

M E M O R A N D U M

DATE: September 19, 2018

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Linda F. Tatum, President *lt*

SUBJECT: Authorization to Enter into a Disposition and Development Agreement and Loan Agreement with Habitat for Humanity for the Development of the Properties at 116 West 14th Street, 124 West 14th Street, 1348 Pacific Avenue, 1339 Pine Avenue and 1347 Pine Avenue. (CD 1)

RECOMMENDATION:

1. Authorize the President or designee to negotiate and enter into a Disposition and Development Agreement for the conveyance of the properties at 116 West 14th Street, 124 West 14th Street, 1348 Pacific Avenue, 1339 Pine Avenue and 1347 Pine Avenue to Habitat for Humanity Greater Los Angeles;
2. Approve a loan in the amount of \$990,000 to Habitat for Humanity Greater Los Angeles to provide gap financing for the development of the properties at 116 West 14th Street, 124 West 14th Street, 1348 Pacific Avenue, 1339 Pine Avenue and 1347 Pine 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 21, 2018, the Board authorized an extension to the Agreement to Negotiate Exclusively (ENA) with Habitat for Humanity of Greater Los Angeles (Habitat LA) for the development of the properties at 116 West 14th Street, 124 West 14th Street, 1348 Pacific Avenue, 1339 Pine Avenue and 1347 Pine Avenue (Site), which are 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 Habitat LA time to work exclusively to determine whether the project is physically and financially feasible. The development and finance plans have now been finalized, and the project has received Site Plan Review approval from the Planning Bureau.

Habitat LA is proposing to construct 10 two-story craftsman-style townhomes on the Site, each with private front yards and attached two-car garages. A site plan and rendering are attached (Attachment C). The new homes will aesthetically enhance the neighborhood while also adding new stakeholders to the community. Each townhome will be 1,241 square feet with 3 bedrooms and 2 bathrooms. The 0.55-acre Site will also include 1,500 square feet of shared open space and 3 guest parking spaces. The homes will be constructed using sustainable materials and environmentally friendly building and landscaping practices.

Six of the townhomes will be sold to low-income first-time homebuyers earning less than 80% of Area Median Income, and four will be sold to moderate-income first-time homebuyers earning less than 120% of Area Median income. The common areas will be owned by the homeowner's association (HOA), and the HOA will be managed by Habitat LA.

The project development costs are estimated at \$4,402,000, including a land cost of \$990,000. Habitat anticipates receiving a construction loan in the amount of \$1,965,547 and \$1,150,000 in corporate sponsorships and in-kind donations. Habitat will defer their developer fee in the amount of \$249,244 and repayment of \$47,209 in closing costs until all of the homes are sold. The remaining gap between the estimated development costs and the available funding totals \$990,000, the land acquisition cost. The proforma is attached for your information (Attachment D).

Habitat LA is requesting that the LBCIC provide a zero-interest acquisition and development loan in the amount of \$990,000 during construction. Upon the sale of the homes, the loan will be converted into second mortgage loans that will be assumed by each new homeowner. The LBCIC second mortgage loans will be structured as a zero-interest loan with a 45-year term.

Based on an analysis of the proforma, staff recommends approval of a loan in the amount of \$990,000, with the following conditions of approval:

- If homebuyer first mortgages yield a higher cash revenue than currently anticipated, the additional proceeds shall be used to partially repay the LBCIC loan and reduce the LBCIC second mortgages by the same amount;
- If market sales prices increase, Habitat may carry larger fourth mortgages;
- A final closing proforma and all supporting documentation shall be submitted to LBCIC a minimum of 60 days prior to close of escrow;
- Buyers shall not be notified to vacate existing housing until a closing date can be verified and approved by LBCIC;
- Kitchens shall include a microwave above the range (vented);
- Kitchen and bathroom counter surfaces shall be a solid granite or quartz material;
- Kitchen and bathroom cabinets shall be of minimum mid-grade quality; and
- Materials listed above shall be approved by LBCIC prior to installation.

In addition, the development of the project supports the implementation of the City's Certified Housing Element Program 4.1 (Affordable Housing Development Assistance) and Program 5.1 (First-Time Homebuyer Assistance), and is therefore supported by staff.

SUGGESTED ACTION:

Approve Recommendation.

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Attachments:

- A. Site Map
- B. March 21, 2018 Staff Report
- C. Site Plan and Rendering
- D. Proforma