



## Real Estate Purchase Memo

### Recommended Action

<b>Prepared For</b>	Long Beach Development Services, Patrick Ure, Bureau Manager
<b>Request</b>	We respectfully request that the City of Long Beach Development Services Department and the Long Beach Community Investment Company support Century Housing with a loan for the acquisition of 6801 Atlantic Avenue. The acquisition price is expected to be \$1,500,000. The terms and specifics of the transaction are detailed below.

### Transaction Summary

<b>Date</b>	September 30, 2019
<b>Prepared by</b>	O. Alvarado, G. Gonzales
<b>Development Name</b>	6801 Atlantic Avenue "the Property"
<b>Location &amp; Demographics</b>	<p>6801 Atlantic Avenue, Long Beach, CA 90805</p> <p>Total Land area is 40,080 square feet or 0.92 acres</p> <p>Site is not located in a QCT, DDA or Opportunity Zone</p> <p>Site is located in Census Tract 5703.01 which is a moderate income census tract with an AMI of 65%</p> <p>Census tract has a minority population of 93%</p>
<b>Homes &amp; Population</b>	Permanent Supportive Housing for Homeless and Chronically Homeless households. It is expected that the site will be combined with the adjacent Atlantic Farms property recently purchased by the City. Therefore, the number of units is dependent on a future master plan of this site in conjunction with additional contiguous parcel(s) owned by the City.
<b>Project Summary</b>	Acquisition of underutilized property approximately 0.92 acres in size comprised of a single lot with two single-family structures. Structures will be demolished to make way for new-construction development.
<b>Seller</b>	<p>Larry A. Ortega</p> <p>Private individual</p>
<b>Buyer</b> At Land Acquisition:	Century Affordable Development, Inc. to purchase the Property, employing its own resources ("Initial Capital") to be in the name of a Century controlled entity.

At Tax Credit Syndication	<p>The City Long Beach to make a loan to Century equivalent to the purchase price. Century to reimburse and refinance its infusion of "Initial Capital."</p> <p>To be created limited partnership:  <i>General Partner:</i> to be created LLC with a Century controlled entity serving as sole, managing member  <i>Limited Partner:</i> Future equity investor</p>
Timing	Land Acquisition: October 30, 2019 (anticipated)
Century Capital	<p>Deposit: \$45,000 (already expended)  Equity: \$1,455,000 plus closing costs and due diligence  Permanent: None Contemplated</p>
Acquisition Finance	<p>\$1,500,000 Residual Receipts soft loan from City of Long Beach (100% of purchase price.)  Rate: 3.0%  Term: 55 years</p>
Status	<p>Purchase and sale agreement has been executed and is valid through 11/24/19. We have issued a title review letter, initiated a Phase 1 environmental report, and conducted a review of due diligence materials. Century has not released any contingencies. We anticipate closing on or about October 30, 2019.</p>
Conditions	<p><b>Conditions Precedent to releasing contingencies and closing on acquisition.</b></p> <ul style="list-style-type: none"> <li>• Commitment for an acquisition loan of \$1,500,000 from the Long Beach Development Services Department and or the Long Beach Community Investment Company.</li> <li>• Century Housing Board of Directors approval of acquisition. Expected at Century's October 15, 2019 Board meeting.</li> </ul>

### Proposed Development

Rationale	<p>On February 5, 2019 the Long Beach City Council unanimously voted to move forward with the acquisition of the emergency shelter site commonly referred to as "Atlantic Farms," located at 6845 Atlantic Avenue . The site has served as home to a temporary emergency winter shelter for the past 8 years.</p>
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	<p>The city completed the acquisition of the site in late July 2019. The 6845 Atlantic Ave site is located adjacent to the parcel in question, 6801 Atlantic Avenue, see figure 2 below. By acquiring 6801 Atlantic Avenue, Century and the City of Long Beach will significantly increase the impact of future development, making room for more housing, resident and community services.</p> <p>Councilman Rex Richardson has been a champion of the effort to expand on the Atlantic Farms winter shelter for some time. In an email following the City Council's approval to purchase the Atlantic Farms site, Councilman Richardson said, "I'm most proud of the way our North Long Beach community stepped up and proclaimed -We want to be part of the solution- as it relates to the homeless crisis in Long Beach." Councilman Richardson went on to say that "this is an opportunity to create a comprehensive campus that connects health and wellness with economic development, housing opportunities, and new amenities for the whole community..." Century shares Councilman Richardson's vision and looks forward to the opportunity to work with the City of Long Beach to bring that vision to life.</p> <p>The future Century development at 6801 Atlantic Avenue will provide much needed Permanent Supportive Housing to formerly homeless individuals in Long Beach. Combined with the future permanent homeless shelter at 6845 Atlantic Avenue, the future master planned development will provide an opportunity to activate the continuum of housing solutions available to those in need: from the short-term respite that a shelter provides to the long-term, service-enhanced stability that permanent supportive housing can provide. According to the 2019 homeless survey, the total number of homeless people living in Long Beach stood at 1,894, with 632 qualifying as chronically homeless. The City of Long Beach has made great strides in addressing homelessness through housing production and preservation in addition to outreach and service coordination. The homelessness increase in Long Beach was far lower than increases in neighboring cities. These figures denote the impactfulness and importance of creating additional supportive housing in Long Beach.</p>
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<i><b>Proposed Development</b></i>	
<b>Proposed Design</b>	<p>The design for 6801 Atlantic Avenue is forthcoming and will account for the co-location of a future shelter and additional supportive housing and ancillary services on the adjacent Atlantic Farms site. The ultimate project will be a result of extensive feedback from city staff, the North Long Beach community and other stakeholders.</p>

