

CITY OF LONG BEACH

R-21

DEPARTMENT OF DEVELOPMENT SERVICES

333 West Ocean Blvd., 4th Floor Long Beach, CA 90802 (562) 570-5237 Fax: (562) 570-6205

December 14, 2010

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute all documents necessary to accept and expend the Transit Oriented Development funds and Infill Infrastructure Grant funds awarded by the State of California for the proposed development at 1235 Long Beach Boulevard. (District 1)

DISCUSSION

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 Infill Infrastructure Grant (IIG) Program, in amounts up to \$17,000,000 and \$20,000,000, respectively, in connection with a proposed mixed-use development at 1235 Long Beach Boulevard by Meta Housing Corporation (Meta). Attached for your reference are copies of the March 17, 2009 Council letters (Attachments A and B). At that time, the proposed development included 356 units in three buildings: the first with rental units and community programming space; the second with rental units in the rear and condominium units facing Long Beach Boulevard; and the third with ground floor retail and condominiums above. The TOD program has a loan and grant component. The IIG program provides grant funds only. The City and Meta were co-applicants for the TOD and IIG grant funds, to enhance the project's chance of receiving funds.

In July 2009, the project was awarded both TOD and IIG funds as shown below. The loan funds were awarded to Meta and the grant funds were awarded jointly to Meta and the City.

Program	Loan to Meta	Grant to Meta & City	Total
TOD	\$6,741,616	\$4,039,737	\$10,781,353
IIG	-----	\$15,069,116	\$15,069,116
Total	\$6,741,616	\$19,108,853	\$25,850,649

Due to the economic downturn and lack of available financing for condominium development, Meta returned with a proposal to develop the project in two phases, with the rental units in Phase 1 and retail and condominium units in Phase 2. The Department of Development Services approved this phasing plan in December 2009. In February 2010, The Long Beach Housing Development Company (LBHDC) also approved the phasing plan and gap financing of up to \$13,145,000 for Phase 1.

On April 15, 2010, HCD approved Meta's phasing plan and also approved the use of the entire \$25,850,469 TOD and IIG funds for Phase 1 of the two-phased project. However, performance requirements for use of the funds have been tied to Phases 1 and 2. Specifically, HCD required that at least 200 units be built in Phase 1, as opposed to the original plan of only 186 senior rental units in Phase 1, leaving a minimum of 156 units to be delivered in Phase 2, which can either be for-sale or rental.

While Meta is solely responsible for the repayment of the TOD loan funds under a separate loan agreement with HCD, both the City and Meta, who co-applied for the grant funds, are jointly and severally liable for meeting the HCD program requirements in case of a default. In HCD's calculations, the City is jointly liable for \$13,908,853 until completion of Phase 1, which must occur by June 30, 2013, and \$5,200,000 until completion of Phase 2, which must occur by June 25, 2017. If development of either phase is not completed by the deadline, the City is jointly liable for repayment of the grant funds.

Staff believes that it is highly unlikely that there would be any potential liability for the City for Phase 1 for the following reasons: Meta has already secured all the necessary financing for the Phase 1 project; HCD documents require that Meta provide a payment and performance bond equal to 100 percent of the construction cost of Phase 1; and Meta has agreed to indemnify the City for any default obligation under Phase 1.

However, due to the current market and financial climate for for-sale condominium projects, financing for Phase 2 is unknown at this time. As mentioned above, if the remaining 156 units in Phase 2 are not completed by June 25, 2017, both Meta and the City are jointly liable to repay \$5,200,000 to HCD.

To allow Phase 1 to move forward and at the same time mitigate the City's potential risk in Phase 2, staff has presented a proposal described below to Meta and Century Housing, Meta's land acquisition lender, whose investment in the Phase 2 site amounts to \$17,200,000 (compared to LBHDC's acquisition loan of \$2,276,000). Both Meta and Century have agreed to the following conditions:

1. Meta, Century, City and the LBHDC will enter into an agreement whereby all parties agree to move forward with a Phase 2 residential project (for-sale or rental) containing at least 156 units, of which no more than 20 percent are affordable, based on a timeline that will allow the project to be completed by June 25, 2017.
2. Century will subordinate its loan to the LBHDC's affordability covenants, which means that even if Century foreclosed on its acquisition loan, any future development in the Phase 2 site must include at least 20 percent affordable units.

