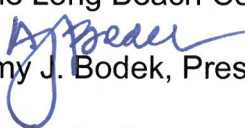


M E M O R A N D U M

DATE: September 20, 2017

TO: Board of Directors
The Long Beach Community Investment Company

FROM: 
Amy J. Bodek, President

SUBJECT: Authorization to Enter into a Disposition and Development Agreement and Loan Agreement with Clifford Beers Housing, Inc. for the Development of 1836-1852 Locust Avenue (CD 6)

RECOMMENDATION:

1. Authorize the President or designee to negotiate and enter into a Disposition and Development Agreement for the conveyance of the properties at 1836-1852 Locust Avenue to Clifford Beers Housing, Inc.;
2. Approve a loan in the amount of \$2,825,000 to Clifford Beers Housing, Inc. to provide gap financing for the development of the properties at 1836-1852 Locust Avenue; and
3. Authorize the President or designee to execute any and all documents necessary to implement the Disposition and Development and Loan Agreements.

DISCUSSION

On March 15, 2017, the Board authorized an extension to the Agreement to Negotiate Exclusively (ENA) with Clifford Beers Housing, Inc. (CBH) for the development of 1836-1852 Locust Avenue, which is currently owned by the LBCIC. A site map (Attachment A) and a copy of the staff report (Attachment B) are attached for your reference. The purpose of the ENA was to give the LBCIC and CBH time to work exclusively to determine whether the project is physically and financially feasible. The development and finance plans have now been finalized, and CBH has submitted an application to the City's Planning Bureau for project approval/entitlement.

Since its inception as a non-profit corporation in 2005, CBH has continuously demonstrated its ability to successfully develop high-quality, award winning projects. To date, the CBH portfolio comprises a total of 310 affordable housing units among seven projects, including Elm Avenue Apartments and The Courtyards in Long Beach. In addition, CBH has three projects in predevelopment or under construction in Los Angeles County, which will provide a total of 101 new rental units. CBH believes in an

integrated approach in which those with special needs live alongside non-special needs households. CBH partners with community social service providers to bring high-quality services free of charge to its residents, such as case management, mental health services, life skills workshops, and enrichment activities.

CBH is currently proposing to purchase the property at 1836-1852 Locust Avenue and construct a 48-unit affordable apartment project with approximately 3,700 square feet of ground floor commercial space (Project). A Project rendering is attached (Attachment C). The project will include 22 one-bedroom units, 13 two-bedroom units and 13 three-bedroom units. The units will be 100% affordable, targeted to households earning between 30% and 60% of Area Median Income, with 20 units reserved for residents with special needs who lack stable housing. The apartment complex will feature an on-site resident manager, management and support service offices, secured pedestrian entry, 40 podium parking spaces, bike storage, community garden planters, a community room with kitchen, outdoor courtyard, and on-site laundry. Special needs apartments will be fully furnished. The Project will be developed to meet LEED Gold environmental standards, using energy efficient and sustainable features.

CBH submitted a request for LBCIC financial assistance to acquire the Project site plus additional gap financing. Staff requested Keyser Marston Associates (KMA) to review the request. KMA's analysis (Attachment D) indicates that the total project development cost is estimated at \$19,454,000, potential available funding sources at \$16,629,000 and a financial gap at approximately \$2,825,000, or \$58,854 per unit, including \$1,480,000 for acquisition of the Project site.

The Project has received Los Angeles County Department of Health Services (DHS) Flexible Housing Subsidy Pool (FHSP) rental subsidies for 20 of the one-bedroom units, which fund the difference between the 20 tenants' rent payments, based on 30% of their income, and the fair market rents as published by HUD. CBH intends to apply for Community Development Commission of the County of Los Angeles (LACDC) funds in October 2017 and 9% Federal Low Income Housing Tax Credits (9% Tax Credits) in Spring of 2018. The award processes for these funding sources are competitive and it is necessary for CBH to show a committed source of funding from the LBCIC in order to score well on the applications.

It should be noted that, due to substantial volatility in the current market, the financial analysis may need to be revised if the final estimated project costs or the actual Tax Credit equity rate impacts CBH's request for financial assistance.

Based on KMA's analysis, staff recommends approval of a loan in the amount of \$2,825,000, contingent upon award of the proposed funding and staff approval of an independent project cost estimate and three general contractor bids. In addition, the development of the project supports the implementation of Housing Element Program 4.1 (Affordable Housing Development Assistance), and is therefore supported by staff. If approved, the loan will be structured as a residual receipts note with a 3% interest rate and a 55-year term.

SUGGESTED ACTION:

Approve Recommendation.

AJB:MS

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Attachments:

- A. Site Map
- B. March 15, 2017 Staff Report
- C. Project Rendering
- D. KMA Analysis