

M E M O R A N D U M

DATE: April 21, 2021

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Oscar W. Orci, President 

SUBJECT: Approval of a HOME Loan to Mercy Housing California for the development of Sixty-Eight Senior Affordable Rental Housing Units (CD 6)

RECOMMENDATION:

1. Approve a HOME loan in the amount of \$3 Million to Mercy Housing California for the development of senior affordable rental housing units located at 901-945 East Pacific Coast Highway; and,
2. Authorize the President to negotiate an Affordable Housing Loan Agreement with Mercy Housing California; and,
3. Authorize the President, or designee, to execute any and all documents necessary to implement the Loan Agreement and the project.

DISCUSSION

On March 18, 2020, the Board authorized an Agreement to Negotiate Exclusively (ENA) with Mercy Housing California (Mercy) for the development of an affordable senior rental housing project located at 901-945 East Pacific Coast Highway (Project). A site map (Attachment A) and a copy of the staff report are attached for reference (Attachment B). The purpose of the ENA was to give the LBCIC and Mercy time to work exclusively to determine whether the Project is physically and financially feasible. Since execution of the ENA, the development and finance plans have been finalized, and the Project has received approval/entitlement from the Planning Commission and City Council. In addition, the Project has been awarded Multi-Family Housing Program (MHP) funds allocated by the California Department of Housing and Community Development (HCD); a loan from the Los Angeles County Development Authority (LACDA); 15 Project Based Vouchers (PBV) and 18 Veterans Affairs Supportive Housing Vouchers (VASH) from the Long Beach Housing Authority; and is currently awaiting an award of 4 percent Low Income Housing Tax Credits (4 percent Tax Credits).

Founded in the early 1980s, Mercy Housing Inc., a nonprofit Nebraska Corporation, has grown from serving an initial 310 units of affordable housing to over 48,000 households.

As part of its expansion, in 1988, Mercy, the largest regional division of Mercy Housing Inc., was incorporated as a 501(c)(3) nonprofit corporation that preserves, develops, and manages programs to enrich affordable housing for a variety of low-income populations including seniors, persons with special needs, and families in California. Since their inception, Mercy has developed and is operating 134 affordable Communities with more than 9,190 homes serving lower-income families, seniors, and individuals experiencing homelessness.

Mercy is currently proposing to develop a 4-story, 68-unit senior (ages 62+) apartment project. A site plan and rendering are attached (Attachment C). More specifically, thirty-four of the units will serve very low and low-income seniors, and the remaining 33 units will be set aside for extremely low-income seniors who have experienced homelessness, 18 of which will be further set aside for senior veterans experiencing homelessness. The 68-units will include seven studios, 60 one-bedroom units, and one two-bedroom manager's unit throughout three residential levels. The Project will also contain amenities such as a ground floor community resource center and resident lounge space, a large open space courtyard and recreation area, laundry facilities, bicycle parking, on-site property management, and 38 on-site parking spaces.

Mercy submitted a request for LBCIC financial assistance in the amount of \$3 Million 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 \$43.66 million, potential available funding sources at \$40.66 million and determined a financial gap at approximately \$3 million. The LBCIC has HOME funds available for the proposed Project.

Based on KMA's analysis, staff recommends approval of a HOME loan in the amount of up to \$3 Million, contingent upon the award of 4% Tax Credits. Development of the Project also supports the implementation of Housing Element Program 4.1 (Affordable Housing Development Assistance) and is therefore supported by Staff. Though HOME program regulations require that 18 units must be restricted to very low and low-income households for a minimum of 20 years, Staff recommends an additional restriction on all 68-units for the entire term of the loan. If approved, the loan will be structured as a residual receipt note with a 3 percent interest rate and a 55-year term.

SUGGESTED ACTION:

Approve Recommendation.

LFT:PU:MS:SM

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Attachments:

- A. Site Map
- B. March 18, 2020 Staff Report
- C. Site Plan & Rendering
- D. KMA Analysis