Based on a 156-unit development, this 20 percent affordability requirement translates to 31 affordable units. With LBHDC's prior investment of \$2,276,000 in the Phase 2 site, that equates to a subsidy of \$73,419 per unit, which is a reasonable assistance amount.

3. If Phase 2 does not occur, Meta and City will share equally in the potential \$5,200,000 liability, or \$2,600,000 each. As previously stated, Meta has accepted this potential liability. By action on November 17, 2010, the LBHDC Board agreed to step in and pay for the City's portion of this liability with housing set-aside funds in case of default. The Council has previously authorized the LBHDC to be the administrator of housing set-aside funds.

Note that LBHDC has already committed \$13,145,000 for 200 affordable senior rental units in Phase 1 or a subsidy of \$65,725 per unit. If Phase 2 does not occur, adding a \$2,600,000 potential liability to the Phase 1 investment will increase the per unit subsidy to \$78,725. Compared to other new affordable housing projects previously assisted by the LBHDC, the per unit assistance on the Phase 1 project is reasonable.

This letter was reviewed by Deputy City Attorney Richard Anthony on November 17, 2010 and Budget and Performance Management Bureau Manager Lou Palmer on November 23, 2010.

TIMING CONSIDERATIONS

HCD's approval of the use of all TOD and IIG funds in Phase 1 resulted in additional conditions imposed on the project. Staff became aware of the details and ramifications of these conditions only after receipt of the draft loan and grant documents from HCD in late September 2010 and immediately commenced negotiations with all parties involved (HCD, Meta and Century) to minimize the City's risk. Consequently, staff had to seek LBHDC's approval to accept this liability on behalf of the City on November 17, 2010, before requesting City Council action.

City Council action is requested on December 14, 2010, to allow the City Manager to sign loan documents related to Phase 1 funding sources, including the HCD funds, to meet funding deadlines.

FISCAL IMPACT

The City faces a potential liability of \$2,600,000 if Phase 2 is not completed. However, as previously stated, on November 17, 2010, the LBHDC agreed to accept this liability with housing set-side funds, in the event Phase 2 does not occur. Therefore, the City's General Fund would not be impacted.

HONORABLE MAYOR AND CITY COUNCIL

December 14, 2010

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

AJB:ET:pp

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Attachment A - City Council Letter dated March 17, 2009 for Infill Infrastructure Grant Funds

Attachment B - City Council Letter dated March 17, 2009 for Transit Oriented Development Grant Funds

APPROVED:



PATRICK H. WEST
CITY MANAGER



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

~~R-13~~

March 17, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached resolution authorizing the submission of an application to the California State Department of Housing and Community Development Infill Infrastructure Grant Program for assistance of up to \$20,000,000, and authorize the City Manager to execute all documents necessary to accept and expend the funds for the proposed project, upon funding approval. (District 1)

DISCUSSION

The Department of Community Development requests authorization to submit an application for a grant of up to \$20,000,000 under the State Department of Housing and Community Development's Infill Infrastructure Grant (IIG) Program. Funds for the IIG Program were allocated under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C). Its primary objective is to promote infill housing development. The program seeks to accomplish this by providing financial assistance for infrastructure improvements necessary to facilitate new residential or mixed-use infill development projects. This is the second funding round for the IIG Program. There is approximately \$197 million available for allocation during the 2008-09 fiscal year, less than the approximately \$240 million that was available during the 2007-08 fiscal year. It is unknown at this time whether there will be additional funding rounds.

The City of Long Beach (City) and Meta Housing Corporation will apply as co-applicants for the IIG Infrastructure funds in connection with a proposed mixed-use development at 1235 Long Beach Boulevard (southwest corner of Long Beach Boulevard and Anaheim Street). Meta Housing applied for the first funding round, and although a high score was received on the application, funds were not awarded. However, in preparation for the second funding round, staff continued working with Meta Housing on development plans for the site. The proposed project now has Site Plan and Tentative Map approval from the Planning Commission, which significantly improves the chance of funding this round. The City and Meta Housing Corporation applying as co-applicants also enhances the project's chance of funding.

