


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

**DATE:** December 17, 2014

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

**FROM:**   
Amy J. Bodek, President

**SUBJECT:** **Approval of Amendments to the Acquisition and Predevelopment Loan Agreement and Phase II Four Party Agreement, and Approval of an Assignment and Assumption Agreement for the Proposed Long Beach and Anaheim Phase II Project (CD 1)**

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### **RECOMMENDATION:**

1. Approve an Amendment to the Acquisition and Predevelopment Loan Agreement (Long Beach & Anaheim Phase II) by and among The Long Beach Community Investment Company and LBHA, LLC; and,
2. Approve an Amendment to the Phase II Four Party Agreement between Meta Housing Corporation, Century Housing Corporation, The Long Beach Community Investment Company, and the City of Long Beach; and,
3. Approve an Assignment and Assumption Agreement and all other actions necessary to affect the forgoing, with conditions; and,
4. Authorize the President to execute any and all documents necessary to implement the Amendments and Assignment and Assumption Agreement.

### **DISCUSSION**

In 2006, Meta Housing Corporation (Meta) began to acquire properties to assemble the 3.48-acre site at the southwest corner of Long Beach Boulevard and Anaheim Street. A site map is attached (Attachment A). The acquisition was facilitated by an acquisition loan in the amount of \$24,440,000 from Century Housing Corporation (Century), and an acquisition loan in the amount of \$5,152,000 from The Long Beach Community Investment Company (LBCIC). The site was fully assembled by the spring of 2007.

During the acquisition process, Meta worked with City staff to design a conceptual transit oriented development project consisting of 356 residential units, including 186 senior apartments and 170 condominium units over parking and ground floor retail space. By January 2009 the project's entitlements had been approved, and Meta began the process of assembling construction financing.

On March 17, 2009, the City Council adopted resolutions authorizing the submission of applications to the California State Department of Housing and Community Development (HCD) for the Transit Oriented Development (TOD) Housing Program and the Infill Infrastructure Grant (IIG) Program, in amounts up to \$17,000,000 and \$20,000,000 respectively. The City was required to be a joint applicant for these programs. In July 2009, the project was awarded \$25,850,649, including \$10,781,353 in TOD loan and grant funds and \$15,069,116 in IIG grant funds.

While the award of HCD funds was instrumental to the project, the developing recession and decline of the real estate market jeopardized the project's viability, especially with respect to the 170 condominium units and the retail component. Further, it became apparent that the development of the site as a single-phase project was infeasible, and Meta proposed a plan to bifurcate the development into two phases. The first phase (Phase I) would consist of 200 affordable senior rental units, and the second phase (Phase II) addressed the remaining 156 units and the retail component. The LBCIC approved the phasing plan and gap financing of up to \$13,145,000 for the development of Phase I in February 2010. The LBCIC's approval included \$2,876,000 of the \$5,152,000 acquisition loan previously approved and expended. The remaining \$2,276,000 of the LBCIC acquisition loan was applied to Phase II, and is currently secured by a Deed of Trust against that site.

On April 15, 2010, HCD approved Meta's phasing plan and also approved the use of the entire \$25,850,649 TOD and IIG funds for Phase I of the project. However, performance requirements for the use of the funds were tied to Phases I and II. Specifically, HCD required that at least 200 units be built in Phase I, and a minimum of 156 units be delivered in Phase II. HCD's approval of the phasing plan required both the City and Meta, who co-applied for the grant funds, to be jointly and severally liable for meeting the phasing plan requirements, or be jointly liable for reimbursing grant funds upon default. The City Council approved the phasing plan in December 2010. The 200 units included in Phase I have been completed, so the performance requirements for Phase I have been met. The City and Meta are currently jointly liable for the repayment of \$5,200,000 in grant funds (\$2,600,000 each) if the 156 units required in Phase II are not completed by June 25, 2017. The LBCIC agreed to pay the City's \$2,600,000 share of the HCD repayment in November 2010, however, this obligation was included on the Successor Agency's Enforceable Obligation Payment Schedule, so it is likely that the potential obligation could be paid by the Redevelopment Property Tax Trust Fund instead of the Housing Fund.

Meta assembled the remaining financing need to construct Phase I, and closed on the financing needed to begin construction in January 2011. At that time, the conditions of the development of Phase II were memorialized in an Acquisition and Predevelopment Loan Agreement between LBHA, LLC and the LBCIC, which documented, among other things, the \$2,276,000 LBCIC loan to Meta. A Phase II Four Party Agreement between Meta Housing Corporation, Century Housing Corporation, the City of Long Beach, and the LBCIC was also executed. The Phase II Four Party Agreement documented, among other things, the phasing plan and equal sharing between Meta and the City of

the obligation to repay \$5,200,000 to HCD should Phase II not be developed as required by HCD.

Although the recession has ended and the economy has continued to rebound, the development of the Phase II site, consisting of retail space, and an 80% market rate and 20% affordable housing component remains economically infeasible. Century has extended the term of its acquisition loan to Meta on several occasions, and it's currently due to expire on December 31, 2014. Rather than foreclosing on the loan, Century has proposed a workout, and has agreed to release Meta from its loan obligations, assume Meta's obligations under the LBCIC Acquisition and Predevelopment Loan and the Phase II Four Party Agreement, and become the owner and developer of the Phase II site. Meta has agreed to Century's assumption of the project and its obligations. In addition, HCD has indicated that they are willing to release Meta from its remaining obligations, and extend the Phase II completion date to June 2022.

Century Housing is a well-known affordable housing lender, and is an experienced developer with a portfolio of more than 1,000 units throughout California. Century is also the owner, developer, and manager of the Villages at Cabrillo in West Long Beach, a 27 acre supportive housing community that is home to more than 1,000 formerly homeless residents on any given night. The LBCIC has previously provided funding for the Family Commons, an 81-unit family rental complex located on the Villages at Cabrillo campus. Staff is confident that Century is qualified to assume Meta's obligations for the Phase II. Nevertheless, a thorough review of Century's financial statements and experience will be completed in conjunction with the proposed assumption.

Allowing this assumption to occur will ensure the possibility that Phase II is completed in order to meet HCD's requirements and avoid repayment of the HCD grant funds. If approved, staff will work with Century on the development of a conceptual Phase II project, which will be presented to the LBCIC for approval at a later date. In addition, the development of a Phase II project supports the implementation of the City's Certified Housing Element Program 4.1 (Affordable Housing Development Assistance), and is therefore supported by staff.

#### **SUGGESTED ACTION:**

Approve Recommendations with the following condition:

1. In conjunction with the assumptions, HCD must provide a formal release of Meta from its obligations, and must provide a formal extension of the Phase II completion date.

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Attachments:

- A. Site Map and Photograph







# Phase II

