

## MEMORANDUM



The  
**Long Beach  
Housing  
Development  
Company**

**Date:** September 15, 2010

**To:** Board of Directors  
The Long Beach Housing Development Company

**From:** Ellie Tolentino, Vice President *ETolentino*

**Prepared by:** Meggan Sorensen, Development Project Manager

**Subject:** Meta Housing Corporation's Proposed Development at Long Beach Boulevard and Anaheim Street (CD1)

### RECOMMENDATIONS

- 1) Approve a reallocation of \$13,145,000 in construction financing and an increase in the permanent financing commitment to \$10,143,000 for the Senior Artist Colony and the 39-unit affordable senior components of the proposed development at Long Beach Boulevard and Anaheim Street, with conditions;
- 2) Approve the following modifications to the Senior Artist Colony building:
  - a. Increase number of units from 147 to 161;
  - b. Change the affordability from 80% market-rate and 20% affordable to 100% affordable; and
- 3) Authorize the President or designee to execute any and all documents necessary to implement the affordability modification and the reallocation of funds.

### BACKGROUND

On February 17, 2010, the LBHDC approved a phasing plan and gap financing of up to \$13,145,000 to Meta Housing for Phase I of the mixed-use, mixed-income transit oriented development proposed for the southwest corner of Long Beach Boulevard and Anaheim Street. As approved, Phase I included two senior rental buildings - a 147-unit mixed-income Senior Artist Colony (SAC) and a 39-unit 100% affordable senior apartment building, and Phase II included 170 condominium units and 25,000 sq. ft. of retail space. A copy of the LBHDC staff report providing additional detail is attached (Attachment A).

Since the February Board meeting, the following events have occurred that impact the previous actions approved by the Board:

**MAKING  
AFFORDABLE  
HOUSING  
HAPPEN**

AGENDA ITEM NO. 3

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1. In July 2010, Meta received a written clarification from the California State Department of Housing and Community Development (HCD) regarding specific performance requirements for awards received under the Transit-Oriented Development (TOD) and Infill Infrastructure Grant (IIG) programs. Basically, HCD requires Meta to build a minimum of 200 units in Phase I; otherwise, the entire TOD and IIG funding commitments are at risk. If the 200 units are met in Phase I, then Meta has until 2017 to deliver the remaining 156 units included in the original grant application.
2. Meta's proposed rents for the market rate units on the SAC building were not approved. A market analysis prepared by HUD showed rents to be much lower than what Meta has projected; effectively reducing potential bond proceeds by \$6,300,000.
3. Meta received written confirmation from HCD that the TOD and IIG funds awarded to the original project (pre-phasing) could now be used entirely for Phase I.
4. Meta's application for 9% low-income housing tax credits for the 39-unit affordable senior building was not awarded in the first founding round of 2010.

All these factors resulted in Meta's submission of a revised proposal to the LBHDC, requesting an increase in the number of units in Phase I, a change in the affordability of the SAC building, and a reallocation of the approved LBHDC construction financing commitments including an increase in permanent financing commitments (but no increase to overall approved assistance). The details of the revised proposal are as follows:

**Increase in Phase I Units**

To meet the 200-unit threshold requirement, Meta proposes to increase the Senior Artist Colony building from 147 to 161 units, by reconfiguring the units within the existing building dimensions, without changing the façade, height, elevations, and amenities. The table below is a comparison between the previously approved and proposed unit mix in the SAC building.

Unit Type	Approved February 2010	Proposed	Increase / (Decrease)
Studio	0	6	6
1-bedroom	86	99	13
2-bedroom	61	56	(5)
Total Units	147	161	14

**Senior Artist Colony - Change in Affordability**

In the process of preparing its application for Bonds and 4% tax credits for the Senior Artist Colony, Meta found out that the market rate rents projected in HUD's rent analysis were between \$275 and \$350 less per unit than those previously assumed by Meta. HUD's rent analysis effectually reduced targeted HUD bond proceeds by approximately \$6,300,000. Meta worked diligently to find a solution for this additional gap to avoid requesting additional funding from the LBHDC. They concluded that the best way to fill the gap is by changing the affordability mix of the Senior Artist Colony from 80% market and 20% affordable to 100% affordable. This scenario will generate enough tax credit equity to offset the loss of bond proceeds. It is important to note that this change to the affordability mix and financing will not affect the architectural design, amenities, or proposed art programming and services. A comparison between the previous affordability restrictions and the proposed restrictions is shown in the table below.

