulatory Agreement, and other documents related to the Bonds.

(d) "*Bond Trustee*" – the bond trustee identified in the Indenture and any successor thereto.

(e) "*Closing*" – shall have the meaning set forth in Section 8 hereof.

(f) "*Conveyance*" – that transaction or series of transactions by which Owner shall transfer, bargain, sell and convey any and all right, title or interest in and to the Optioned Property to Host.

(g) "*Extraordinary Costs and Expenses*" – shall have the meaning set forth in the Indenture.

(h) "*Host Indemnified Parties*" – Host and each of its officers, governing members, directors, officials, employees, attorneys, agents and members.

(i) "*Indenture*" – the Indenture of Trust between Owner, as issuer, and the Bond Trustee, as trustee, pursuant to which the Bonds were issued.

(j) "*Manager*" – Plenary Americas Workforce Housing LLC, a Delaware limited liability company, and its successors and assigns.

(k) "*Option Exercise Date*" – the date fifteen (15) years from the issuance of the Bonds.

(l) "*Option Price*" – the sum of the amounts set forth below:

i. an amount sufficient to either prepay, redeem in whole or fully defease for redemption on the earliest call date all Project Debt; *plus*

ii. any fees or other amounts not identified in clause (i) that may be necessary to effect the complete release from and discharge of any lien, mortgage or other encumbrance on the Optioned Property; *plus*

iii. any amounts due to Owner (including the Owner Indemnified Parties), the Bond Trustee or any predecessor or successor, or any other Person under any indenture, loan agreement, bond, note or other instrument relating to any [Satisfied Indebtedness][1] (including, without limitation, indemnification amounts, Owner's Extraordinary Costs and Expenses, recurrent and extraordinary fees and expenses, and reimbursable costs and expenses of any kind or nature); *plus*

iv. Transaction Costs; *minus*

v. the amount of any Project Debt assumed by Host; and *minus*

vi. any funds held by or for Owner under the Indenture applied to the retirement of Project Debt.

[1] NTD: Definition to be included in Master Glossary.

(m) "*Option Term*" – shall commence on the Option Exercise Date and, if not exercised, shall terminate at 11:59 p.m. local time on the date that is [●] years from the Option Exercise Date.

(n) "*Optioned Property*" – means all of Owner's right, title and interest (which includes fee simple title to the real property), whether currently owned or hereafter acquired, in and to all property and assets used in or otherwise related to the operation of the Project including, without limitation, all real property and interests in real property, all tangible and intangible personal property, including furniture, fixtures, equipment, supplies, intellectual property, licenses, permits, approvals, and contractual rights of any kind or nature, together with the right to own and carry on the business and operations of the Project.

(o) "*Outstanding*" – with respect to Bonds, as of any given date, all Bonds which have been authenticated and delivered by the Bond Trustee under the Indenture, except: (i) Bonds cancelled at or prior to such date or delivered to or acquired by the Bond Trustee or prior to such date for cancellation; (ii) Bonds deemed to be paid in accordance with Article [●] of the Indenture; and (iii) Bonds in lieu of which other Bonds have been authenticated under the Indenture.

(p) "*Owner Indemnified Parties*" – Owner and each of its officers, governing members, directors, officials, employees, attorneys, agents and members.

(q) "*Project Debt*" – any debt secured by the Project and incurred to finance or refinance Owner's acquisition of the Project and related transaction costs, including any portion of the Bonds and any bonds, notes or other indebtedness issued by Owner to refund the Bonds in whole or in part.

(r) ["*Regulatory Agreement*" – the Regulatory Agreement and Declaration of Restrictive Covenants, between Owner and the Bond Trustee, recorded on the real property site described in Exhibit A hereto.][2]

(s) "*Series A Bonds*" – the California Community Housing Agency Senior Essential Housing Revenue Bonds Series 2022A (321 W. Ocean Development), with such other series and sub-series designations as may be set forth in the Indenture, originally issued to finance a portion of Owner's acquisition of the Project and related transaction costs.

(t) "*Series B Bonds*" – the California Community Housing Agency Subordinate Essential Housing Revenue Bonds, Series 2022B (321 W. Ocean Development), with such other series and sub-series designations as may be set forth in the Indenture, originally issued to finance a portion of Owner's acquisition of the Project and related transaction costs.

(u) "*Surplus Cash*" – shall have the meaning set forth in Section 6 hereof.

(v) "*Transaction Costs*" – to the extent not otherwise described herein, any costs or expenses of any kind or nature associated with or incurred by Owner and Host in connection with

[2] NTD: Definition to be amended to the extent there are separate regulatory agreements for the units that qualify as "moderate income units" under RHNA and the units that do not.

the consummation of the Conveyance, any refinancing of the Project or assumption of Project Debt regardless of whether such costs and expenses are customarily borne by the seller or purchaser in any such transaction, including but not limited to taxes, recording fees and other impositions, Owner's and Host's legal and other professional fees, fees for verification agents, bidding agents, escrow agents, custodians or trustees, assumption fees, prepayment fees, the cost of the appraisal, surveys, inspections, title commitments, title insurance premiums and other title-related fees, and all amounts required for indemnification of Owner, Bond Trustee and Manager.

Section 3. Effectiveness; Term and Termination. The Option shall become effective on the Option Exercise Date and may be exercised during the Option Term. Owner agrees that it will not enter into any agreement to sell all or any part of the Optioned Property during the Option Term, without the specific written request of Host and written consent of Owner, which consent shall not be unreasonably withheld, and delivery of an Opinion of Bond Counsel to Host and Owner substantially to the effect that such sale will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. After expiration of the Option Term, Host shall not be precluded from purchasing all or any portion of the Optioned Property from Owner at a price and on the terms agreed upon by Host and Owner, but Owner shall not be precluded from seeking or agreeing to sell, or consummating the sale of, all or any portion thereof to any third person. So long as the Bonds are outstanding, Host agrees that it will not transfer any part of its interest in the Project or any of its rights under this Public Benefit Agreement, without the written consent of Owner, which consent shall not be unreasonably withheld, and delivery of an Opinion of Bond Counsel to Owner substantially to the effect that such sale will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Section 4. Manner of Exercise.

(a) Owner's Notice. At least six (6) months prior to the Option Exercise Date, Owner shall provide Host notice of the Option Exercise Date; provided, however, that failure to provide such notice shall not affect the sufficiency or validity of any proceedings taken in connection with the exercise of the Option.

(b) Host's Notice. To exercise the Option, Host shall provide a notice (an "*Exercise Notice*") to Owner at any time prior to the end of the Option Term.

(c) Owner's Response. Within fifteen (15) business days of its receipt of the Exercise Notice, Owner shall provide Host with a written estimate of the amounts comprising the Option Price.

(d) Host's Response. Within fifteen (15) business days of its receipt of Owner's estimate under Subsection (c), Host shall notify Owner in writing either (i) that it is withdrawing its Exercise Notice, or (ii) that it intends to proceed with the purchase of the Optioned Property. If Host fails to deliver either notice within the required time, then Host shall be deemed to have withdrawn its Exercise Notice.

(e) Fixing of Option Price; Contractual Obligation. If Host notifies Owner in writing that it is proceeding with the purchase of the Optioned Property within fifteen (15) business days of its receipt of Owner's estimate under Section 4(c) hereof, Host shall deliver to Owner a purchase agreement therefor in form and substance reasonably satisfactory to Owner and its counsel subject to the terms and conditions of this Public Benefit Agreement. The purchase agreement shall permit Host to conduct physical inspections of the Optioned Property and conduct due diligence related to the purchase of the Optioned Property, including without limitation its value and physical and environmental condition, and shall provide Host a due diligence approval period of not less than sixty (60) days after the date of the purchase agreement. The purchase agreement shall provide for Owner to deliver to Host copies of all plans, studies, records, reports, governmental notices and approvals, and other written materials related to the use, occupancy or condition of the Optioned Property that Owner has in its possession, including without limitation environmental, structural, mechanical, engineering and land surveys. Host shall provide Owner with comments to the form of purchase agreement within fifteen (15) business days of its receipt thereof, and Owner and Host shall use good faith efforts to negotiate, draft and execute a mutually acceptable purchase agreement as soon as practicable thereafter. The purchase agreement shall provide for Closing for the conveyance to Host of good and marketable title to the Optioned Property at the Option Price within ninety (90) days thereafter.

Section 5. **<u>Determination of Option Price</u>.** Unless the parties otherwise agree, Owner shall cooperate with Host and provide Host with all information and records in its possession, and access to counsel and other professionals, to assist Host in determining and updating the Option Price.

Section 6. **<u>Surplus Cash</u>.** Owner shall cause the Bond Trustee to create an account (the "*<u>Excess Revenue Fund</u>*") under (i) the Indenture or (ii) in the event that the Bonds have been retired and the Indenture discharged, a separate trust agreement identifying Owner as trustor, a trustee selected by Owner as trustee, and Host as beneficiary, into which excess revenue over expenses, as determined in accordance with customary industry standards ("*<u>Surplus Cash</u>*"), shall be deposited. Upon the commencement of the Option Term, after full payment of the fees, charges and expenses of Owner and the Bond Trustee and other amounts required to be paid pursuant to the Indenture or other documents relating to then-outstanding Project Debt, amounts remaining in the Excess Revenue Fund shall be transferred to Host. Thereafter, amounts in the Excess Revenue Fund shall be transferred to Host periodically.

Host shall apply amounts in the Excess Revenue Fund to the payment of the Option Price and thereafter shall apply such funds in its sole discretion. Host shall be allowed to review, copy and audit the Project financial records during customary business hours, upon reasonable advance notice.

Section 7. **<u>Terms of Conveyance</u>.**

(a) The Conveyance shall be in the nature of a grant deed in which Owner shall deliver one or more deeds, bills of sale, or other instruments of transfer without recourse or warranty of any kind or nature.

(b) The Optioned Property will be conveyed to Host in AS IS CONDITION, WITH ALL FAULTS, and without representations or warranties of any kind or nature as to the condition of the Optioned Property, except as may otherwise be set forth in the purchase agreement. Host acknowledges that Owner will convey the Optioned Property AS IS and that OWNER IS MAKING NO WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, with reference to the condition of the Optioned Property, except as may otherwise be set forth in the purchase agreement. HOST WAIVES ANY AND ALL CLAIMS AGAINST OWNER, INCLUDING BUT NOT LIMITED TO, CLAIMS BASED IN PART, INCLUDING, BUT NOT LIMITED TO, NEGLIGENCE, STRICT LIABILITY AND STRICT RESPONSIBILITY, IN CONTRACT, IN WARRANTY, IN EQUITY, OR UNDER ANY STATUTE, LAW OR REGULATION ARISING DIRECTLY OR INDIRECTLY OUT OF ANY CONDITION OF THE OPTIONED PROPERTY.

(c) There shall be no partial transfer and, upon consummation of the Conveyance, Owner shall be fully divested of any and all right, title or interest in and to the Optioned Property.

(d) Upon payment of the Option Price, as adjusted for any prorations, credits and charges, Owner shall convey title to the Optioned Property by quit-claim deed reasonably satisfactory in form and substance to Host.

Section 8. Closing. The closing of the Conveyance ("*Closing*") shall take place not later than the ninetieth (90th) calendar day following the date on which the parties agree on the terms of the purchase agreement pursuant to Section 4(e) hereof at such time within normal business hours and at such place as may be designated by Host.

(a) Prorations. All general and special real property taxes and assessments, and rents shall be prorated as of the Closing, with Host responsible for all such items to the extent arising or due at any time following the Closing. General real property taxes, if any, shall be prorated at the time of Closing based on the net general real property taxes for the year of Closing.

(b) Limitation. In no event shall Owner receive proceeds less than the amount necessary to fully retire or defease, as the case may be, the Series A Bonds and the Series B Bonds and otherwise satisfy all of the payments constituting the components of the Option Price.

