



# CITY OF LONG BEACH

DEPARTMENT OF DEVELOPMENT SERVICES

# R-16

333 West Ocean Boulevard 3rd Floor • Long Beach, CA 90802 • (562) 570-6351

June 12, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to execute any and all documents necessary for the assignment of a \$950,000 City loan from Mental Health America of Los Angeles to Sara's Apartments, L.P., and the transfer of ownership of Sara's Apartments, located at 240 West 7<sup>th</sup> Street, from Mental Health America of Los Angeles to Sara's Apartments, L.P. (District 1)

## DISCUSSION

In December 1993, the City of Long Beach issued a HOME loan in the amount of \$950,000 (Loan) to the Mental Health Association in Los Angeles County, now Mental Health America of Los Angeles (MHA), for the acquisition and rehabilitation of Sara's Apartments, located at 240 West 7<sup>th</sup> Street. The property contains a total of 29 single and one-bedroom affordable rental units. The term of the loan, and related affordability restrictions, ends on August 1, 2023. The outstanding loan balance is approximately \$354,000.

MHA is a non-profit affordable housing developer that specializes in providing service-enriched housing to persons with mental illness. MHA founded Clifford Beers Housing, Inc. (CBH) in 2005, as another non-profit affordable housing developer. As an affiliate of MHA, CBH seeks to develop affordable housing that targets a percentage of the units for homeless households, including those living with mental illness. To date, CBH has 236 affordable housing units completed or in the pipeline. At the request of CBH, MHA has agreed to form Sara's Apartments, L.P., a new California limited partnership for the purpose of owning and operating Sara's Apartments. Under this new ownership structure, MHA would become a 99.99 percent Limited Partner, and CBH would become a .01 percent General Partner. The Loan documents give the City the right to consent to any assignment of the Loan and/or any transfer of the property which secures the Loan.

CBH's request to become the general partner of the new entity that will own Sara's Apartments was triggered by the California Tax Credit Allocation Committee's (TCAC) revisions to its program regulations relating to criteria used to evaluate and score applications for nine percent low-income housing tax credits. CBH depends heavily on tax credit allocations to continue its mission to develop affordable housing. Under the

HONORABLE MAYOR AND CITY COUNCIL

June 12, 2012

Page 2

previous regulations, CBH was able to submit full point-scoring TCAC applications, which has become almost mandatory to receive nine percent tax credit allocation in a very competitive evaluation process.

One of the changes in the program guidelines pertains to general partner experience. Since its inception in 2005, CBH has relied on the previous ownership experience of its Executive Director to maximize points under this criterion. Under the new guidelines, points can only be obtained for previous general partner experience for a maximum of ten years, i.e. thru 2015. To continue receiving full points as a supportive housing developer, CBH must have at least four projects, with positive cash flow, in service for over three years by 2015. Adding Sara's Apartments to its list of projects by summer 2012 will enable CBH to achieve this ownership threshold. The four properties will include Elm Avenue Apartments, The Courtyards Apartments, and Sara's Apartments in Long Beach, and Lantern Woods Apartments in Barstow, California.

This matter was reviewed by Deputy City Attorney Richard Anthony on May 22, 2012 and Budget Management Officer Victoria Bell on May 24, 2012.

#### TIMING CONSIDERATIONS

City Council action is requested on June 12, 2012 to enable CBH to meet the general partner experience requirement, thereby enhancing its chances to be a TCAC full point-scoring entity for supportive housing projects in 2015.

#### FISCAL IMPACT

The recommended action will not have a fiscal impact on the City. The terms of the HOME loan and related affordability restrictions will remain intact under the new ownership structure. Any costs associated with the assignment of the Loan and the transfer of the property will be borne by CBH. The recommended action will not have an impact on local jobs.

#### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

APPROVED:



AMY J. BODEK, AICP  
DIRECTOR OF DEVELOPMENT SERVICES



PATRICK H. WEST  
CITY MANAGER

AJB:ET:MS

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