	Previous Affordability			Proposed Affordability			
	1 BR	2 BR	Total	Studio	1 BR	2 BR	Total
Very Low	17	12	29	-	17	12	29
Low/Moderate	-	-	-	6	81	44	131
Market-Rate	68	49	117	-	-	-	-
Manager	1	0	1	-	1	-	1
<b>Total</b>	<b>86</b>	<b>61</b>	<b>147</b>	<b>6</b>	<b>99</b>	<b>56</b>	<b>161</b>

**Funding Reallocation**

The total required LBHDC assistance has not changed from the February 2010 LBHDC approval. However, the revised proposal includes an increase in assistance during construction for the SAC component and a reduction in assistance during construction for the 39-unit component. The change in affordability has reduced the SAC building's ability to repay a portion of the LBHDC's loan at the end of construction, thus the total permanent assistance for the SAC has increased by \$3,431,000 (\$4,805,000 to \$8,236,000). At the same time, the permanent funding for the 39-unit component has decreased by \$1,524,000 (\$3,431,000 to \$1,907,000), so the total increase in permanent LBHDC assistance is \$1,907,000. The following chart provides a summary of the proposed funding reallocation:

Components	Current LBHDC Allocation – Construction	Current LBHDC Allocation – Permanent	Proposed LBHDC Allocation – Construction	Proposed LBHDC Allocation – Permanent
Senior Artist Colony	\$ 6,932,000	\$4,805,000	\$ 8,236,000	\$ 8,236,000
Affordable Senior Building	\$ 6,213,000	\$3,431,000	\$ 4,906,000	\$ 1,907,000
<b>Total</b>	<b>\$13,145,000</b>	<b>\$8,236,000</b>	<b>\$13,142,000</b>	<b>\$10,143,000</b>

**Affordable Senior Building – 9% Tax Credit Application**

In March 2010, Meta applied for 9% low income housing tax credits for the 39-unit affordable senior apartment building but was notified in June that the project did not score high enough to be awarded in the first funding round of 2010. The project scored very well on the application, but due to the fierce competition, the project very narrowly missed an award. Meta reapplied in the second funding round for 2010. It appears that Meta's chance of being awarded tax credits this time is higher because of two main factors:

- The Tax Credit Allocation Committee's recognition of HCD funds as additional funds leveraged; and
- The reduction of operational expenses resulting from the use of the same service operators for both the Senior Artist Colony and 39-unit affordable senior apartment building.

Thus far, Meta has received a Point Determination Letter from HCD, an indication that the application has not been denied, and is moving forward in the competition.

Staff asked Keyser Marston Associates (KMA) to review the revised proposal, and they have concluded that the requested assistance is reasonable. Based on KMA's analysis, the total development costs, identified available funding sources and resultant gap for Phase I are shown below. See Attachment B for KMA's full analysis.

	Senior Artist Colony		Affordable Senior Bldg.		Combined	
	Construction	Permanent	Construction	Permanent	Construction	Permanent
Total Development Costs	\$54,842,000	\$54,842,000	\$13,958,000	\$13,958,000	\$68,800,000	\$68,800,000
Available Funding Sources	46,606,000	46,606,000	9,052,000	12,051,000	55,658,000	58,657,000
Gap	\$8,236,000	\$8,236,000	\$4,906,000	\$1,907,000	\$13,142,000	\$10,143,000

**PROGRESS UPDATE**

All outstanding issues noted in the February 17, 2010 LBHDC staff report have been resolved and the development plans and proforma have been further refined.

Meta has made significant progress on development plans, as follows:

- Plan Check submission plans for the Affordable Senior Building were submitted in mid-August, and those for the Senior Artist Colony will be completed by the end of September.
- The Tract Map is currently under review and in process to be recorded with the County by the end of September.
- All utility advanced planning will be completed and agreements will be ready for signature by the end of September.
- Contractor negotiations are underway; Meta has received estimates and will go out to bid once the plans are complete by the end of September.
- Meta anticipates being permit ready for both the Affordable Senior Building and the Senior Artist Colony in December.

In addition, the following applications for funding have been awarded or submitted:

- Affordable Housing Program grant – award of \$380,000 received in June 2010
- 9% Tax Credits (second 2010 round) – submitted on July 7, 2010
- California Debt Limit Allocation Committee (Bonds) – submitted on July 23, 2010
- 4% Tax Credits – submitted on August 27, 2010

### **CONCLUSION**

Although the total proposed permanent loan amount is \$1,907,000 higher than previously approved, Phase I now includes 131 additional affordable units and the LBHDC per unit cost is reduced from \$122,925 to \$51,227. Staff recommends approval of 14 additional units, the modified affordability mix, a loan of up to \$13,145,000 during construction, and a permanent loan of up to \$10,143,000, subject to the following conditions:

1. No LBHDC funds will be disbursed until all firm funding commitments have been secured.
2. The President must approve the revised HCD loan terms and conditions prior to executing an LBHDC Loan Agreement for the project.

### **Attachments:**

- A – February 17, 2010 LBHDC Staff Report
- B – August 19, 2010 KMA Analysis

ET:PU:MM