Section 9. Recording. This Public Benefit Agreement, and any amendment thereto, shall be recorded with the recorder's office of the County of Los Angeles; *provided*, that in the event Host does not exercise the Option, then upon termination of the term of this Public Benefit Agreement, Host shall cooperate with Owner to remove any such recorded Public Benefit Agreement or amendment thereto from title to the Optioned Property upon Owner's reasonable request therefor and, in any event, by no later than thirty (30) days after the expiration of the original term of this Public Benefit Agreement. In the event that, within said time, Host fails to so cooperate and provide its original signature to a termination of such recorded Public Benefit Agreement or amendment thereto, then Host hereby irrevocably constitutes and appoints Owner as Host's true and lawful attorney (and agent-in-fact) to execute in Host's name any such termination.

Section 10. Possession. Physical possession of the Optioned Property shall be delivered to Host at the time of Closing.

Section 11. Title Insurance, Title Defects.

(a) Within fifteen (15) business days after it receives the Option Exercise Notice, Owner shall provide Host with a title commitment (the "*Title Commitment*") in the customary

ALTA form of Standard Owner's Policy of Title Insurance in Host's favor, for the amount equivalent to the Option Price, with a commitment to insure good and marketable fee simple title to the Optioned Property in Host, issued by a title insurance company licensed to do business in the State of California and acceptable to Host (the "*Title Company*"). The Title Commitment shall show the status of title to the Optioned Property and show all exceptions, including easements, restrictions, rights-of-way, covenants, reservations, and other conditions of record, if any, affecting the subject real estate. Accompanying the Title Commitment, Owner shall also have Title Company furnish Host with true, correct, complete, and legible copies of all documents affecting title to the subject real estate. The cost and expense of such Standard Owner's Policy of Title Insurance shall be payable as a Transaction Cost. Host shall pay the additional premium due if Host elects to obtain an extended coverage policy of title insurance and/or extended coverage endorsements. Owner shall cooperate with Host, at no expense to Owner, by providing an affidavit to Title Company to induce Title Company to issue to Host at Closing a "GAP" endorsement to the Title Commitment showing the effective date of the Policy of Title Insurance to be the time and date of Closing.

(b) If the Title Commitment shows exceptions to title which are unacceptable to Host, Host shall, within ten (10) business days after receipt of the Title Commitment and not later than twenty (20) business days before the date for Closing, notify Owner of such fact and Owner shall have twenty (20) business days after Owner receives Host's written objections to cure such defects and to present a Title Commitment on the basis of which Closing may occur or to notify Host that Owner will not cure same. If Owner cannot or will not cure such defects within such twenty (20) day period and thereafter convey title to the Optioned Property as required in this Public Benefit Agreement, then Host shall have the right (at Host's option) to either:

(i) Rescind the Option Exercise Notice; or

(ii) Accept whatever title Owner can or will convey, without reduction in the purchase price because of such title defects. Any exceptions to title disclosed on the Title Commitment to which Host does not timely object to in writing or to which Host objects but thereafter accepts by Closing shall be included as a "Permitted Exception." Host's failure to accept title within ten (10) business days shall be deemed a rescission of the Option Exercise Notice.

Section 12. Assignment. Host shall not assign the Option without the prior written consent of Owner, which consent shall not be unreasonably withheld, and delivery of an Opinion of Bond Counsel to Owner substantially to the effect that such assignment will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Notwithstanding the foregoing, neither party to this Public Benefit Agreement shall assign its interests, obligations, rights and/or responsibilities under this Public Benefit Agreement without the prior written consent of the other party.

Section 13. No Individual Liability. No Owner Indemnified Person or Host Indemnified Person shall be individually or personally liable for the payment of any sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Public Benefit Agreement-, or by any proceedings for the determination of the Option Price, or Host's exercise or waiver of same, or otherwise except in the case of such Owner Indemnified Person's or Host Indemnified Person's own willful misconduct.

Section 14. **Notices, Governing Law, Binding Effect and Other Miscellaneous Provisions.**

(a) Notices. All notices provided for in this Public Benefit Agreement shall be in writing and shall be given to Owner or Host at the address set forth below or at such other address as they individually may specify thereafter by written notice in accordance herewith:

If to Owner:	California Community Housing Agency 1400 W. Lacey Blvd., Building 1 Hanford, California 93230 Attention: Michael LaPierre
With a copy to:	Plenary Americas Workforce Housing LLC 555 W. Fifth Street, Suite 3150 Los Angeles, California 90013 Attention: Stuart Marks
If to Host:	City of Long Beach 411 W. Ocean Blvd. Long Beach, CA 90802 Attention: City Manager

Such notices shall be deemed effective upon actual delivery or upon the date that any such delivery was attempted and acceptance thereof was refused, or if mailed, certified return receipt requested, postage prepaid, properly addressed, three (3) days after posting.

(b) Consents and Approvals. All consents and approvals and waivers required or asserted hereunder shall be in writing, signed by the party from whom such consent, approval, waiver or notice is requested, provided that no written consent or approval of Owner shall be required for any action that Host may, in its reasonable good faith judgment, find it necessary to take in the event of an emergency.

(c) Maintenance of Membership. In order to preserve the Optioned Property's exemption from real property tax, Host agrees to remain a member of Owner joint powers authority so long as any Bonds remain outstanding.

(d) Cooperation. Owner will keep Host advised of its complete name at all times, including any change of such name. Host will keep Owner advised of its complete name at all times, including any change of such name.

(e) Pronouns. Where appropriate to the context, words of one gender include all genders, and the singular includes the plural and vice versa.

(f) Amendments. This Public Benefit Agreement may not be modified except in a written instrument signed by Host and Owner.

(g) Complete Agreement. This Public Benefit Agreement together with all schedules and exhibits attached hereto and made part thereof supersedes all previous agreements, understandings and representations made by or between the parties hereto.

(h) Governing Law. This Public Benefit Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of law principles. All claims of whatever character arising out of this Public Benefit Agreement, or under any statute or common law relating in any way, directly or indirectly, to the subject matter hereof or to the dealings between Owner and any other party hereto, if and to the extent that such claim potentially could or actually does involve Owner, shall be brought in any state or federal court of competent jurisdiction located in Los Angeles County, California. By executing and delivering this Public Benefit Agreement, each party hereto irrevocably: (i) accepts generally and unconditionally the exclusive jurisdiction and venue of such courts; (ii) waives any defense of forum non-conveniens; and (iii) agrees not to seek removal of such proceedings to any court or forum other than as specified above. The foregoing shall not be deemed or construed to constitute a waiver by Owner of any prior notice or procedural requirements applicable to actions or claims against or involving governmental units and/or political subdivisions of the State of California that may exist at the time of and in connection with such matter.

(i) Legal Construction. In case any one or more of the provisions contained in this Public Benefit Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalid provision shall be deemed severable, and shall not affect the validity or enforceability of any other provisions of this Public Benefit Agreement, all of which shall remain fully enforceable.

(j) Term. This Public Benefit Agreement shall terminate upon the earlier of (a) the Conveyance or (b) the first date on which all Project Debt has been retired and Owner has made an absolute assignment to Host of all future Surplus Cash.

(k) Captions. The captions used in this Public Benefit Agreement are solely for convenience, and shall not be deemed to constitute a part of the substance of the Public Benefit Agreement for purpose of its construction.

Section 15. Property Management. During the term of this Public Benefit Agreement, Host shall have the right to review and reasonably approve the selection of the original and any replacement property management company and the management agreement with that company for the Project. If Host determines that the management of the Project during the term of this Public Benefit Agreement is deficient in any manner, Host may provide notice of the deficiency to Manager and Owner, and Host, Manager, and Owner shall meet and confer in good faith to discuss the alleged management deficiency and attempt to reach agreement upon one or more appropriate remedies to address the alleged management deficiency. Upon Host's acquisition of the Optioned Property, Host shall not be obligated to continue the contracts with any property management company for the Project.

Section 16. Annual Certificates of Continuing Compliance. During the term of this Public Benefit Agreement and commencing upon the Acquisition Date, Owner shall provide (or cause Manager to provide) Host a copy of all annual Certificates of Continuing Program Compliance, as defined in and prepared pursuant to the Regulatory Agreement, and upon reasonable request of Host, copies of income certifications and other necessary supporting documentation.

Section 17. **Annual Reporting.** Owner shall provide (or cause Manager to provide) the following information to Host, on an annual basis no later than January 31 of each year:

(a) *Tenant Satisfaction Survey:* Commencing on the first anniversary of the Acquisition Date, an annual tenant satisfaction survey conducted by Manager with responses from at least 20 percent of tenants representing the full range of Project unit sizes and restricted household income categories.

(b) *Market Rents & Property Discounts*: Commencing on the first anniversary of Substantial Completion, an annual report on submarket rents and discounts, drawing on comparable rent and market data that is mutually agreed upon by Host and Owner.

(c) *Tenant Summary:* Commencing on the first anniversary of Substantial Completion, an annual summary provided by Manager of tenant attributes including household size, income and rent information for occupied units during the preceding twelve months on a form acceptable to Host.

(d) *Project Financial Report:* An annual financial report detailing operating expenses and debt metrics associated with the Project.

(e) *Host Requests for Other Information:* Owner shall respond within 10 calendar days in writing to any reasonable written request from Host for other information about the Project's maintenance conditions or leasing practices.

Section 18. **Host Fees.**

(a) Base Host Fee. Within 30 days after the first anniversary of the Acquisition Date and each year thereafter during the term of this Public Benefit Agreement, Owner shall pay (or cause Manager or the Bond Trustee to pay) Host a payment equal to $[650,000], indexed at an annual escalation rate equal to the lesser of (i) 2.00% and (ii) an escalation rate that represents a reasonable increase in appraised values for comparable multifamily properties in Long Beach for the previous year, as mutually agreed by Host, Owner, and Manager.

(b) Host Affordable Housing Monitoring Fee. In addition to the Base Host Fee described above, Owner shall pay (or cause Manager or the Bond Trustee to pay) Host an affordable housing monitoring fee equal to $170 per unit, as such fee may be increased by Host from time to time. Such payment shall be made concurrently with the Base Host Fee (when applicable) and shall be based on the average number of occupied units for the preceding twelve months.

Section 19. **Project Condition.** Owner shall cause Manager to continually maintain the Project in a condition which, at a minimum, satisfies the Uniform Physical Conditions Standards promulgated by the Department of Housing and Urban Development (24 CFR §5.705). The

Project shall also be subject to Host's rotation of property inspections set forth by Host's Code Enforcement Division.

Section 20. **Subordinate Debt.** Host shall have the right to approve the amount and terms of any subordinate debt (excluding the Series B Bonds) secured by a lien on the Project if the amount of such additional subordinate debt exceeds $50,000.

Section 21. **Approval of Documents.** Host shall have the right to review and approve of the terms and conditions of the Regulatory Agreement and the Project Administration Agreement (as defined below) prior to their respective execution, but only to the extent necessary to ensure that they are materially consistent with the agreed upon terms and conditions between Host and Manager respecting the Project, as evidenced by that certain minute order and accompanying materials adopted by the Long Beach City Council with respect to the Project on February 1, 2022. Owner shall provide (or cause Manager to provide) drafts of such documents to Host at least twenty (20) days prior to marketing of the Bonds, and Host shall provide its comments to, and/or approval of, such draft documents to Owner and Manager not later than ten (10) days after Host's receipt thereof.