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March 17, 2009

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The proposed development site contains 151,643 square feet, or 3.48 acres, and encompasses three mixed-use buildings, a large park-like open space for all residents, a quad dedicated to lifelong learning activities for senior residents, community rooms, a pool and BBQ area for condo owners, and two rooftop terraces. Two large public plazas are also provided, one open to Long Beach Boulevard and the other to Anaheim Street, allowing for pedestrian-friendly retail uses and a vibrant urban corner. In total, the project provides 2.2 acres of open space. Each of the three buildings varies in design, size and height. A rendering is attached (Attachment A). Approximately 30 percent of the total residential units are proposed to be affordable to low- and moderate-income households. Further details for each building are as follows:

- Building A ranges in height from three to six stories and faces Long Beach Boulevard along the southern edge of the development site. This building contains 18,000 square feet of retail space, 61 condominiums and 39 senior rental units;
- Building B, located at the corner of Long Beach Boulevard and Anaheim Street, is the signature building of the project, reaching a height of 180 feet and 13 stories. This tower building provides the remainder of the condominium (109) units and 14,700 square feet of retail space. It is designed in modern architecture with vertical elements to emphasize the corner;
- Building C, facing Anaheim Street, is entirely a senior rental component with 147 units and 9,300 square feet of retail and resident activity space. This building is more traditional in design and ranges in height from three to six stories; and,
- Parking will be provided within a structure, with one partial level at grade (behind the retail space fronting Long Beach Boulevard and Anaheim Street) and one subterranean parking level.

If the application is successful, the IIG funds will be awarded to the project in the form of a grant and will be used for infrastructure improvements benefiting the entire development and the area surrounding the Anaheim Transit Station. There are no match funds required from the City. However, the application scores points for local support. The Long Beach Housing Development Company has already loaned \$5,152,000 to Meta Housing Corporation for land acquisition. Those loan funds will count toward local support, and should increase the chances of a successful application.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on February 25, 2009, and Budget Management Officer Victoria Bell on February 27, 2009.

HONORABLE MAYOR AND CITY COUNCIL
March 17, 2009
Page 3

TIMING CONSIDERATIONS

City Council action is requested on March 17, 2009, as the application for IIG Program funds is due on April 1, 2009. A resolution authorizing the submittal of this application is required in the application package.

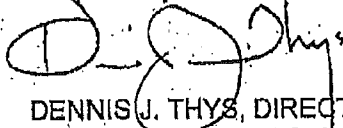
FISCAL IMPACT

The application will be submitted in the amount of up to \$20,000,000, the maximum amount allowed under the IIG Program funding announcement. A budget adjustment is not necessary at this time but will be requested if and when funds are awarded to the City. The City will not be obligated to repay the funds, if awarded. The funds will be awarded to the project in the form of a grant. The proposed action will not impact the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,




DENNIS J. THYS, DIRECTOR
DEPARTMENT OF COMMUNITY DEVELOPMENT

DJT:ET:pp
3-17-09 Res for IIG Application v3.doc

Attachments: Attachment A – Rendering

Resolution Authorizing the Submittal of an Application to the California State Department of Housing and Community Development for Funding Under the Infill Infrastructure Grant (IIG) Program

APPROVED:


PATRICK H. WEST
CITY MANAGER



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

R-14

March 17, 2009

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached resolution authorizing the submission of an application to the California State Department of Housing and Community Development Transit Oriented Development Housing Program for assistance of up to \$17,000,000 and authorize the City Manager to execute all documents necessary to accept and expend the funds for the proposed project, upon funding approval. (District 1)

DISCUSSION

The Department of Community Development requests authorization to submit an application for a grant of up to \$17,000,000 under the State Department of Housing and Community Development's (HCD) Transit Oriented Development (TOD) Housing Program. The TOD Housing Program is designed to increase the overall supply of housing, increase the supply of affordable housing, increase public transit ridership, and minimize automobile trips. The program seeks to accomplish these objectives by providing financial assistance for the development of housing and related infrastructure near public transit stations. Under the program, low-interest loans are available as gap financing for rental housing developments that include affordable housing units, and grants are available to provide mortgage assistance to low- and moderate-income buyers for homeownership developments. In addition, grants are available for infrastructure improvements necessary for the development of specified housing developments, or to facilitate connections between these developments and the transit station.

Funds for the TOD Housing Program were allocated under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C). This is the second funding round for the TOD Housing Program. There is \$95 million available in this round, just as there was in the first. It is unknown at this time whether additional rounds will be forthcoming because of the State budget deficit. However, it was announced that a total of \$285 million would be available over three years.

