

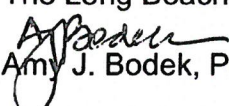


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MEMORANDUM

DATE: August 17, 2016

TO: Board of Directors
The Long Beach Community Investment Company

FROM: 
Amy J. Bodek, President

SUBJECT: Multi-Family Rehabilitation Loan – 1034-1040 Daisy Avenue (CD 1)

RECOMMENDATION:

Approve a Multi-Family Rehabilitation Loan in the amount of \$315,000 to Affordable Housing Clearinghouse for the rehabilitation of the property at 1034-1040 Daisy Avenue.

PROPERTY DESCRIPTION AND SCOPE OF PROPOSED REHABILITATION

The property, which is in a historic district, includes an 8-unit apartment building on a 4,108 square foot lot. If approved, the rehabilitation of all eight units will be funded with a \$315,000 HOME loan. A Certificate of Appropriateness is required. A site map and a photograph of the property are attached (Attachment A).

The property was inspected by Comprehensive Housing Services (CHS), and a work write-up was prepared for the eight HOME units. The work write-up estimated the rehabilitation cost to be \$299,900. A construction bid was received from the contractor in the amount of \$273,255.00, which is approximately 8.88% under the CHS cost estimate (Attachment B). The proposed scope of rehabilitation for the building and all units includes the following:

- Replace kitchen cabinets, countertops, sinks, faucets, and disposals.
- Replace bathroom fixtures, tubs, toilets, sinks, vanities, and faucets.
- Install new laminate flooring throughout.
- Repair or replace existing wood windows. Repair any damage to interior or exterior walls and texture to match the existing surfaces.
- Replace existing floor and wall furnaces with a new mini ductless heating system in convenient locations.
- Install new tankless water heaters.
- Scrape, sand, wash and paint all exterior wood siding and trim.
- Paint all unit interiors using lead safe practices.
- Install new pre-hung, solid core doors with new thresholds, deadbolts, lock-sets, strike-places, door stops and weather stripping.
- Repair roof.
- Install new insulation above ceiling areas.

- Install new front porch decking and steps in rear building.
- Install new garage doors.
- Remove and dispose of existing damaged concrete between the two buildings. Pour and finish new concrete.
- Install smoke detectors and GFCI receptacles.
- Perform lead abatement on all units.

PROPOSED RENTS

The HOME Program requires that, in projects with five or more HOME-assisted units, at least 20% of the HOME units must be restricted at very low-income, or Low HOME rents. Since the project contains eight HOME-assisted units this rule applies. Therefore, two units must be restricted at the Low HOME rent, and the remaining six units will be restricted at the High Home rents for a minimum of 10 years. The current rents are below the HOME allowable rents.

The following chart provides a summary of the proposed rents (less utility allowance):

No. of Units	Bedrooms	Requirements	HOME Allowable Rents	Proposed Rents
2	0	Low HOME	\$760	\$625
1	0	Low HOME	\$760	\$695
2	1	High HOME	\$814	\$650
1	1	High HOME	\$814	\$695
1	2	High HOME	\$977	\$750
1	2	High HOME	\$1,306	\$1,000
Total Units: 8		Total Bedrooms: 6		

PROPERTY INDEBTEDNESS AND PROJECTED CASH FLOW

The applicant currently owns the property with no outstanding mortgage. The total proposed debt will only be the HOME loan in the amount of \$315,000. The after rehabilitation value is estimated at \$810,000 and the resulting debt to value is 38.89%.

The following chart provides details of the property indebtedness and proposed debt to value, and an appraisal report is attached (Attachment C):

Pre-loan Costs	\$0
Contingency	\$41,745
Rehabilitation Loan Amount	\$273,255
Total HOME Loan	\$315,000
Existing Mortgage Debt	\$0
Total Proposed Debt	\$315,000
Appraised Value After Rehabilitation	\$810,000
Debt to Value	38.89%

The projected annual gross rents are estimated at \$68,280 and the effective gross income after a vacancy rate of 3% is applied is \$66,232. Annual operating expenses are estimated at \$18,913 resulting in a net operating income of \$47,318. There is no annual debt service on existing loans therefore the net cash flow is estimated at \$47,318. There are no payments on the HOME loan for the first five years, then the loan is repaid over 15 years with no interest. The resulting annual debt service on the HOME loan is \$21,000 beginning in year six. The estimated net cash flow of \$47,318 is sufficient to repay the HOME loan. A detailed cash flow is attached (Attachment D).

The project will result in the rehabilitation of 8 units, which will all be restricted to very low or low-income tenants. This proposal also supports implementation of Program 3.1 (Home Rehabilitation) of the City's Certified Housing Element. For these reasons, staff supports this proposal.

SUGGESTED ACTION:

Approve Recommendation.

Attachments:

- A. Site Map and Photographs
- B. Work Write-Up
- C. Appraisal
- D. Cash Flow