Section 22. **Project Administration Agreement.** Owner agrees that Host is intended to be, and Owner shall ensure that Host is made a third-party beneficiary, of the Project Administration Agreement dated as of ______________, 2022 by and between Owner and Manager relating to the Project ("*Project Administration Agreement*"). Upon the occurrence of a breach by Owner of any material provision of this Public Benefit Agreement, which breach shall have continued uncured for a period of not less than thirty (30) days following written notice thereof delivered by Host to Owner (with a copy to the Bond Trustee), Host shall have the right (but not the obligation) to enforce the provisions of the Project Administration Agreement and to pursue an action for specific performance or other available remedies at law or in equity in accordance with the terms of the Project Administration Agreement, provided that the right of Host to take any such action or remedy shall be explicitly subordinate to the rights and interests of the Bond Trustee in connection with the Project Administration Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Public Benefit Agreement as of the date set forth above.

CALIFORNIA COMMUNITY HOUSING AGENCY

By: ______________________________________

Name: ____________

Title: _____________

CITY OF LONG BEACH

By: ______________________________________

Name: _____________

Title: _____________

Approved as to Form:

____

City Attorney

Signature Page to Public Benefit Agreement

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ______________________)

On ________________________, before me, __________________________________,
(insert name and title of the officer)
Notary Public, personally appeared ____,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature__________________________________ (Seal)

EXHIBIT A

LEGAL DESCRIPTION OF REAL PROPERTY

The Land referred to herein is situated in the State of California, County of Los Angeles, City of Long Beach, and described as follows:

[TO COME]

Analyze. Advise. Act.
700 South Flower Street, Suite 2995, Los Angeles, CA 90017
T: 310-581-0900 | F: 310-581-0910 | www.hraadvisors.com

MEMORANDUM

To:	Linda Tatum, Assistant City Manager, City of Long Beach
From:	HR&A Advisors, Inc.
Date:	January 24, 2022
Re:	Analysis of Proposed Middle-Income Housing Plenary Proposal

Introduction

Purpose of the Analysis

HR&A Advisors, Inc. ("HR&A") was engaged by the City of Long Beach (the "City" or "Long Beach") to conduct independent programmatic and financial review of a project proposed by Mid-Block Site DevCo. LP ("Plenary") to finance, construct and operate a new mixed-use multifamily development with 580 units of middle-income housing and 36,643 SF of ground floor retail (the "Project" or "Plenary Proposal"), located at 321 West Ocean Boulevard ("Mid-Block Site") where the previous city hall building was located. The Plenary Proposal uses a tax-exempt bond financing structure in which a joint powers authority ("JPA") issues the bonds and qualifies for *ad valorem* property tax abatement during the term of the financing after construction is completed. All units will be developed in one phase with 290 units in a South Building and 290 units in a North Building. The Project obtained Site Plan Review approval by the City's Planning Commission on March 19, 2020, as part of the final phase of the Long Beach Civic Center redevelopment project.

Moderate-Income Rental Housing JPA Programs

In 2019, in response to the lack of public resources to provide moderate-income[1] rental housing, several JPAs that serve as conduit issuers of public financing for local governments began structuring proposals for local governments to participate in government-owned middle-income rental housing funded by tax-exempt bonds. Although the JPA transactions have a limited operating history, approximately $5.0 billion of such bond transactions have closed to buy 9,000 apartment units at an average investment per unit of about $540,000. One such transaction for the Oceanaire apartment project ("Oceanaire") in Long Beach, an existing 216-unit Class A multifamily building located at 150 West Ocean Boulevard, was approved by the City Council on February 16, 2021, as a pilot project. In its approval, the City Council tasked the City Manager to develop a policy for any future similar projects that participate in the same type of Middle Income/Workforce Rental Housing Program ("MIH Policy").

HR&A previously assisted City staff with their evaluation of the Oceanaire transaction and is also advising City staff as they develop the Middle-Income Housing Policy requested by the City Council as a framework for evaluating future requests, with the goal to maximize public benefit and achieve the City's housing priorities. A draft MIH Policy was considered by the City Council on January 18, 2022. The City Council endorsed the general objectives of the draft MIH Policy but requested further study of its specific

[1] In this memo the terms "middle-income" and "moderate-income" have the same meaning and include households with annual incomes of between 81% and 120% of the Area Median Income for the County of Los Angeles.

underwriting and other requirements. For informational purposes, this memo evaluates the Plenary Proposal using the draft MIH Policy (see also the comparison matrix in the Appendix).

HR&A Proposal Evaluation Approach

Plenary's efforts over the last three years to secure a developer for the Mid-Block Site to complete the Civic Center project resulted in three unsuccessful transactions caused by each potential buyer electing to not proceed with the development. Plenary then approached the City in April 2021 to act as the developer to build out the Project using the Middle-Income/Workforce Rental Housing bond program for financing.

HR&A's analysis of the Plenary Proposal's potential benefits and risks included several approaches to fully understand its scope and implications. HR&A first conducted a detailed review of draft Project documents provided by Plenary to City staff, including a detailed financial model. HR&A also met with Plenary several times to discuss its assumptions, expectations, and financial projections. In addition, HR&A conducted independent research using third party sources, including CoStar real estate data, other real estate databases, interviews with California Department of Housing and Community Development staff ("HCD"), and city staff reports for other similar transactions including but not limited to Anaheim, Chula Vista, Carson, and San José. We also considered a "white paper" guidance document for local governments that HR&A co-authored on this subject. Finally, HR&A also drew on its 40 years of experience advising cities and other public agencies across the U.S. on affordable housing programs and finance, and other consulting experience for the City.

Summary of Findings and Conclusions

The current Plenary Proposal, which includes some modifications recommended by HR&A and City staff, particularly unit rent specifics, the calculation of a "host fee" to offset foregone City property tax revenue, and lower transaction closing fees, substantially complies with the draft MIH Policy and presents the following key benefits to the City: 1) New Housing Production and Regional Housing Need Allocation ("RHNA") Credits, 2) Deeper Housing Affordability, 3) Maintains City Property Tax Revenues, as well as 4) Other Fiscal and Community Benefits. As a new construction development, all 580 moderate-income housing units will contribute towards meeting the City's 6^{th} Cycle RHNA requirements, including 120 deed-restricted units in the RHNA-defined "moderate-income" category. HR&A's analysis concludes that the Plenary Project's totality of public benefits, including new housing supply and affordability benefits, a City "host fee" payment to offset potential lost property taxes, additional City property taxes and sales tax from the Project's ground floor retail, use of prevailing wages and other economic impact benefits, and net financial proceeds available to the City at the end of the bond financing term, supports City participation in the transaction and the associated property tax exemption during the bond financing term.

However, the Proposal still bears the typical risks associated with this type of JPA-sponsored Middle-Income Housing transaction, including: 1) Large Total Forgone Property Taxes, 2) a Complicated Financial Structure, 3) Public Benefits Exposure to Market Risks, 4) Risks from Lack of Enforcement, and 5) Risks from Multiple Transactions. Although the City will be protected from legal liability from Project implementation if the Plenary Proposal is approved by the City Council, the inherent risks of such transactions suggests that the City should carefully monitor the Project's implementation and develop an exit strategy for the termination of the bond financing to better protect the City's and tenants' interests.

Summary of the Plenary Proposal

Proposal Structure

Plenary is proposing a ground-up development of 580 Middle-Income Housing units consistent with the terms and conditions of the City's approval of previous Mid-Block Site development entitlements in March 2020. As shown in the organizational chart in Figure 1, Plenary, through an affiliate, intends to partner with California Community Housing Agency ("CalCHA"), a JPA that will issue public benefit tax-exempt bonds to finance the construction of the Project. The Project will then be governed by a Regulatory Agreement(s) and Declaration of Restrictive Covenants with specific residential tenant household income and rent restrictions, and a 55-year deed restriction for certain of the Project's moderate-income units. Any terms of the existing Mid-Block Site regulatory agreement can be migrated into the Plenary Proposal's regulatory agreement(s) as appropriate. Council action to approve participating in the transaction will empower the City Manager to approve minor changes to the terms of the Regulatory Agreement that may be necessary prior to the financial closing.

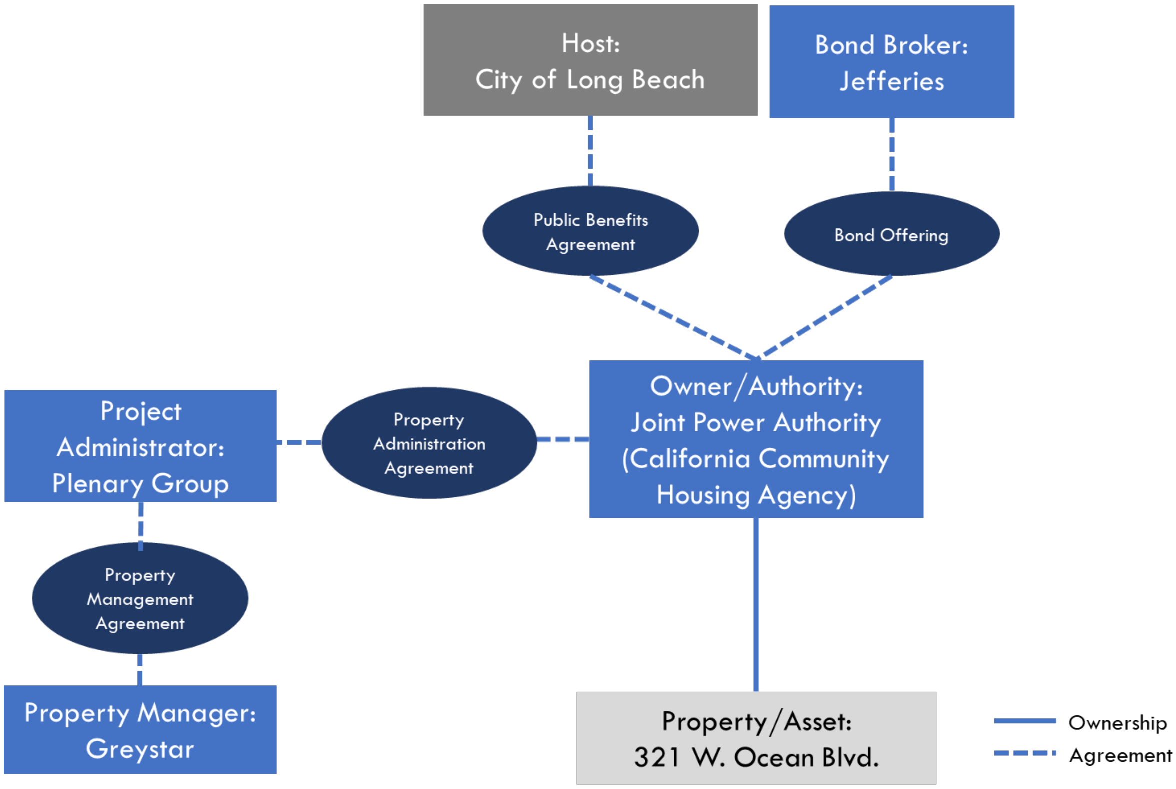
Plenary will act through an affiliate as the project administrator or asset manager. The relationship between Plenary and the JPA will be governed by a Property Administration Agreement ("PAA"), which will be drafted after City Council approval and will largely follow precedent Middle-Income Housing PAAs, with a variation that Plenary will be managing the Project construction phase in addition to asset management when the Project becomes occupied.

Greystar, a large, well-regarded property management company, will act as the property manager pursuant to a Property Management Agreement ("PMA") with Plenary. Greystar is also the Property Management Company for the Oceanaire project. The PMA will also be drafted after City Council approval and will largely follow precedent Middle-Income Housing PMAs with a variation that Plenary will be fully responsible for the property manager's performance, instead of the JPA in other precedent transactions.

This structure and forms of agreement for the Plenary Proposal will be very similar to those used in the Oceanaire transaction, but the Regulatory Agreement will contain somewhat different terms and conditions specific to the Project. For example, there will also be a 55-year deed restriction on the lowest rent units (as discussed below) for RHNA credit purposes (also discussed below), whereas there was no such deed restriction or RHNA credit benefit in the Oceanaire transaction, and there was no Host fee to offset property tax on the Oceanaire project which has not been included for the Plenary project.