	<p>The future project will require a rezoning of the site as the permissible density under the current zoning will not allow for the scale of multi family development required to create a financially feasible permanent supportive housing project.</p>
<b>Financing Plan</b>	<p>While the ultimate capital stack for the project has not been identified, we have summarized potential financing sources, beyond acquisition of the land, that may be available for the development of service-enriched permanent supportive housing, below:</p> <p><b>NPLH</b> (No Place like Home) County of Los Angeles – LA County recently announced awardees for the first round of funding. The second round NOFA is expected in early 2020 with over \$200 Million available for supportive housing</p> <p><b>VHHP</b> (Veterans Housing and Homelessness Prevention Program) CA Department of Housing and Community Development – CA HCD is currently revising guidelines for the upcoming fifth round of funding. The fifth round NOFA is expected in late 2019 / early 2020.</p> <p><b>MHP-supportive housing</b> (Multi Family Housing Program) CA Department of Housing and Community Development- CA HCD holds two rounds per year for affordable and supportive housing projects. The program is backed by voter approved bonds and is expected to have funds to hold funding rounds for the next few years.</p> <p><b>Operating Subsidy</b>, We expect to apply for project based vouchers and /or VASH through the Housing Authority of the City of Long Beach once soft financing is in place.</p> <p><b>Tax Credits and Equity Investment</b> - We have not yet determined whether we will apply for 9% competitive tax credits or 4% non-competitive tax credits and bonds for development on this site. We have conducted preliminary analysis confirming that a PSH development has the potential to compete for 9% tax credits given the site location.</p> <p><b>Permanent Debt</b>- we would expect to be able to support a modest permanent mortgage on the project assuming the availability of rental subsidy. These loans are available through several national banks with which Century has long standing relationships.</p>
<b>Resident Services</b>	<p>Century intends to use its own resident services team to directly provide resident services at the future 6801 Atlantic Avenue development. To the extent those services need to be augmented to meet resident needs, Century will contract with 3<sup>rd</sup> parties to provide those services.</p>

<b>Anticipated Ownership Structure</b>	<p>Century will serve as the Sole Developer of 6801 Atlantic Avenue and will have 100% control and voting authority over the project's targeting, selection of the project partners and consultants, project design, and financing structure.</p> <p>Century's development affiliate, CADI, will also serve as the Managing and Sole Member of the single purpose general partner entity that will ultimately be created for the tax credit partnership. A to be determined tax credit investor will enter the limited partnership at syndication, as investor limited partner.</p>
<b>Property Manager</b>	Century intends to use our own property management arm to act as property manager for 6801 Atlantic Avenue.
<b>Appraised value</b>	Sale is not contingent upon appraised value, therefore no appraisal will be conducted at this time.

### **Site Characteristics**

<b>Zoning/entitlements</b>	<p>6801 Atlantic is comprised of a single, flat parcel that contains two single-family homes. The site is zoned R-1-T, a designation that allows for low density townhome development. Century would work with the Long Beach Planning department to identify an approach to zoning which may include a variance or zone change to achieve multi family supportive housing.</p> <p>While the site is not covered by the contemplated rezoning along Atlantic Avenue and Artesia Boulevard via the UPLAN, the site is immediately North of the UPLAN area, on the north side of the 91 FWY. The proposed rezoning for the nearest areas under the UPLAN call for up to 54 dwelling units per acre under the High Activity Node Concept, intended to promote community gathering and intensification. We believe a multi family structure will fit well with the contemplated rezonign at the nearby intersection of Atlantic and Artesia.</p> <p>Pursuant to the recently adopted Land Use Element maps for North Long Beach, the site is appropriate for multi family use and should accommodate structures up to five (5)stories in height.</p> <p>Total Land area of the site is 40,080 square feet or 0.92 acres. A portion of that area being an ingress/ egress route that allows access to the Flag Lot. See figure 1.</p>
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<b>Surrounding land uses</b>	The site is bordered directly to the north by the future site of a permanent homeless shelter, 'Atlantic Farms' already owned by the City. It is bordered to the west by a mid-size multifamily residential development, to the south by a community garden, and to the east by a vacant lot. Across Atlantic Avenue heading west, there is a mix of multifamily and single family uses.
<b>Environmental issues</b>	<p>A Phase I analysis is was completed on September 26, 2019 after an investigatory site visit was conducted on September 19, 2019. The Phase I report did not identify any immediate concerns or need for further action.</p> <p>Prior to demolition of the existing structures we will test for lead and asbestos and proceed as required if these substances are found to be present.</p>

### *Timeline: Major Considerations and Constraints*

<b>Considerations and Constraints</b>	<ol style="list-style-type: none"> <li>1. City process for master planning the Atlantic Farms site – this will determine how 6801 Atlantic Avenue plays into the larger development program</li> <li>2. City approach to Zoning- 6801 and the neighboring Atlantic Farms site both need to be re- zoned to accomodated the contemplated future uses. The timing of entitlements is yet to be determined.</li> <li>3. Site Access- 6801 Atlantic Avenue is a Flag Lot with a narrow strip of access off Atlantic Avenue. See figure 1. The site will be best maximized if used in conjunction with the neighboring Atlantic Farms site.</li> <li>4. Outreach/ stakeholder input- neighbors, city staff, and business owners, among others, represent important stakeholders in the process of visioning what the future development will entail. We expect robust listening sessions at which we will receive substantive feedback on the future supportive housing and ancilliary uses.</li> <li>5. Financing- Though we identify several potential sources of funding for supportive housing above. All public financing is awarded on a competitive basis on not guranteed. It is common to have to apply more than once to succeed in attaining soft finance.</li> </ol>
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