The City of Long Beach (City) and Meta Housing Corporation will apply as co-applicants for rental, homeownership and infrastructure funds in connection with a proposed mixed-use development at 1235 Long Beach Boulevard (southwest corner of Long

HONORABLE MAYOR AND CITY COUNCIL

March 17, 2009

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Beach Boulevard and Anaheim Street). The City and Meta Housing were also co-applicants for the first funding round, and although a high score was received on the application, funds were not awarded. However, in preparation for the second funding round, staff continued working with Meta Housing on development plans for the site. The proposed project now has Site Plan and Tentative Map approval from the Planning Commission, which significantly improves the chance of funding this round.

The proposed development site contains 151,643 square feet, or 3.48 acres, and encompasses three mixed-use buildings, a large park-like open space for all residents, a quad dedicated to lifelong learning activities for senior residents, community rooms, a pool and BBQ area for condo owners, and two rooftop terraces. Two large public plazas are also provided, one open to Long Beach Boulevard and the other to Anaheim Street, allowing for pedestrian-friendly retail uses and a vibrant urban corner. In total, the project provides 2.2 acres of open space. Each of the three buildings varies in design, size and height. A rendering is attached (Attachment A). Approximately 30 percent of the total residential units are proposed to be affordable to low- and moderate-income households. Further details for each building are as follows:

- Building A, ranges in height from three to six stories and faces Long Beach Boulevard along the southern edge of the development site. This building contains 18,000 square feet of retail space, 61 condominiums and 39 senior rental units;
- Building B, located at the corner of Long Beach Boulevard and Anaheim Street, is the signature building of the project, reaching a height of 180 feet and 13 stories. This tower building provides the remainder of the condominium (109) units and 14,700 square feet of retail space. It is designed in modern architecture with vertical elements to emphasize the corner;
- Building C, facing Anaheim Street, is entirely a senior rental component with 147 units and 9,300 square feet of retail and resident activity space. This building is more traditional in design and ranges in height from three to six stories; and,
- Parking will be provided within a structure, with one partial level at grade (behind the retail space fronting Long Beach Boulevard and Anaheim Street) and one subterranean parking level.

If the application is successful, the rental housing funds will be awarded to Meta Housing as a low-interest loan and will be used to help finance the senior rental housing component of the proposed development. Meta Housing will be responsible for repayment of those funds under a separate agreement with HCD. The homeownership funds will be awarded to the City in the form of a grant and will be used as silent second mortgage loans to the buyers of the affordable condominium units. Those buyers will be responsible for repaying the City once their units are re-sold. The infrastructure funds will be awarded to the City in the form of a grant and will be used for infrastructure improvements benefiting the entire development and the area surrounding the Anaheim Transit Station. The infrastructure funds require a 20 percent cash match from the City.

HONORABLE MAYOR AND CITY COUNCIL

March 17, 2009

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The Long Beach Housing Development Company has already made an acquisition loan of \$5,152,000 to Meta Housing. This application will be submitted with the understanding that a portion of the \$5,152,000 will count as the match towards the infrastructure segment of the application.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on February 19, 2009, and Budget Management Officer Victoria Bell on February 27, 2009.

TIMING CONSIDERATIONS

City Council action is requested on March 17, 2009, as the application for TOD Housing Program funds is due on April 2, 2009. A resolution authorizing the submittal of this application is required in the application package.

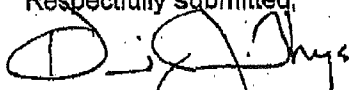
FISCAL IMPACT

The application will be submitted in the amount of up to \$17,000,000, the maximum amount allowed under the TOD Housing Program funding announcement. A budget adjustment is not necessary at this time but will be requested if and when funds are awarded to the City. The City will not be obligated to repay the funds, if awarded. The proposed action will not impact the General Fund.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



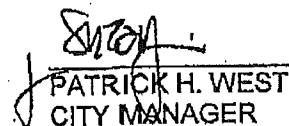
DENNIS J. THYS, DIRECTOR
DEPARTMENT OF COMMUNITY DEVELOPMENT

DJT:ET:PU:MS
3-17-09 Res for TOD Application v3.doc

Attachments: Attachment A – Rendering

Resolution Authorizing the Submittal of an Application to the California State Department of Housing and Community Development for Funding Under the Transit Oriented Development Housing Program

APPROVED:



PATRICK H. WEST
CITY MANAGER