The relationship between the JPA and the City is governed by a Public Benefit Agreement ("PBA") that ensures that the City will not be legally liable for construction, financing, or operations during at least the first 15 years of the project (as discussed further below). Between years 15 and the termination of the PBA, the City will have the option to purchase the property at an option price that is sufficient to pay off remaining bond debt, dues, fees and transaction costs. Plenary provided HR&A and City staff with a projection of future project valuation at year 40, which is discussed in a subsequent section of this memorandum. The PBA approach proposed by Plenary is different from the Oceanaire transaction, in that it provides the City an option to purchase the development at a fixed price formula. If the City decides not to exercise the option, the JPA will assign all future surplus cash to the City once all project debt has been retired.

Figure 1: Proposed Plenary Proposal Organizational Structure



Sources: Plenary Group; HR&A Advisors, Inc.

Housing Affordability Level

Moderate-income households are those at the upper end of the income spectrum that defines "affordable housing." More specifically, moderate-income households are defined as those who earn between 81 percent and 120 percent of Area Median Income ("AMI") for each county.

There are two approaches in California to calculating AMI, affordable household incomes and associated maximum gross rents. As illustrated in Figure 2, the first approach, referred to as State Income Limits, prepared by the California Department of Housing and Community Development ("HCD"), uses calculations from the U.S. Department of Housing and Urban Development ("HUD") that results in an AMI of $64,000 for a two-person household, $72,000 for a three-person household, and $80,000 for a four-person household at the median 100 percent x AMI level in Los Angeles County in 2021.[2] The second approach, referred to as TCAC Income Limits, is used for Low-Income Housing Tax Credit ("LIHTC") projects through HUD's Multifamily Tax Subsidy Project ("MTSP"), which is administered in California by the Tax Credit Allocation Committee ("TCAC") and results in an AMI of $94,600 for a two-person household, $106,400 for a three-person household, and $118,200 for a four-person household at the median 100% x AMI level.[3]

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[2] https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/income-limits-2021.pdf

[3] https://www.huduser.gov/portal/datasets/home-datasets/files/HOME_IncomeLmts_State_CA_2021.pdf

Figure 2. Proposed Income limits, by Percentage of AMI

STATE INCOME LIMITS (HCD UNITS)

	100%	110%
1 PERSON	$ 56,000	$ 61,600
2 PERSON	$ 64,000	$ 70,400
3 PERSON	$ 72,000	$ 79,200
4 PERSON	$ 80,000	$ 88,000

TCAC INCOME LIMITS (HUD UNITS)

AMI	80%	100%	120%
1 PERSON	$ 66,240	$ 82,800	$ 99,360
2 PERSON	$ 75,680	$ 94,600	$ 113,520
3 PERSON	$ 85,120	$ 106,400	$ 127,680
4 PERSON	$ 94,560	$ 118,200	$ 141,840

Source: HCD; TCAC; HR&A Advisors

The maximum gross rents by household size that are associated with the State Income Limits and used by local governments for their Housing Elements and housing programs, are based on calculation rules in state law, as discussed below. TCAC publishes its own schedule of maximum gross rents by household size.

The Plenary Proposal sets gross rents for all units at 120 percent of AMI but uses both the lower State Income Limits (and associated state law) and the higher TCAC Income Limits schedules for qualifying household incomes and gross rents. Consistent with state law,[4] Plenary calculates 120 percent of AMI gross rents using 110 percent of AMI based on the State Income Limits schedule to define one of the Project's two groups of Middle-Income Housing units, which are referred to as "HCD Units." The TCAC schedule does not include 120 percent of AMI values, so like all other JPA transactions, the Plenary Proposal also uses an extrapolation from 100 to 120 percent of AMI in the TCAC schedule for the so-called "HUD Units," as displayed in Figure 2, to establish qualifying household incomes and gross rents. All other JPA Middle-Income Housing transactions to date, including the Oceanaire, use only the TCAC Income Limits and associated maximum rent levels, which is a higher rent burden for tenants.

As shown in Figure 3, the Plenary Proposal dedicates 460 units (79%) for households with incomes up to 120 percent of AMI based on TCAC Income Limits and 120 units (21%) at 110 percent of AMI based on State Income Limits. The monthly rents associated with these units are discussed further below.

[4] California Health and Safety Code Section 50053. The City's new inclusionary housing program (Long Beach Municipal Code, Chapter 21.67), like most other such programs in California, also relies on the State Income Limits approach to defining maximum allowable household incomes and associated maximum gross rents by percentages of AMI.

Figure 3: Proposed Affordability Mix of the Plenary Proposal

Plenary Income Brackets			
	HCD Units 110% State Income Limits*	HUD Units 120% TCAC	Total
Studio	82		82
1 bed	38	204	242
2 bed	0	248	248
3 bed	0	8	8
Total	**120**	**460**	**580**
Share of Units	**21%**	**79%**	

**110 percent State Income Limits for HCD units are lower than 80 percent TCAC Income Limits.*
Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

Property Tax Impacts

The key to making these Middle-Income Housing transactions work financially is that the JPA, which is a public agency, is not required to pay *ad valorem* property taxes, creating more cash flow to pay debt service on the bonds sold to finance acquisition and construction of the Project. The City would join CalCHA (the JPA) as a "member" and act as the "host" for purposes of the tax-exempt bonds issued by the JPA. The City's participation allows the JPA to enjoy the same level of property tax exemption as if the property were owned by the City. Therefore, the Project would forgo paying the City and all other taxing entities *ad valorem* property taxes during operation of the primary residential component of Project over the term of the bond financing but would pay any direct assessments and all property tax due from retail uses and the project as a whole during the course of construction. The Mid-Block Site is currently exempted from property tax as it was the location of the old city hall.

The Assessed Value of the residential portion of the Project at stabilized occupancy (i.e., 95% occupied) is estimated to be $300.1 million using today's real estate values. In the absence of the proposed property tax exemption, the Project's annual *ad valorem* property tax liability would be $3.6 million to all taxing entities, of which about $650,000 would be due to the City, as shown in Figure 4. Plenary proposes to pay the City an annual "host fee" of $650,000 escalating at two percent per year from 2022 to compensate the City for its otherwise forgone property tax payments for the residential component. This annual payment will start when construction is completed, which is estimated to be October 2024. No such host fee was included in the Oceanaire transaction. But like the Oceanaire transaction, property tax payments to all non-City taxing entities would be suspended over the term of the financing period (i.e., up to 40 years in the Plenary Proposal versus up to 35 years in the Oceanaire transaction) – unless a property refinancing or sale occurs sometime after year 15 and yields enough proceeds to pay off the bonds then outstanding and to reimburse the forgone tax revenue to the City for any amount not covered by the host fee payment, and lastly to the non-City taxing entities based on the City's fiscal condition at the time of the exit.

Figure 4: Estimated Forgone Property Tax Revenue, FY2021-22

Estimated Forgone Property Tax, FY2021-22		
Estimated Residential Net Operating Income		$11,994,772
Cap rate		4.00%
Projected Assessed Stabilized Value		$300,092,127
General Levy (1% Assessed Value)		
City of Long Beach	**21.66%**	**$650,000**
Long Beach Unified School District	17.10%	$513,158
Long Beach Community College	2.58%	$77,424
County of Los Angeles	28.78%	$863,665
Other County of Los Angeles Authorities	2.71%	$81,325
Other Education Authorities	26.05%	$781,740
Other Authorities	1.12%	$33,610
Total General Levy	**100.00%**	**$3,000,921**
Voted Indebtedness		
Unified Schools	0.143%	$430,155
Metro Water	0.004%	$10,503
Community College	0.063%	$189,313
Total Voted Indebtedness		**$629,971**
Total Foregone Property Tax		**$3,630,893**

Sources: Los Angeles County Auditor-Controller Tax Rate Area Lookup; Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

Sources and Uses of Funds

The Plenary Proposal will be financed by two (Junior and Senior) tax-exempt Essential Housing Revenue "Series A" bonds issued by the JPA. The two Series A bonds cover the cost of land acquisition ($43 million according to a Broker Opinion of Value), construction-related costs ($326 million per a preliminary cost estimate plus $48 million construction financing cost), a number of capitalized interest and reserve accounts ($60 million), and closing costs ($9 million). As currently sized, the Project cash flow supports Series A bond payments with a 1.0 annual debt service coverage ratio including all interest and coverage reserve drawdowns throughout most of the bond term.

The financing structure also includes a subordinate "Series B" bond that acts as a preferred equity grant of $5.0 million to Plenary. According to the language in a Bond Offering Memorandum on a comparable Middle-Income Housing transaction, the Series B bond compensates Plenary for "the sale and assignment of certain assets to the Authority, including its purchase rights to the Project, a business plan for the Authority, and certain intellectual property." It is important to note that no cash is exchanged at closing for the Series B bond, but it is included among the financing sources and uses because Plenary immediately begins earning 10 percent annual interest on the Series B bond, with the deferred principal paid at option or sale of the Project.

The Junior Series A bond in the amount of $191M is fully paid off at year 30. The Senior Series A bond in the amount of $287M starts principal repayment after the Junior A bond is paid off or in the last 10 years of the bond term (year 30-40). The subordinated Series B bond in the amount of $5M has an annual principal repayment of approximately $250,000 in the first 10 years and a balloon payment of outstanding principal and accrued interest at the last year of the Series A bond term (year 40). Therefore, by the end of the final year (year 40), there is no outstanding principal or interest due.

The Oceanaire transaction utilized a single Series A bond and a Series B bond. On both a total and per-unit basis, the Plenary Proposal's costs are higher than in the Oceanaire transaction, because it is more than twice the scale and involves new construction with prevailing wage requirements and several years of construction financing costs but omits the Oceanaire's Project Administrator Fees & Reserves (see Figure 5).

Figure 5: Plenary Proposal Sources and Uses of Funds as Compared to the Oceanaire Project

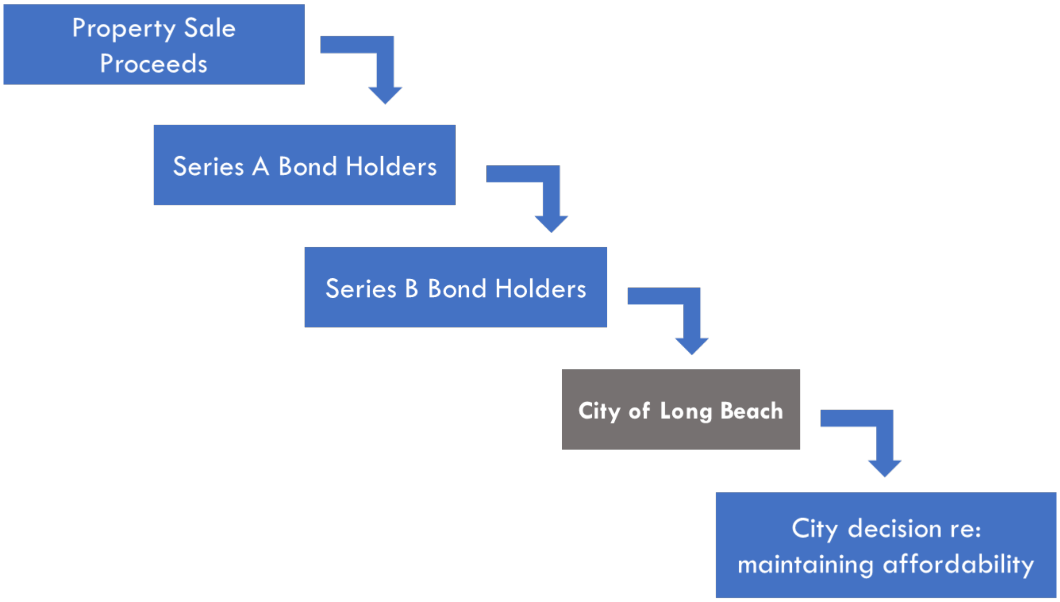
	Plenary (580 units)		Oceanaire (216 units)	
Sources of Funds	**Total**	**Per Unit**	**Total**	**Per Unit**
Senior A-1 Bond	$285,520,000	$492,276	$134,934,001	$624,694
Senior A-1 Bond Premium	$5,938,816	$10,239	$4,499,095	$20,829
Junior A-2 Bond	$190,345,000	$328,181		
Junior A-2 Bond Premium	$3,959,176	$6,826		
Subordinate B Bond	$5,000,000	$8,621	$5,000,000	$23,148
Total	**$490,762,992**	**$846,143**	**$144,433,096**	**$668,672**
Uses of Funds	**Total**	**Per Unit**	**Total**	**Per Unit**
Acquisition of Land	$43,000,000	$74,138		
Construction Costs	$325,550,500	$561,294	$122,000,000	$564,815
Construction - Financing Costs	$47,533,626	$81,955		
Transaction Closing Expenses	$2,500,000	$4,310	$3,168,205	$14,668
Underwriter's Discount	$7,137,975	$12,307	$2,091,496	$9,683
Senior Debt Service Reserve	$19,034,600	$32,818	$5,397,360	$24,988
Capitalized Interest and Coverage Reserve Funding	$37,201,982	$64,141	$1,079,472	$4,998
Capital and Operating Reserve Funding	$3,804,309	$6,559	$1,684,557	$7,799
Project Administrator Fees & Reserves			$4,012,005	$18,574
Project Administrator Preferred Equity	$5,000,000	$8,621	$5,000,000	$23,148
Total	**$490,762,992**	**$846,143**	**$144,433,096**	**$668,672**

Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

Project Timeline and Exit Strategy

Plenary is targeting a financial close by April 2022, subject to the timeline for City approval and various development and financing conditions and a guaranteed construction price based on more detailed working drawings than are available today. The Project has a construction timeline of 2.5 years with a 12-month lease-up period. The City will have an option to purchase the Project after year 15 at an option price that is sufficient to pay down all outstanding bonds and fees. This means that the City is at the bottom of the sale proceeds distribution waterfall. In other words, as shown in Figure 6, the Series A bondholders and the Series B bondholders are above the City in receiving payment. As with other JPA transactions, including Oceanaire, the City will have the option to determine how and which taxing authorities could be reimbursed for their shares of foregone property tax revenue, including but not limited to the County, Long Beach Unified School District and Long Beach Community College. The net sale proceeds could be used by the City to help maintain the affordability of at least the HCD Units that will be subject to a 55-year deed restriction that will extend 10 years beyond the bond financing term, or any other affordable housing or municipal purpose.

Figure 6:Sales Proceeds Waterfall



Sources: Precedent Form of Public Benefit Agreement provided by Plenary; HR&A Advisors, Inc.

Potential Benefits to the City

The Plenary Proposal has several potential benefits for the City that are in line with the priorities indicated in the City's draft MIH Policy. These benefits differ from the more typical JPA conversion project approach, including the Oceanaire transaction.

New Housing Production and RHNA Credits

The primary benefit as a new construction project is the creation of 580 new income-restricted units targeted at moderate-income households, which is in line with the City's goals to increase housing supply in general and maximize the number of units that will qualify for RHNA credit. RHNA income brackets are defined in terms of the State Income Limits which, as noted above, are substantially lower than the TCAC schedule. Also, RHNA credit is only available to units which are deed-restricted for 55 years. Therefore, only the proposed 120 HCD Units will qualify as "moderate income units" under RHNA, while the remaining 460 HUD Units will qualify as other new units under RHNA, even though they qualify as "moderate-income" under the definition derived from the TCAC income and rent schedules. The Plenary Proposal includes a separate 55-year deed restriction for these HCD Units (subject to approval by the City Attorney) irrespective of when the bonds are repaid. The Regulatory Agreement for the remaining HUD Units will be structured similar to other JPA transactions in which the affordability restrictions could be terminated upon bond repayment depending on the City's preferred exit strategy. The City has struggled to meet the housing delivery goals in the past and is facing significant challenges with the 26,502-unit target in its current 6th Cycle RHNA. The Plenary Proposal will therefore provide the City with RHNA credits for both 120 moderate-income HCD Units and 460 HUD Units. The Oceanaire transaction did not produce any RHNA credit.

Deeper Housing Affordability

The Plenary Proposal will increase the supply of moderate-income housing with 460 HUD Units restricted for households with income up to 120 percent of AMI based on TCAC Income Limits and 120 HCD Units restricted for households with income up to 110 percent of AMI based on State Income Limits, which is lower than 80 percent of AMI based on TCAC Income Limits. The amount of affordability benefit is much more significant than in the Project's previously approved Conveyance Agreement and Conditions of Approval, which is 10 percent moderate-income units (58 out of 580). The Plenary Proposal also utilizes a "Lesser of Two Tests" methodology in setting the affordable rents: the lesser of: (1) a 5.0 percent discount to market rents; or (2) the affordable rents based on the respective maximum rents from the State Income Limits and TCAC Income Limits schedules. As illustrated in Figure 7, for a 1-bedroom HUD Unit, a 5.0 percent discount to market is $2,565, which is lower than the affordable rent derived from the TCAC schedule at $2,838. Therefore, the Plenary Proposal utilizes the lower starting rent to underwrite its 1-bedroom HUD Units. However, for all the other HUD Units and HCD Units, the affordable rents derived from the TCAC and State Income Limits maximum rent schedules, respectively, provide a deeper discount to market than 5.0 percent and are used to derive the rent level for those units. All units will have a meaningful affordability restriction in the sense that the rents are at least 5.0 percent below market rents.[5]

[5] Market rents are defined as Class A newer-build Class A comparables in Long Beach (including the Current, the Crest, Volta, AMLI Park Broadway, and Oceanaire), adjusted for square footage. HR&A has verified market rents assumptions provided by Plenary by reviewing leasing comps from Costar and conversations with local real estate brokers.

Figure 7: Plenary HUD Unit Rents vs Affordable Rent Calculation as compared to Oceanaire Project [6]

120% AMI 1-BR				
	Plenary HUD Units	**Affordable (2021 TCAC)**	**Oceanaire**	**Affordable (2020 TCAC)**
Annual Income	$113,520	$113,520	$94,680	$94,680
Share of Income (%)	30%	30%	35%	30%
Share of Income ($)	$34,056	$34,056	$33,138	$28,404
Monthly Share of Income	$2,838	$2,838	$2,762	$2,367
Rents Based on 5% Discount to Market	$2,565			
Plenary "Lesser of Two Tests" Rent	***$2,565***			
Estimated Utility Payments	$105	$105	$0	$95
Monthly Net Rent excl. Utility Payments	**$2,460**	**$2,733**	**$2,762**	**$2,272**
120% AMI 2-BR				
	Plenary HUD Units	**Affordable (2021 TCAC)**	**Oceanaire**	**Affordable (2020 TCAC)**
Annual Income	$127,680	$127,680	$121,680	$121,680
Share of Income (%)	30%	30%	35%	30%
Share of Income ($)	$38,304	$38,304	$42,588	$36,504
Monthly Share of Income	$3,192	$3,192	$3,549	$3,042
Rents Based on 5% Discount to Market	$3,520			
Plenary "Lesser of Two Tests" Rent	***$3,192***			
Estimated Utility Payments	$129	$129	$0	$95
Monthly Net Rent excl. Utility Payments	**$3,063**	**$3,063**	**$3,549**	**$2,947**

Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

State law defines "affordable housing cost" as not more than 30 percent of gross household income[7] net of any tenant-paid utilities cost. The Plenary Proposal's calculation of affordable rents conforms to this definition for all units. The estimated utility payments are based on the 2021 Utility Allowance Schedule published by the Housing Authority of the City of Long Beach.[8] For comparison, Oceanaire used 35 percent of income with no deduction for tenant-paid utilities.

As show in Figure 8, the largest affordability benefits are from the 120 HCD Units with a 36.8 percent discount to market rents, while the affordability gains from the 460 HUD Units are a 12.2 percent discount to market rents. The weighted average rent for all units achieves a 16.6 percent discount to market rents. By comparison, the Oceanaire's weighted average monthly rents at the time of transaction approval was $2,668, which would be a 12.2 percent discount to current market rents. The Plenary Proposal caps annual rent increases at 3.0 percent in its pro forma, while the Regulatory Agreement will have a 4.0 percent annual increase cap, similar to other JPA transactions. Because the Plenary Proposal is a new construction project,

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[6] Plenary Rents vs. Affordable Rents are based on 2021 TCAC Income Limits, while Oceanaire Rents vs. Affordable Rents are based on 2020 TCAC Income Limits.

[7] https://www.hcd.ca.gov/grants-funding/income-limits/index.shtml

[8] https://www.longbeach.gov/globalassets/haclb/media-library/documents/owners-and-agents/2021-ua-only

there is also no conversion risk compared to the Oceanaire project, where existing market-rent tenants are allowed to continue to stay at Oceanaire and pay market rents until voluntarily vacating the building, therefore reducing the overall affordability benefits over the bond financing term.

Figure 8: Plenary Rents vs. Market Rents by Unit Type as Compared to the Oceanaire Project

Unit Type	Market Rent	Plenary Average	Oceanaire Average	Plenary HUD Units			Plenary HCD Units		
				Plenary	($)	(%)	Plenary	($)	(%)
Studio	$2,250	$1,442	$2,149				$1,442	($808)	-35.9%
1-Bed	$2,700	$2,334	$2,437	$2,460	($240)	-8.9%	$1,655	($1,045)	-38.7%
2-Bed	$3,600	$3,063	$2,951	$3,063	($537)	-14.9%			
3-Bed	$4,000	$3,389	$3,284	$3,389	($611)	-15.3%			
Weighted Average	**$3,039**	**$2,534**	**$2,668**	**$2,801**	**($407)**	**-12.2%**	**$1,509**	**($883)**	**-36.8%**
Overall Discount to Market		-16.6%	-12.2%						

Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

As mentioned above, the Plenary Proposal is financed with two Series A bonds and a Series B bond that leaves very little, if any, excess cashflow to direct towards increased affordability or reducing bond principal. Plenary suggested that there is a direct tradeoff between any additional affordability benefits and fiscal benefits that the City might be able to receive from the proposal. To illustrate, if the City prefers to adjust the unit mix and have more HCD Units to provide deeper affordability benefits, less excess cashflow would be available to pay the City host fee, and still maintain sound financial performance (i.e., meet the minimum annual debt to service ratio of 1.0).

Maintains City Property Tax Revenues

Different from many earlier JPA transactions, including Oceanaire, Plenary proposes to provide the City with payment of a host fee amount equivalent to the estimated City portion of the otherwise eliminated *ad valorem* property tax for the residential program in an annual amount of $650,000, escalating at 2.0 percent annually, just as *ad valorem* property tax would increase under Proposition 13. This host fee payment will be paid as an operating expense ahead of all debt payments in the cashflow waterfall. Due to existing and projected future City budget constraints, Middle-Income Housing projects that maintain City property tax revenue that would otherwise be exempted are proposed as a priority consideration in the draft MIH Policy. Although the Oceanaire transaction sponsors have been offering a host fee in more recent JPA transactions elsewhere, no host fee was included in the Oceanaire transaction.

Prevailing Wages Paid

Another key benefit of the Plenary Proposal is Plenary's commitment to pay prevailing wages across all on-site construction trades, and ensure a living wage will be paid to all workers on the Project. Unlike the Oceanaire proposal or any other acquisition of an existing building, the Plenary Proposal will create construction jobs at prevailing wages and additional jobs throughout the community due to the economic impacts of this significant new construction project. If the Mid-Block Site were to be instead developed as a market-rate development, prevailing wage would not be paid to on-site construction trades.

