



Civic Center Mid-Block Moderate-Income Housing Project

City Council Meeting – February 1, 2022

Background

- On December 15, 2015, the City Council approved the Civic Center Project:
 - The Civic Block (complete)
 - The Library-Lincoln Park Block (BJK Main Library complete, park nearing completion)
 - The Mid-Block, the site of the former City Hall currently under demolition
- On March 19, 2020, Planning Commission approved the Mid-Block project entitlements; 580 residential units and 40,000 sq. ft. of retail and restaurant space
- In April 2021, Plenary Properties Long Beach, LLC approached the City to participate in tax-exempt bond financing for the construction and operation of middle-income housing



Mid-Block Project Details

- 580 moderate-income residential dwelling units
- Two eight-story buildings
- Two levels of subterranean parking with 885 stalls, including partial above-grade levels
- 40,000 sq. ft. of retail and restaurant space, including an approximately 12,000 sq. ft. grocery store
- The buildings separated by a pedestrian paseo aligning with the new Civic Center plaza and extending into the new Lincoln Park
- Both buildings feature a large interior courtyard including a pool and fitness/amenity space



Summary of Proposed Transaction

- Plenary (Sponsor) will partner with California Community Housing Agency (CalCHA), who will own and is the Joint Powers Authority (JPA), that will issue the tax-exempt bonds to finance the construction of the project
- The Project will be governed by a Regulatory Agreement that will restrict tenant income and rents and will include a 55-year affordability term for the California Department of Housing and Community Development (HCD) units
- JPA will enter into the Project Administration Agreement with Plenary who will serve as the project administrator and asset manager
- JPA will enter into a Property Management Agreement with Greystar Property Management for property management services
- The Public Benefit Agreement between the City and JPA ensures that the City will not be legally liable for construction, financing, or operations during the bond term, after the first 15 years, the City will have the option to force a sale of the property

Financing Structure

- The Project will be financed by two 40-year tax-exempt Essential Housing Revenue “Series A Bond” and a subordinate “Series B Bond”
- Total development costs are estimated at \$493,631,440
- The City shall have the ability to force sale at any point after year 15 of the A bond term

	Plenary (580 units)	
Sources of Funds	Total	Per Unit
Senior A-1 Bond	\$287,205,000	\$495,181
Senior A-1 Bond Premium	\$5,973,864	\$10,300
Junior A-2 Bond	\$191,470,000	\$330,121
Junior A-2 Bond Premium	\$3,982,576	\$6,867
Subordinate B Bond	\$5,000,000	\$8,621
Total	\$493,631,440	\$851,089
Uses of Funds	Total	Per Unit
Acquisition of Land	\$43,000,000	\$74,138
Construction Costs	\$324,500,000	\$559,483
Construction - Financing Costs	\$47,814,314	\$82,438
Transaction Closing Expenses	\$5,250,000	\$9,052
Underwriter's Discount	\$7,180,125	\$12,380
Senior Debt Service Reserve	\$19,147,000	\$33,012
Capitalized Interest and Coverage Reserve Funding	\$37,932,334	\$65,401
Capital and Operating Reserve Funding	\$3,807,667	\$6,565
Project Administrator Fees & Reserves		
Project Administrator Preferred Equity	\$5,000,000	\$8,621
Total	\$493,631,440	\$851,089

Housing Affordability Level – Income Limits

- In California there are two approaches to calculating Area Median Income (AMI):
 - State Income Limits prepared by the HCD; and
 - Tax Credit Allocation Committee (TCAC) calculations prepared by the U.S. Department of Housing and Urban Development (HUD)
- The Plenary Project uses a combination of both approaches

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

Housing Affordability Level – Rents

- The proposal uses a “Lesser of Two Tests” methodology in setting the affordable rents:
 - A 5.0 percent discount to market rents, or
 - Respective rents from the State Income Limits (HCD) and TCAC Limits (HUD)
- All units have a meaningful affordability restriction

Unit Type	Market Rent	Plenary Average
Studio	\$2,250	\$1,442
1-Bed	\$2,700	\$2,334
2-Bed	\$3,600	\$3,037
3-Bed	<u>\$4,000</u>	<u>\$3,385</u>
Weighted Average	\$3,039	\$2,523
Overall Discount to Market		-17.0%

Proposed Affordability and Unit Mix

- The Proposal dedicates 120 units at State Income Limits (“HCD” Units) and 460 units at TCAC Limits (“HUD” Units)
- The 120 HCD Units will be secured by a 55-year deed restriction
- The Proposal applies a utility allowance to all units which reduces the total rent burden for tenants

Plenary Income Brackets			
	HCD Units	HUD Units	Total
	110% State Income Limits*	120% TCAC	
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%	

Property Tax Impacts

- The City's participation allows the JPA to retain the same level of property tax exemption, therefore the Project would forgo paying *ad valorem* property taxes during the term of the bond
- The City will receive an annual "host fee" to compensate the City for its otherwise foregone property tax payments for the residential component

Estimated Foregone Property Tax, FY2021-22		
Estimated Residential NOI		\$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

Potential Benefits to the City

- New Housing Production and Regional Housing Needs Assessment (RHNA) Credits
- Deeper Housing Affordability
- Maintains City Property Tax Revenues
- Other Public Benefits
 - New ground floor retail uses generating new City property tax revenue
 - Completes the Civic Center Redevelopment
 - Potential net conveyance proceeds to the City if the City exercises the option to sell between years 15 and 40

Potential Risks to the City

- Large total foregone public benefits to taxing entities
- Complicated financial structure with fees not tied to performance
- Public benefits are exposed to market risks
- Risks from lack of enforcement
- Potential risks from setting a precedent encouraging multiple future transactions

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 herein, including a Public Benefits Agreement with California Community Housing Agency (District 1)



Thank you

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