

M E M O R A N D U M

DATE: May 17, 2023

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Christopher Koontz, President *CK*

SUBJECT: **Award of up to \$5 Million in Funding and Authorization to Execute an Agreement to Negotiate Exclusively with Mercy Housing California for New Construction of Affordable Rental Housing Units. (District 2)**

RECOMMENDATION:

1. Approve the selection of Mercy Housing California for an award of up to \$5 Million in Low- and Moderate-Income Housing Asset Fund (LMIHAF) and/or Permanent Local Housing Allocation (PLHA) funds; and
2. Authorize the President or designee to enter into an Agreement to Negotiate Exclusively with Mercy Housing California for the development of new affordable rental housing units.

DISCUSSION

The City of Long Beach (City) is the Housing Successor to the Long Beach Redevelopment Agency. In accordance with California Health and Safety Code (H&SC) Section 34176 (d), the Housing Successor established a LMIHAF. Eligible activities for the use of these funds include new construction of rental units, and the acquisition and rehabilitation of existing apartment projects for low-and-moderate income households. The Housing Successor has delegated the responsibility for allocating monies in the LMIHAF to the Long Beach Community Investment Company (LBCIC).

The PLHA program was created in 2017 by Senate Bill 2 (SB 2), part of a 15-bill housing package aimed at addressing the state's housing shortage by establishing a permanent source of funding intended to increase the affordable housing stock in California. The legislation (SB 2) created a dedicated revenue source and directs the California Department of Housing and Community Development to use revenue from SB 2 to provide financial assistance to local governments for eligible housing-related projects. Eligible activities include development of new multifamily rental housing, or substantial rehabilitation of multifamily rental housing, serving households at or below 80 percent of Area Median Income (AMI).)

On December 21, 2022, staff published a Notice of Funding Availability (NOFA) announcing the availability of \$5 Million in LMIHAF and/or PLHA funds available to qualified housing development companies (Attachment A – Notice of Funding Availability) for the creation of affordable rental units in Long Beach serving households earning at or below 80 percent of AMI. Two proposals were received by the March 21, 2023 deadline.

A proposal was submitted by The Caritas Corporation (Caritas) for the development of a 28-unit apartment building, located at 439 W. Anaheim Street, affordable to families earning at or below 80 percent of AMI. Although the proposed project offered a blend of residential unit mixes appropriate for the targeted population, the proposal did not satisfy the minimum experience and qualifications required in the NOFA. Additionally, the financial assistance requested in the proposal was incompatible with the financial assistance offered and therefore an award cannot be offered to Caritas at this time. Staff will continue to work with Caritas to revise their proposal for future rounds or secure other funding sources.

The proposal submitted by Mercy Housing California (Mercy) is for the development of an 82-unit service-enriched senior housing community at 300 Alamitos Avenue (Project). The property is currently vacant, serving as a parking lot along Alamitos Avenue between 3rd and 4th Streets (Attachment B – Site Map). The Project will provide 81 one-bedroom units affordable to low-income seniors (62+) and one unrestricted manager's unit. Forty units will be set aside for seniors who have experienced homelessness, half of which will serve veterans. The five-story modern building will include two community rooms and a 5,600 square foot courtyard/recreation area that will be activated through community classes and events. The project will also include on-site social services, laundry facilities, and bike storage.

The project is attractive in that it will improve a vacant site in the greater downtown, bringing affordable units to a high-resource area of downtown with access to transportation, parks and open space and other amenities. The developer, Mercy, has a strong track record of delivering projects on-time and within-budget at high levels of design quality and then operating those projects successfully to the benefit of the residents and surrounding communities. Mercy is currently under construction at another project in Long Beach, a 68-unit affordable senior development at 901 E. Pacific Coast Highway. The City's experience with Mercy on that project has been positive from initial proposal through entitlement, permitting and inspections.

Staff recommends that the LBCIC enter into a six-month Exclusive Negotiating Agreement (ENA) with Mercy to allow the LBCIC and developer time to work exclusively to determine whether the project is physically and financially feasible. If approved, the ENA will allow the President to extend the term for two additional 90-day periods, if necessary, to allow the developer to obtain entitlements and assemble financing.

The proposed project supports the implementation of the City's Certified Housing Element Program 4.1 (Affordable Housing Development Assistance); therefore, staff supports the approval of an award of LMIHAF and/or PLHA funds of up to \$5 million and an ENA with Mercy.

SUGGESTED ACTION:

Approve Recommendations.

CK:MS:KS

R:\LBCIC\Staff Reports\2023\May\Award of up to \$5 Million with Mercy\2023_05_17 - Mercy Housing Funding - FINAL.doc

Attachments: A – Notice of Funding Availability
B – Site Map