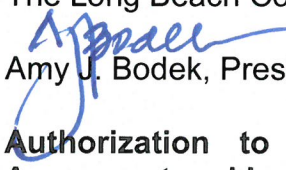


M E M O R A N D U M

DATE: October 18, 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 LINC Housing Corporation for the Development of 1900-1940 Long Beach Boulevard (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 1900-1940 Long Beach Boulevard to LINC Housing Corporation;
2. Approve a loan in the amount of \$3,000,000 to LINC Housing Corporation to provide gap financing for the development of the properties at 1900-1940 Long Beach Boulevard; 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 Agreement to Negotiate Exclusively (ENA) with LINC Housing Corporation (LINC) for the development of 1900-1940 Long Beach Boulevard, 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 LINC time to work exclusively to determine whether the project is physically and financially feasible. The development and finance plans have now been finalized, and LINC has submitted an application to the City's Planning Bureau for project approval/entitlement.

Founded in 1984, LINC develops, operates, and provides resident services to affordable housing communities throughout California. With 7,500 units of development experience and more than 5,000 units under its management, LINC is one of the largest and most successful nonprofit affordable housing developer/operators in Southern California. LINC currently has a pipeline of 375 units and has, over the last five years, secured over \$209 million in funding. LINC's corporate office is less than two

miles from the currently proposed development site, and LINC has committed to prioritizing the City of Long Beach in the organizations efforts to build upon affordable housing as a catalyst for broader community development. LINC owns and operates the Palace Hotel Apartments, located at 2640 E. Anaheim Street.

LINC is currently proposing to purchase the property at 1900-1940 Long Beach Boulevard and construct a 95-unit affordable apartment project with over 12,000 square feet of ground floor commercial space, including a new 5,150 square foot YMCA facility (Project). A Project rendering is attached (Attachment C). The project will include 47 one-bedroom units, 24 two-bedroom units and 24 three-bedroom units. The units will be 100% affordable, targeted to households earning between 30% and 60% of Area Median Income, with 47 units reserved for households that are homeless or at risk of homelessness. The apartment complex will feature an on-site resident manager, management and support service offices, secured pedestrian entry, 141 parking spaces, bike storage, community garden planters, a community room with kitchen, dedicated space for an after-school program for school-age residents, two outdoor courtyards, and on-site laundry. The Project will be developed using energy efficient and sustainable features.

LINC submitted a request for LBCIC financial assistance to acquire the Project site. 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 \$51,839,000, potential available funding sources at \$48,861,000 and a financial gap at approximately \$3,000,000, or \$31,579 per unit.

The Project has received Los Angeles County Department of Health Services (DHS) Flexible Housing Subsidy Pool (FHSP) rental subsidies for 47 of the one-bedroom units and Project Based Section 8 Vouchers from the Long Beach Housing Authority for an additional 40 units, both of which fund the difference between the 87 tenants' rent payments, based on 30% of their income, and the fair market rents as published by HUD. In addition to 4% Federal Low Income Housing Tax Credits (4% Tax Credits), LINC intends to apply for the competitively awarded Community Development Commission of the County of Los Angeles (LACDC) funds in October 2017, Affordable Housing and Sustainable Communities (AHSC) funds managed by the California Department of Housing and Community Development (HCD) in January 2018, and Affordable Housing Program (AHP) funds awarded by the Federal Home Loan Bank of San Francisco in March 2018. It is necessary for LINC to show a committed source of funding from the LBCIC in order to score well on the competitively awarded funding applications.

Based on KMA's analysis, staff recommends approval of a loan in the amount of \$3,000,000, 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:PU:MS

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Attachments:

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