

MEMORANDUM

DATE: September 20, 2023

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Christopher Koontz, President *CK*

SUBJECT: **Authorization to Enter into a Disposition, Development and Loan Agreement with Habitat for Humanity of Greater Los Angeles for the Development of 5571 Orange Avenue. (District 8)**

RECOMMENDATION:

1. Authorize the President or designee to negotiate and enter into a Disposition and Development Agreement for 5571 Orange Avenue to Habitat for Humanity of Greater Los Angeles;
2. Approve a loan in the amount of \$717,000 to Habitat for Humanity of Greater Los Angeles to provide gap financing for the development of 5571 Orange Avenue; and,
3. Authorize the President or designee to execute any and all documents necessary to implement the Disposition and Development and Loan Agreements.

DISCUSSION

On January 18, 2023, the Long Beach Community Investment Company (LBCIC) authorized an Agreement to Negotiate Exclusively (ENA) with Habitat for Humanity of Greater Los Angeles (Habitat LA) for the development of 5571 Orange Avenue, which is currently owned by the LBCIC and formerly served as the City's North Library Branch. A site map (Attachment A) and a copy of the staff report (Attachment B) are attached for your reference. The purpose of the ENA was to give the LBCIC and Habitat LA time to work exclusively to determine whether the project is physically and financially feasible. The development and finance plans are nearly finalized, and the permit to demolish the existing building is being prepared.

Habitat LA is proposing to construct eight attached two-story townhomes on the site, each with private front and back yards and detached two-car garages. A site plan and rendering are attached (Attachment C). The new homes will aesthetically enhance the neighborhood while also adding new stakeholders to the community in the form of first-time homebuyers. Each townhome will be approximately 1,350 square feet. Four of the units will have three bedrooms and two and a half bathrooms, and the other four will have four bedrooms and three bathrooms. The townhomes shall be constructed using

sustainable materials and environmentally friendly building and landscaping practices. Each home will also have rooftop solar panels and an exterior 220-volt electric outlet, allowing homeowners the ability to charge electric vehicles.

All eight townhomes will be sold to low-income first-time homebuyers earning less than 80 percent of Area Median Income. The common areas will be owned by the homeowner's association (HOA), and the HOA will be managed by Habitat LA. The selection of homebuyers will be subject to final approval of staff, and the development agreement will include a provision requiring Habitat to market the units first to Long Beach residents and/or people who work or study in Long Beach before marketing to the wider community.

The project development costs are estimated at \$4,455,813, including a land cost of \$717,000. Habitat anticipates receiving a construction loan in the amount of \$1,641,788 and \$560,000 in corporate sponsorships and in-kind donations, as well as a grant from the U.S. Department of Housing and Urban Development. Habitat LA will defer their developer fee in the amount of \$255,000 until all the homes are sold.

Habitat LA is requesting that the LBCIC provide a zero-interest acquisition and development loan in the amount of \$717,000, covering the land cost, during construction. Upon the sale of the homes, the loan will be converted into second mortgage loans equal to \$89,625 per unit that will be assumed by each of the eight new homeowners. The LBCIC second mortgage loans will be structured as a low-interest, zero payment loan (except in the case of transfer or default), with a 45-year term.

Based on an analysis of the financial proforma, staff recommends approval of a loan in the amount of \$717,000 secured by a Promissory Note and Deed of Trust. In addition, the development of the project supports the implementation of the City's Certified Housing Element Program 1.6 (Affordable Housing Development Assistance) and Program 3.3 (Homeownership Assistance) and is therefore supported by staff.

SUGGESTED ACTION:

Approve Recommendations.

CK:MS:KS

Attachments: A - Site Map
B - January 18, 2023 Staff Report
C - Site Plan and Rendering
D - Proforma