Other Public Benefits

Apart from the RHNA credits, affordability benefits (rental savings) and the host fee payments maintaining City property tax revenues, the Plenary Proposal also provides additional public benefits that differ from most other JPA transactions, including Oceanaire. These result from the fact that the Project involves new construction rather than conversion of an existing apartment building, and net new ground floor retail uses. The Project will also complete the Civic Center redevelopment led by an affiliate of Plenary through a public/private partnership with the City which includes the Civic Block, the Center Block/Mid-block, and the Library-Lincoln Park Block. The Civic Block is now fully built out and is home to the new City Hall and Port of Long Beach Administration Building. The City's new Main Library has also been completed on the Library-Lincoln Park Block, while construction of the new Lincoln Park is nearing completion and scheduled for a grand opening in the first quarter of 2022. The Center Block/Mid-block, located between the Civic and Library-Lincoln Park Block, is the site of the proposed Project, where the old City Hall is being demolished. The Project's two North and South buildings are separated with a pedestrian paseo which is aligned with the new Civic Center plaza and will align with the future extension of this paseo into the new Lincoln Park to activate the entire Civic Center development area. As previously noted, in the past three years, multiple potential third party buyers of the Mid-Block Site have ultimately elected not to proceed with the acquisition and development of the site.

Further, and per Plenary, each previous potential buyer's development plan contemplated a "phased approach" that could have left a significant portion of the development unbuilt to the extent the completed portion did not perform as expected. The Plenary Proposal, on the other hand, assumes a financial closing date and construction completion date of April 2022 and October 2024, respectively, and will deliver 100 percent of the development in a single phase.

The Project's retail component will generate new City property tax revenue from the retail program as well as sales tax from store sales. The preliminary retail tenant program includes a small grocery store, restaurants (sit down dining and fast casual), and convenience retail. Figure 9 illustrates the estimated total annual property tax and sales tax from the Project's ground floor retail space, respectively, adjusted for inflation.

Figure 9. Estimate of Annual Retail Property Taxes and Sales Taxes[9]

Estimate of Retail Property Taxes and Sales Taxes	
Assumed Retail Rent (Monthly Per SF)	$3.00
Retail Square Footage	36,643
Estimated Retail Cap Rate	5.50%
Estimated Starting Retail Value	$23,984,509
General Tax Levy	1.18%
City of Long Beach Portion of Property Tax	21.66%
Property Tax Growth Rate	2.00%
Total Property Taxes Revenue - Inflation Adjusted	**$2,253,733**
Sales Per Square Foot of Retail Space	$750
City of Long Beach - Bradley-Burns Sales and Use Tax	1.00%
City of Long Beach - Measure A Transactions and Use Tax -current	0.75%
City of Long Beach - Measure A Transactions and Use Tax - post 2028	1.00%
Total Sales Taxes Revenue - Inflation Adjusted	**$14,051,467**

Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

[9] Note that Measure A's current 1 percent Transactions and Uses Tax rate drops to 0.75 percent on January 1, 2023, and stays the same for 5 years, until January 1, 2028. Therefore, HR&A uses 0.75 percent from 2025 to 2027.

Other Project-specific benefits include retail and other City tax revenues from Project household spending in the City, and the direct and “multiplier effect” jobs and other economic activity associated with new construction and annual operation of new apartment buildings.

Like all other JPA Middle-Income Housing transactions, another potential benefit of the Plenary Proposal is the potential revenue if the City exercises the option to purchase the Project after year 15. Since the project owner is not receiving any excess net operating income before the bonds gets fully paid off at year 40, it is in the City's interests to exercise the purchase option at year 40 after clearing all bond payment from cash flow and reserve, but not any time sooner. The magnitude of the potential revenue is dependent on a variety of assumptions including but not limited to rent growth, vacancy rate, and income capitalization rate in future years, which make it difficult to accurately quantify the potential financial sale benefit and will be further discussed in the subsequent memo section on potential risks. One of the most important assumptions in this analysis is that the property tax exemption will expire with the sale of the property. HR&A’s estimate of net sale proceeds assumes that at point of sale, the property will remain as moderate-income housing with the respective HCD and HUD moderate-income rents but would no longer qualify for the property tax exemption conferred by the JPA ownership structure. The result is that potential sales proceeds are much lower than a market rate transaction because net operating income (“NOI”) would be adjusted to account for an increase in property taxes and the continuing moderate rent restrictions on all units. Another important assumption is the exit cap rate which is assumed to be 100 basis points above the current market cap rate of 4.00 percent, or 5.00 percent at year 40.

Figure 10 illustrates the resulting net public benefits should the City decide to exercise the option and purchase the property from the JPA and then sell it to a non-profit developer at market value and extend the moderate-income deed restrictions on all units. At year 40, the City is estimated to receive potential revenue of $767 million from the non-profit developer. To derive the net public benefits, the surplus proceeds ($347 million adjusted for inflation) are summed with the accumulated rental savings, City host fee, property and sales taxes from retail program, against the forgone property tax from the residential portion. At year 40, it is estimated that the City would receive $416 million in net public benefits adjusted for inflation. If the City decides to make all other taxing entities whole, the net public benefits will be reduced.

These financial benefits come at relatively limited expense to the City because the City is not financially responsible for the bond financing, construction, and the operations, and only a limited amount of staff time will be required to monitor the Project each year. The monitoring cost of which is reimbursed by the project through payment of the City’s annual affordable housing monitoring fee, which is paid as an operating expense ahead of all debt payments in the cashflow waterfall. But as discussed below, the City would have to make important decisions about whether, and how, to maintain affordability at least for the 120 HCD Units which are subject to the 55-year deed restriction, and preferably for all 580 units.

Figure 10. Estimate of Net Public Benefits at Year 40

Year	**40**
Exit NOI	$44,540,602
City Host Fee	$1,407,084
Projected Property Tax	-$7,602,413
Adjusted Exit NOI	**$38,345,273**
Cap Rate	*5.00%*
Projected Sales Proceeds	$766,905,456
Interest Reserve Account	$0
Series A Bond Payment	$0
Series B Bond Payment	$0
Surplus Conveyance Proceeds	**$766,905,456**
Inflation Adjusted (2021$)*	
Accumulated Foregone Property Taxes from Residential	-$137,737,950
Accumulated Rental Savings	$165,728,366
Accumulated City of Long Beach Host Fee	$24,862,483
Accumulated Property Taxes from Retail	$2,253,733
Accumulated Sales Tax from Retail	$14,051,467
Surplus Proceeds	$347,324,130
Net Public Benefits	**$416,482,229**

**Note: Inflation adjusted assumes a discount rate of 2%*
Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

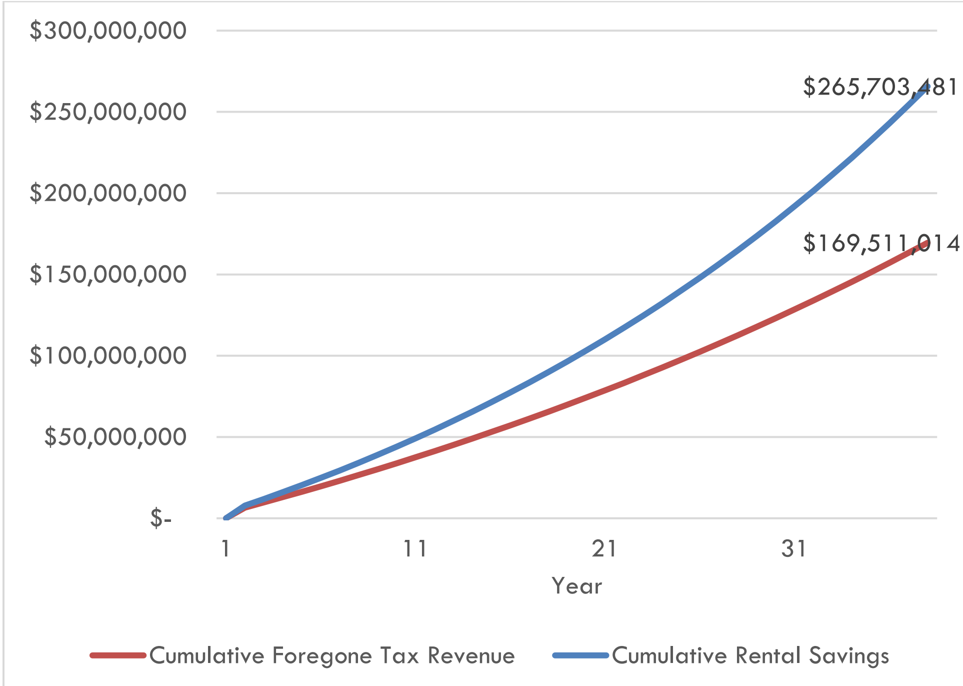
Potential Risks

Although the Plenary Proposal substantially complies with the draft MIH Policy as shown in Appendix A, it still bears the typical risks associated with this type of JPA-sponsored Middle-Income Housing transaction. Therefore, the City should consider and fully understand the risks noted below before approving the Plenary Proposal and put certain reporting obligations in place to minimize risk exposure.

Forgone Public Benefits

Given the deep discount to market rents and the host fee structure proposed by Plenary, Figure 11 shows that the cumulative affordability benefits are larger than forgone property tax revenue (not including the City's portion) throughout the bond term. It is important to point out that this is much better than most of the precedent workforce transactions that do not provide any host fees to their local government. For purposes of comparison, in the Oceanaire transaction, the cumulative affordability benefits, as analyzed at the time of transaction approval, were less than forgone property tax revenue each year of the bond term, with the difference growing over time. But the more favorable result from the Plenary Proposal assumes that all financial projections pan out over 40 years.

Figure 11: Estimated Cumulative Forgone Property Taxes compared to Cumulative Affordability Benefits



Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

Complicated Financial Structure with Fees not Tied to Performance

Similar to other Middle-Income Housing transactions sponsored by the JPAs, the financial structure is rather complicated and involves various upfront and ongoing fees to different parties. At closing, Plenary and the selected JPA will take out $500,000 and $1 million, respectively, in addition to a $7.1 million Underwriter's Discount and a total of $1 million in other closing costs as shown in Figure 12. On an annual basis, Plenary and the selected JPA will receive $200,000 and $150,000, respectively, that inflates by 3.0 percent per year on top of $390,000 property management fee to Greystar.[10] The upfront and ongoing payment to Plenary and the selected JPA is fixed and therefore its returns do not vary with project performance. Greystar's property management fees will be related to performance and are consistent with industry standards.

In combination, these fees are high compared to typical real estate transactions considering that there is no cash equity involved in the Project and such fees reduces the Plenary Proposal's ability to provide more affordability. However, the initial closing fee accounts for 1.96 percent of the gross total development cost ($491 million) which is within the draft MIH Policy guideline of a 2.0 percent maximum. Compared to the Oceanaire project, on a per unit basis, the Plenary Proposal is 56 percent lower in terms of the upfront closing cost ($14,900 vs. $33, 600) and 70 percent lower in terms of the annual ongoing cost ($1,400 vs. $4,800) excluding City monitoring and host fees.

[10] This does not include the 10 percent accrued interest of the $5 million Series B bonds which function as preferred equity payments to Plenary for their ownership stake and the $600,000 annual construction management payment to Plenary during construction.

