

M E M O R A N D U M

DATE: June 19, 2019

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Linda F. Tatum, President *lt*

SUBJECT: **Authorization to Enter into a Disposition and Development Agreement and Loan Agreement with LINC Housing Corporation for the Development of 469 W. 17th Street, 1720-1770 Magnolia Avenue and 469 W. Pacific Coast Highway (CD 1)**

RECOMMENDATION:

1. Authorize the President or designee to negotiate and enter into a Disposition and Development Agreement for the conveyance of the properties at 469 W. 17th Street, 1720-1770 Magnolia Avenue and 469 W. Pacific Coast Highway to LINC Housing Corporation;
2. Approve a loan in the amount of up to \$2,250,000 to LINC Housing Corporation to provide gap financing for the development of the properties at 469 W. 17th Street, 1720-1770 Magnolia Avenue and 469 W. Pacific Coast Highway; 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 April 18, 2018, the Board authorized an Agreement to Negotiate Exclusively (ENA) with LINC Housing Corporation (LINC) for the development of 469 W. 17th Street, 1720-1770 Magnolia Avenue and 469 W. Pacific Coast Highway (Site), which is currently owned by the LBCIC. A Site map (Attachment A) and a copy of the April 18, 2018 staff report (Attachment B) are attached for your reference. The purpose of the ENA was to give the LBCIC and LINC time to work exclusively to determine whether the project is physically and financially feasible. Since execution of the ENA, LINC has further developed its financial plan for the Site and received project approval from the City's Planning Bureau.

Founded in 1984, LINC develops, operates, and provides resident services to affordable housing communities throughout California. With 7,800 units of development experience and more than 5,600 units under its management, LINC is one of the largest and most successful nonprofit affordable housing developer/operators in Southern California. LINC currently has a pipeline of 1,066 units and has, over the last five years,

secured over \$209 million in funding. LINC's corporate office is less than two miles from the currently proposed development site, and LINC has committed to prioritizing the City of Long Beach in the organization's efforts to build upon affordable housing as a catalyst for broader community development. LINC owns and operates the Palace Hotel Apartments, located at 2640 E. Anaheim Street.

LINC is currently proposing to purchase the Site and construct a 40-unit affordable apartment project with over 6,000 square feet of indoor and outdoor community space to host a variety of resident programs, a computer lab, and private meeting rooms for service providers and case managers (Project). A Project rendering is attached (Attachment C). The Project will include a two-bedroom onsite manager unit and 39 one-bedroom units for households who have experienced homelessness, and earn no more than 30% of Area Median Income. Residents will receive intensive case management services from The People Concern, one of Los Angeles County's largest social services agencies that provides mental and medical health care, substance abuse services, domestic violence services, and lifeskills and wellness programs. Residents will benefit from additional supportive programs, tailored to their unique needs, through LINC Cares resident services.

LINC submitted a request for LBCIC financial assistance in the amount of \$2,250,000 to assist with acquisition of the Project site. Staff requested Keyser Marston Associates (KMA) to review the request. KMA's analysis (Attachment D) indicates that the total project development cost is estimated at \$24,757,000, potential available funding sources at \$22,528,000 and a financial gap at approximately \$2,229,000, or \$55,700 per unit. The variance between the financial gap calculation and request for assistance equates to an approximately 1% differential, which KMA considers inconsequential.

The Project has received a \$1,540,000 loan of Affordable Housing Trust Funds (AHTF) and a \$7,000,000 loan of Mental Health Housing Trust Funds (MHHF), both from the Los Angeles Community Development Commission (LACDC). The Project has also received a commitment from the Los Angeles County Department of Health Services (DHS) for an operating subsidy for the 39 affordable units, which funds the difference between the 39 tenants' rent payments, based on 30% of their income, and the fair market rents as published by HUD. LINC has applied for \$429,000 in Affordable Housing Program (AHP) funds awarded by the Federal Home Loan Bank of San Francisco, and plans to apply for 4% Federal Low Income Housing Tax Credits (4% Tax Credits) in August 2019. An executed Disposition and Development Agreement is required for an award of 4% Tax credits.

Based on KMA's analysis, staff recommends approval of a loan in the amount of up to \$2,250,000, contingent upon award of the proposed funding and staff approval of three general contractor bids. In addition, the development of the project supports the implementation of Housing Element Program 4.1 (Affordable Housing Development Assistance) and is therefore supported by staff. If approved, the loan will be structured as a residual receipts note with a 3% interest rate and a 55-year term.

SUGGESTED ACTION:

Approve Recommendation.

LFT:PU:MS:KS

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Attachments:

- A. Site Map
- B. April 18, 2018 Staff Report
- C. Project Rendering
- D. KMA Analysis