


## M E M O R A N D U M

**DATE:** June 19, 2019

**TO:** Board of Directors  
The Long Beach Community Investment Company

**FROM:** Linda F. Tatum, President 

**SUBJECT:** Approval of a HOME Loan to MRK Partners Inc. for the Acquisition, Rehabilitation, and Preservation of 3799 East Willow Street (CD 5)

### **RECOMMENDATION:**

1. Approve a HOME loan in the amount of \$750,000 to MRK Partners Inc. for the acquisition, rehabilitation, and preservation of the property located at 3799 East Willow Street;
2. Authorize the President to negotiate an Affordable Housing Loan Agreement with MRK Partners Inc.; and,
3. Authorize the President or designee to execute any and all documents necessary to implement the Loan Agreement and the project.

### **DISCUSSION**

On February 20, 2019, the Board authorized an Agreement to Negotiate Exclusively (ENA) with MRK Partners Inc. (MRK) for the purchase, rehabilitation, and preservation of an existing affordable housing project, which is located at 3799 East Willow Street, and is at-risk of converting to market rate housing (Project). A site map (Attachment A) and a copy of the staff report (Attachment B) are attached for reference. Since execution of the ENA, the Project was awarded 4% Low Income Housing Tax Credits, granted approval for an assumption of the existing Section 202 HUD Loan, and given a 20-year renewal for the Project Based Section 8 Vouchers from the Los Angeles LOMOD Corporation that would otherwise have expired this month.

MRK is a privately held asset management and real estate investment company that was founded in 2015, specializing in the preservation, acquisition, and repositioning of affordable housing. It is their mission to develop affordable housing across the nation, and their current portfolio includes 15 acquisition/rehabilitation projects with approximately 3,000 residential units throughout California, Florida, Michigan, Maryland, and Virginia. MRK has successfully completed three similar projects in Southern California, and therefore has the capacity and experience required under the HOME program to undertake the proposed affordable housing project.

The proposal submitted by MRK is designed to preserve and rehabilitate Federation Tower, a 50-unit, 4 story multifamily apartment project located at 3799 East Willow Street. A site plan and elevation are attached (Attachment C). The Project consists of 12 studio units, and 38 one-bedroom units that currently house extremely low and very low-income senior and disabled residents who pay no more than 30% of their income towards rent. One unit will serve as a manager's unit and the remaining 49 units will continue to serve the current residents while maintaining their existing affordable rents. Site amenities include access control at the entry door, gated property access, community television room, laundry room, recreational game room, computer room, and an outdoor reading area. Both the interior and exterior of the building will be substantially renovated with upgraded unit interiors, building systems, and accessibility/mobility features. Energy efficiency upgrades will also be completed, including the installation of LED lighting, EnergyStar appliances, TPO roofing, and new HVAC and domestic water heating systems to reduce the buildings' carbon footprint and utility consumption.

MRK submitted a request for LBCIC financial assistance in the amount of \$750,000 to cover the proposed financial gap. Staff requested Keyser Marston Associates (KMA) to review the request and prepare a HOME Underwriting & Subsidy Layering Review, which is attached for your reference (Attachment D). KMA's analysis indicates that the total project development cost is estimated at \$23,740,000, potential available funding sources at \$23,004,000, and determined a financial gap at approximately \$736,000. The variance in financial gap calculations equates to an approximately 2% differential, which KMA considers inconsequential. The LBCIC has HOME funds available for the proposed project.

Based on KMA's analysis, staff recommends approval of a \$750,000 HOME loan. The proposed project will preserve critical at-risk affordable housing in Long Beach. In addition, the Project supports the implementation of the City's Certified Housing Element Program 1.1 (Preservation of At-Risk Units), and is therefore supported by staff. Though HOME program regulations require that 5 units must be restricted to very low and low-income households for a minimum of 15 years, staff recommends an additional restriction on all 49 units for the entire term of the loan. If approved, the loan will be structured as a residual receipt note with a 3% interest rate and a 55-year term.

#### **SUGGESTED ACTION:**

Approve Recommendation.

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#### **Attachments:**

- A. Site Map
- B. February 20, 2019 Staff Report
- C. Site Plan & Elevation
- D. KMA Analysis