Figure 12. Total Fees at Closing and Annual Ongoing Fees as Compared to Oceanaire Project

	Plenary				Oceanaire			
Fees	Total Closing	Per Unit	Annual Ongoing	Per Unit	Total Closing	Per Unit	Annual Ongoing	Per Unit
City Host Fee			$650,000	$1,121				
City Affordable Housing Monitoring Fee			$98,600	$170			$34,560	$160
Subtotal - City Fees	**$0**	**$0**	**$748,600**	**$1,291**	**$0**	**$0**	**$34,560**	**$160**
Underwriter's Discount/Bond Originator	$7,137,975	$12,307		$0	$2,091,496	$9,683	$15,000	$69
Project Administrator	$500,000	$862	$200,000	$345	$2,000,000	$9,259	$700,000	$3,241
JPA Fees	$1,000,000	$1,724	$150,000	$259	$1,399,340	$6,478	$209,738	$971
Brokerage and Closing Costs	$1,000,000	$0		$0	$1,768,865	$8,189	$0	$0
Property Management	$0	$0	$389,760	$672			$121,315	$562
Trustee Costs and Audit Fees	$0	$0	$50,000	$86			$0	$0
Subtotal - Other Fees	**$9,637,975**	**$14,893**	**$789,760**	**$1,362**	**$7,259,701**	**$33,610**	**$1,046,054**	**$4,843**
Total	**$9,637,975**	**$14,893**	**$1,538,360**	**$2,652**	**$7,259,701**	**$33,610**	**$1,080,614**	**$5,003**

Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

Public Benefits Are Exposed to Market Risks

For the City to fully realize the potential public benefits of the proposed Project, it will be critical to clearly define an exit strategy. City staff should plan to explore each of the scenarios that could cause the City to want or need to take over the Project and ensure that it is not creating moral hazard by, in effect, guaranteeing projects that encounter operating or public safety difficulty, leaving the City with no practical option but to assume control of the Project.

The first consideration is determining, and clearly defining, the reimbursement to various taxing agencies when the Project is eventually sold. As mentioned, the language in the most precedent Regulatory Agreement leaves it to the local government to decide whether and how to compensate the other taxing authorities. The City should further explore and decide exactly how, when, who and how much various entities will be reimbursed at future sale. The City will have to assess the City's fiscal condition at that point in time and the potential need to contribute subsidy to maintain moderate-income affordability, at least for the 120 HCD Units subject to the deed restriction.

The next consideration is the type of sale after the City purchases the property from the JPA as summarized in Figure 13.

a) Selling the Project at market rate will generate the largest net City proceeds because the buyer could then charge market rents, except for the 120 HCD Units with the 55-year deed restriction. But the City would lose the 460 HUD Units. This scenario therefore seems unlikely.
b) Selling the property to a non-profit developer and extending the moderate-income deed restrictions on all units would help maintain the affordability benefits, but with lower public net sale proceeds compared to the market rate exit. The buyer would most likely not qualify for tax exemption, because moderate-income units are not eligible for the "welfare exemption," and may need some other public subsidy to maintain the discounted rents.
c) The low-income scenario would lead to the largest affordability gains, but there would be no net City proceeds. The buyer would qualify for property tax exemption and federal, state and/or local loan programs and may therefore not require additional City subsidy to operate the building.

Figure 13: Exit Strategy Scenarios

	Buyer	Affordability	Cap Rate	Public Proceeds	Tax Exemption	RHNA Impacts
Market Rate	For-profit	Only 120 HCD units	Lowest	Highest	None	No Change
Moderate-Income	Non-profit	Moderate	Moderate	Medium	None	No Change
Low Income	Non-profit	Significant	Highest	None	Yes	More low-income units

Source: HR&A Advisors, Inc.

The Plenary Proposal financing structure, like all other JPA transactions, is non-traditional and carries long-term financial risk, because it is highly sensitive to market conditions over a generation. Small variations to the current assumptions of rent growth and vacancy have the potential to dramatically reduce – or increase -- the surplus sale proceeds. The most important assumption is the exit income capitalization rate used to estimate the sale value. The draft MIH Policy recommends that the exit capitalization rate assumed at the end the bond term should be at least 100 basis points above capitalization rates for comparable housing developments at the time of project application review. As illustrated in Figure 14, the net City proceeds from the Plenary Proposal, adjusted for inflation, varies from $455 million to $385 million based on a range of exit capitalization rates from 4.5 percent to 5.5 percent, assuming that the City decides to sell the property to a non-profit developer at year 40 and extend the moderate-income deed restrictions on all units.

Figure 14: Sensitivity Analysis of Net Public Proceeds with Changes in Exit Cap Rate

Year	**40**	**40**	**40**
Exit NOI	$44,540,602	$44,540,602	$44,540,602
City Host Fee	$1,407,084	$1,407,084	$1,407,084
Projected Property Tax	-$7,602,413	-$7,602,413	-$7,602,413
Adjusted Exit NOI	**$38,345,273**	**$38,345,273**	**$38,345,273**
Cap Rate	*4.50%*	*5.00%*	*5.50%*
Projected Sales Proceeds	$852,117,173	$766,905,456	$697,186,778
Interest Reserve Account	$0	$0	$0
Series A Bond Payment	$0	$0	$0
Series B Bond Payment	$0	$0	$0
Surplus Conveyance Proceeds	**$852,117,173**	**$766,905,456**	**$697,186,778**
Inflation Adjusted (2021$)*			
Accumulated Foregone Property Taxes from Residential	-$137,737,950	-$137,737,950	-$137,737,950
Accumulated Rental Savings	$165,728,366	$165,728,366	$165,728,366
Accumulated City of Long Beach Host Fee	$24,862,483	$24,862,483	$24,862,483
Accumulated Property Taxes from Retail	$2,253,733	$2,253,733	$2,253,733
Accumulated Sales Tax from Retail	$14,051,467	$14,051,467	$14,051,467
Surplus Proceeds	$385,915,700	$347,324,130	$315,749,209
Net Public Benefits	**$455,073,799**	**$416,482,229**	**$384,907,308**

Sources: Plenary Cash Flow, January 14, 2022; HR&A Advisors, Inc.

Risks from Lack of Enforcement

As detailed in the Appendix, Plenary should be required to provide annual reporting to the City, including information about Tenant Satisfaction, Market Rents & Property Discounts, Financial Report, Property Conditions, ensure that the Project is in compliance with the draft MIH Policy, and provide notice of any change in the identity of the asset manager or property management company (or ownership or control of either), and an opportunity for City staff to periodically inspect the Project upon reasonable advance request to the property management company.

Potential Risks from Multiple Transactions

Overall, it is critical to understand the general risks associated with this relatively new financing program, whether it applies to new construction or conversions of existing buildings. As indicated in all the precedent transaction offering memoranda, bond issuers warn potential investors about a range of risk factors, including but not limited to General Risks of Real Estate Investment, Loss of Property Tax Exemption Status, Risk of Early Redemption, No Bond Ratings, Actual Revenue and Expenses may differ from Projections, Change in Legal Opinions, Lack of Market for Resale of the Bonds, Unclear Enforceability of Remedies, Potential Conflicts of Interests among the JPA, Project Administrators and Property Managers, and others. Accordingly, the City may wish to consider a limit on the number of JPA-sponsored Middle-Income Housing transactions to be approved within a given time frame to minimize risk exposure.

Appendix A.

Evaluation of the Plenary Proposal Using the Draft Middle-Income Housing Policy

Middle-Income Policy Terms and Guidelines	Plenary Deal Evaluation	Note
1. Underwriting Standards: All applications must meet the following basic prudent underwriting standards:		
a. *City Property Tax*: No project shall be considered that does not provide the City with a "hostfee" in an amount equivalent to the City's share of the otherwise exempted *ad valorem* property tax.	OK.	Included in Public Benefit Agreement
b. *Third Party Appraisal*: The acquisition price for existing properties to be converted and/or land for a new construction project must be verified by a third-party appraisal from a Cityselected or mutually agreed upon licensed appraiser with the cost paid by the JPA or ProjectAdministrator.	OK.	Received broker opinion of land value and construction bid from general contractors
c. *Maximum Rents:* Tenant rents per the State Income Limits household income and gross rent schedules shall not exceed 30 percent of household income, net of a tenant-paid utility allowance published by the Long Beach Housing Authority.[11] The maximum affordable rentsshall be at least 10 percent below current market rents for equivalent units at the time of initial rental and re-leasing of vacant units, subject to review by City staff. Use of the alternative CTCAC maximum gross rent schedule for some project units will be at the City'sdiscretion.	OK.	To be confirmed in Regulatory Agreement
d. *Cumulative Rent Discounts:* Over the term of the bonds the net present value of cumulative rent discount to market rate rents shall be approximately equal or greater than the net present value of cumulative foregone property tax revenue to all taxing entities.	OK.	Per HR&A analysis
e. *Deed Restriction*: The affordability restrictions will include a minimum 55-year deed restriction, subject to review and approval by the City Attorney.	N/A (new construction	120 HCD units have 55-year deed restriction.

[11] https://www.longbeach.gov/haclb/owners-and-agents/utility-allowance-schedule/

f. *Cost and Rent Exceptions*: The City may also consider alternative rental/housing cost standards, in its sole discretion. In the event there are other covenants on the property (e.g.,for new construction, any requirements to replace existing affordable units), the most restrictive rent standard shall apply.	OK.	Combination of State Income Limit & CTCAC schedules
g. *Unit Mix*: The specific project unit mix by number of bedrooms, location within the project and allocation by middle-income household income category will be subject to City reviewand consideration	OK.	
h. *Capital Expenditure Reserves:* A minimum of $300 per unit per year escalating at no less than 3.0 percent per year. The required level of annual reserves may increase based on the type and age of property at the sole discretion of the City. A JPA- or Project Administrator-provided, third-party physical needs assessment over the entire bond term summarized as a capital repairs program will be evaluated in determining these requirements. Furthermore, replacement reserves shall be part of Net Operating Income calculations and used in sizing the A Bond.	OK.	To be confirmed in Regulatory Agreement
i. *Minimum Debt Service Coverage Ratio:* The A and B Bonds must have a minimum annual debtservice coverage ratio of 1.0 beginning in year 1, defined as Net Operating Income plus the actual drawdown of interest and coverage reserves divided by the scheduled bond interest and/or principal payment for all A and B Bonds. One additional debt service coverage ratio commonly used in such bond transactions, calculated by dividing the Total Net Revenues plus any funds available in the Capitalized Interest Account and the CoverageReserve Fund, for a particular period, by the Net Debt Service for the Outstanding Series A Bonds or Series of Bonds for the same period, should not be less than 1.20 beginning in year 1.	OK.	Per HR&A analysis
j. *Bond Principal Amortization:* Projects in which bond principal is significantly reduced over the course of the bond term will be given more favorable consideration by the City.	OK.	
k. *Annual Rent Growth:* Rents charged on all middle-income units shall not increase more than the lesser of: (1) the annual change in 100 percent of AMI rents per the CTCAC rent scheduleover the prior twelve months, or (2) at least a 10 percent discount to market rents for the same type of unit, and in no event exceed a maximum of 4.0 percent per year. Rents charged on all existing market-rate units for tenants that do not income quality shall increaseannually by the maximum amount allowed by the Tenant Protection Act of 2019,[12] namely 5.0 percent plus the applicable Consumer Price Index ("CPI") or 10%, whichever is lower toencourage conversion to moderate-income units.	OK.	To be confirmed in Regulatory Agreement
l. *Operating Expense Growth:* Annual operating expenses should be projected to grow at a minimum of 3.0 percent per year. Accumulated capital reserves should be used to conduct major renovation as scheduled in the capital repairs program.	OK.	

[12] California Civil Code Section 1947.12 (a) (1).

m. *Exit Scenario:* In estimating the City's potential future financial benefit from the transaction,the income capitalization rate assumed by the JPA and Project Administrator at the end ofthe A Bond term must be at least 100 basis points greater than the capitalization rate for comparable housing developments at the time of project application review.	OK .	Exit cap rate assumption (5%) is 100 basis points above the current cap rate (4%)
n. *Construction Cost:* For new construction projects, all workers must be paid applicable prevailing wages. The hard costs for new construction projects must be verified by a City approved, qualified and licensed general contractor with the estimate cost paid by the JPA or Project Administrator. The construction costs should include a contingency of at least 10 percent, depending on the level of design on which the estimate is based.	OK.	Received independent contractor estimate for 30% design, final construction price to be based on 100% design
2. **Transaction & Annual Fees:** The JPA's and Project Administrator's annual fees must comply with the following terms:		
a. *Closing Fees*: Initial closing fees shall be evaluated to ensure that they meet market standards and are fully accounted for in the pro-forma provided by the JPA and Project Administrator to the City. Closing fees include all bond origination (including without limitation issuer and legal fees and underwriter's discount), Project Administrator and ownership fees. Total fees should not exceed 2.0 percent of either the total development cost for new construction or the acquisition price for an existing building.	OK.	Per HR&A analysis
b. Ongoing Fees to JPA and Project Administrator: The annual fees paid to all entities potentially including the JPA, Project Administrator, and Property Manager shall beevaluated to ensure they meet market standards.	OK.	Per HR&A analysis
c. *Asset Management Reserves:* For existing buildings, reserves for asset management fees, which contribute to a project's overall debt load, shall be initially funded at three years' worth of payments and not replenished.	N/A	
d. *Accrual:* No capitalization of accrued interest for a B Bond is allowed.	OK.	Per HR&A analysis
3. **Property Transfer and Encumbrance:** The City reserves, at minimum, the following rights related tothe transfer or additional encumbrance of the property. Disclosures shall be made by the JPA withinthree business days of incurring any additional debt and other reportable events as defined by the Securities and Exchange Commission ("SEC") Section 15c2-12 disclosure rules.		

a. *Additional Debt*: After the initial bond issuances, the City shall have the right to approve theamount and terms of any additional subordinate debt exceeding $50,000 in aggregate.	OK.	Included in Public Benefit Agreement
b. *Forced Sale*: The City shall have the ability to force a sale or exercise a purchase option, asapplicable, at any point after year 15 of the A Bond term.	OK.	
c. *Transfers*: City shall have sole and absolute discretion to approve or reject any changes tothe: a) ownership of the project, including changes that are made in whole or in part; b) Asset Manager/Project Administrator; and c) Property Manager. Any request to change the Asset Manager/Project Administrator or Property Manager (including any proposed transfers of controlling interests therein) shall be presented to the City for approval. Further,the City may request a transfer or replacement of a Property Manager for any failure to maintain the project or comply with the terms of the Property Management Agreement.	OK.	Included in Public benefit Agreement
4. **Joint Powers Authority and Project Team Member Qualifications**: The City requires the followingprofessional experience parameters for the JPA Project Team members:		
a. *Joint Powers Authority and Other Sponsors*: The JPA and its consultants, shall demonstrate to the City's reasonable satisfaction that it operates with responsible leadership and financingpractices and has appropriate housing bond-issuing authority and experience, as evidencedby information on current performance on other Middle-Income Housing transactions.	To be finalized	California Community Housing Agency (CalCHA)
b. *Project Administrators or Asset Managers:* Project Administrator or Asset Management companies will evidence no less than 40 years of combined experience of key principal staff in the following areas: *i.* Identifying real estate properties for acquisition, negotiating terms, conducting due diligence, documenting, and closing acquisitions; *ii.* Borrowing or underwriting debt and/or equity investments in multifamily transactions; *iii.* Developing properties from the ground up; *iv.* Overseeing substantial rehabilitation of multifamily projects of at least 100 units; and *v.* Performing high-quality full asset management of properties under control, including hiring and overseeing reputable property management companies experienced with affordable housing compliance and operations, as well as financial workouts and restructuring.	OK.	Plenary affiliate
c. *Property Managers*: The Property Manager shall have successful experience managing at least five large scale affordable housing apartment developments in Los Angeles County as well as extensive experience managing apartment buildings with deed-restricted affordable units and associated compliance administration. Property	OK.	Greystar

	Management companies should have experience working diligently and cooperatively with local governments to resolve apartment building condition and safety problems.		
d.	*Municipal Advisor:* The JPA's project team shall also include an independent, Municipal Securities Rulemaking Board ("MRSB") registered municipal advisor that has a fiduciary obligation to ensure the bond transactions closes per these terms and conditions and any other requirements reflected in: (1) City Council approval to enter into the transaction; (2) the terms of the Public Benefit Agreement; (3) the terms of a Regulatory Agreement and Deed Restriction (as applicable); and (4) sound public finance practice.	OK.	Jefferies
5.	Tenant Protections & Occupancy Process: For acquisition of existing projects, the City requires that the JPA Project Team adhere to specified measures to avoid involuntary displacement of existing tenants within the 12 months following a property's acquisition:	OK.	To be confirmed in Regulatory Agreement
a.	*Noticing*: Each tenant shall be provided with a written notice advising them of their rights under the terms of the City-approved transaction, Regulatory Agreement, and deed restriction (as applicable) and on-going JPA project team compliance procedures tomaintain their eligibility to reside in any market-rate or income and rent restricted units bycategory, as applicable. A copy of the notice shall also be provided to the City Manager.The notice shall include procedures for the conversion of tenancies of any market rate unitsto price-restricted units in a way that does not cause involuntary displacement of existing tenants during their tenure.	OK.	To be confirmed in Regulatory Agreement
b.	*Maximum Household Income:* Following conversion to restricted rents of all occupied market-rate units at the commencement of lease-up, no units shall be rented to tenants with incomesthat exceed 120 percent of AMI.	N/A	
c.	*Existing Tenants:* Existing tenants who meet household income requirements should be transitioned first into more deeply affordable units at their option, prioritizing those with thehighest proportion of income spent on rent payments.	N/A	
d.	*Affirmative Marketing: The* Property Manager shall include contact information on the City'sAffordable Housing Development List. The Project Administrator or Property Manager will maintain a waiting list and follow the affirmative marketing procedures in compliance withthe California Department of Housing and Community Development's Affirmative FurtheringFair Housing.[13]	OK.	To be confirmed in Regulatory Agreement
e.	*Compliance with City's Local Preference Policy:* The Property Manager shall coordinate withCity staff to implement the City's Local Housing Preference Policy and Priority System Guidelines, to the extent possible.	OK.	To be confirmed in Regulatory Agreement

[13] https://www.hcd.ca.gov/community-development/affh/index.shtml

f. *Section 8*: In accordance with California Government Code Sections 12927 and 12955, asamended, the Property Manager shall not discriminate in renting units to Housing Choice orVASH (for veterans) voucher holders including those receiving rental assistance from any local, federal, state, or non-profit agency.	OK.	To be confirmed in Regulatory Agreement
6. City Reporting Requirements: The City requires specified annual reporting by the JPA Project Team to the Director of Development Services:		
a. *Tenant Satisfaction Survey:* The Property Manager will conduct an annual tenant satisfaction survey with responses from a representative sample of at least 20 percent of tenants.	OK.	Included in Public Benefit Agreement
b. *Market Rents & Property Discounts:* The Project Administrator will provide an annual report on submarket rents and discounts. The report will draw on comparable rent and market data that is mutually agreed upon by the City and the JPA Project Team. Rents for each type of unit in a project shall be set annually, or at the renewal of tenants' leases if less than 12 months.	OK.	Included in Public Benefit Agreement
c. *Tenant Summary:* The Property Manager will provide an annual summary of tenant attributes including household size, income and rent information on a form acceptable to the Director of Development Services.	OK.	Included in Public Benefit Agreement
d. *Property Financial Report:* The Project Administrator will provide an annual financial report that details operating expenses and debt metrics associated with the project.	OK.	Included in Public Benefit Agreement
e. *Property Condition:* The Property Manager shall continually maintain the units in a conditionwhich, at a minimum, satisfies the Uniform Physical Conditions Standards promulgated by the U.S. Department of Housing and Urban Development (24 CFR §5.705). The project shallalso be subject to the City's rotation of property inspections set forth by the City's Code Enforcement Division.	OK.	Included in Public Benefit Agreement
f. *City Requests for Other Information:* The JPA Project Team shall respond within 10 calendardays in writing to any reasonable written request from the City for other information aboutproject's maintenance conditions or leasing practices.	OK.	Included in Public Benefit Agreement
g. *Public Benefit Agreement Requirements:* The above reporting requirements must be includedin the transaction's Public Benefit Agreement or shall otherwise be enforceable by the City.	OK.	Included in Public Benefit Agreement

7.	City Application and Annual Compliance Requirements: The following costs shall be paid by theJPA and/or Project Administrator for the City's transaction application review and annual transactioncompliance review:		
a.	*City Application Fee*. A City transaction application review fee to pay for City staff time toreview and process the application.	N/A	Application pre-dates new MIH application process
b.	*Third Party Underwriting Review Costs:* The JPA or Project Administrator shall enter into a reimbursement agreement with the City to pay for the City's reasonable cost to retain independent professionals to review each proposed Middle-Income Housing transaction application and its degree of adherence to the above City terms and conditions.	OK.	
c.	*Annual Monitoring Fee:* All projects will be required to pay the City's annual affordable housing monitoring fee (currently $170 per unit) as increased from time-to-time.	OK.	Included in Public Benefit Agreement

Appendix B.

Application Checklist Evaluation Requested Item	Description	Plenary Status
Long Beach Application	To be determined	N/A
Sponsor Team Narrative & Org Chart	Include a narrative description of the experience and roles of each of member of the Sponsor project team. Include information on current Middle-Income Housing bonds as well as real estate portfolio performance.	To be confirmed
Property Information	Detailed information about the location, age, size and current uses of the property.	Received
Regulatory Agreements	Copies of any existing regulatory agreements covering the project site.	Received the draft regulatory agreement from the Civic Center Redevelopment negotiation
Property Tax History	Copied of property tax bills for all project parcels from the last five years if available	N/A, exempted
Full Project Financial Pro Forma	A “live” or dynamic Excel version of the financial pro forma with formulas for the proposed transaction, reflecting current and projected income and expenses, reserves, bond payments, debt coverage ratio, proposed basis for annual rent increases and a schedule of all transaction fees for the Project, and estimated sale disposition and net proceeds scenarios at year 15 and termination of the bond term, along with notes on all key assumptions.	Received
Existing Rent Roll	Trailing 12 month rent roll at the property, if applicable.	N/A
Historic Revenue and Expenses	Full accounting of revenue and expenses of up to the last five years, if applicable.	N/A
Payroll and Staffing Plan	Detailed payroll and staffing plan for the proposed project.	Not requested
Capital Expenditure Plan	Detailed capital expenditure plan with estimated financing levels over the entire bond term.	Received
Purchase and Sale Agreement	A copy of the draft purchase and sale agreement.	Received precedents only
Public Benefit Agreement	A copy of the draft Public Benefit Agreement between the JPA and local government	Received precedents only
Partnership and Management Agreement	A copy of the draft agreement between JPA and project administrator.	Received precedents only
Public Offering Statement	A copy of the draft documents for the proposed transaction or a comparable recently closed transaction by the same Sponsor team.	Received precedents only

Offering Memorandum	Broker offering memorandum from marketed deals or similar marketing materials.	Received precedents only
Property Conditions Assessment	Property Condition Assessment report for the Project if available. Information about the scope and cost of the recent remodel, and any major capital improvements since initial stabilized operation if applicable. For existing buildings, the assessment should evaluate future replacement requirements over the bond term.	N/A
Appraisal	A copy of a draft or final appraisal or similar document justifying the proposed valuation	Received broker of opinion for land value and bid from GC
Market Rent Study	Study that supports the restricted rent discount to market rents proposed by the Sponsor team	Received market comps from 3rd party consultant
Executed 3rd Party Transaction Reviewer Reimbursement Agreement and Payment of City Application Fee	A fully executed reimbursement agreement, payment of fees for 3rd party review of the proposed transaction and recommendations, and payment of the City application processing fee.	To be confirmed with the City