



The  
**Long Beach  
Housing  
Development  
Company**

## MEMORANDUM

**Date:** September 17, 2008

**To:** Board of Directors  
The Long Beach Housing Development Company

**From:** Ellie Tolentino, Vice President *Ellie Tolentino*

**Prepared by:** Michael Betts, Development Project Manager II

**Subject:** **Approval of Loan Agreement with Clifford Beers Housing, Inc. for the Proposed Courtyard Apartments Scattered Sites Development (Districts 1 & 4)**

### RECOMMENDATION

- 1) Approve a \$2.27 million loan to Clifford Beers Housing Inc. for the acquisition, predevelopment and rehabilitation of four apartment buildings located at 1027 and 1045 Redondo Avenue, 1134 Stanley Avenue and 350 E. Esther Street; and
- 2) Authorize the President or designee to execute any and all documents necessary to implement the loan agreement with Clifford Beers Housing.

### BACKGROUND

Clifford Beers Housing Inc. (CBH), founded in 2005, is a 501 (c) (3) non-profit Community Housing Development Organization (CHDO), that is affiliated with the Mental Health America of Los Angeles (MHA). On July 12, 2008, CBH, in cooperation with the LBHDC completed the rehabilitation of the historic 530 Elm project that provides studio apartments for 17 low-income special needs residents of Long Beach.

In March 2008, CBH submitted a proposal to staff for the acquisition and rehabilitation of four apartment buildings located at 1027 and 1045 Redondo Avenue, 1134 Stanley Avenue and 350 E. Esther Street. The four sites are wood frame and stucco courtyard apartment buildings built between 1922 and 1923. The properties total approximately 16,500 sq. ft. and consist of 46 studio apartments (combined living and sleeping room), with an average unit size of approximately 350 sq. ft. that includes a separate kitchen and bathroom. A site map, and photos of the properties are attached for your information (Attachments 1 & 2).

**MAKING  
AFFORDABLE  
HOUSING  
HAPPEN**

AGENDA ITEM NO. 6A

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The four properties then housed 20 MHA clients who paid rents ranging from \$450 to \$550 per month. CBH believed that if the properties were sold in the marketplace, most of the tenants would most likely be unable to pay increased rents and could be at risk of becoming homeless. CBH also believed that the acquisition and rehabilitation of these properties provided an opportunity to improve the existing housing stock and create quality affordable housing for low-income residents with special needs.

CBH subsequently closed escrow on the properties in May 2008, with short-term loans provided by the Corporation for Supportive Housing and the Enterprise Foundation.

CBH proposes to substantially rehabilitate the four properties with improved electrical, heating and plumbing systems. Whenever possible, original architectural features will be restored and any new improvements will be sensitive to the building's architectural style. Outdoor improvements will include new and restored hard-scapes, drainage, irrigation, landscaping, lighting and security measures. Where feasible, enhanced accessibility will be provided for the disabled. Exterior rehabilitation will also include new roofs, hot water heaters, trash enclosures, and parking lot repair.

The Courtyards project will participate in the Enterprise Foundation "Green Communities" Program. This is a version of the Leadership in Energy and Environmental Design (LEED) energy conservation program specifically designed for affordable housing developments. It entails adherence to the Green Communities Criteria Checklist for all mandatory activity and selection of additional energy conservation measures. To maximize the building's energy efficiency and reduce utility costs to tenants, conservation measures may include the use of energy star appliances, separate gas and electrical meters for each unit, recycled content materials and water permeable walkways.

To enhance social services, MHA will coordinate additional partnerships with other local community organizations to provide meals, social activities, learning centers, psychiatric assessments and treatment, group and individual therapy treatment programs, independent living skills training, substance abuse recovery, money management and employment training and placement opportunities. MHA will also provide on-site property management.

Total development costs are estimated to be approximately \$12.9 million. Table 1 of the attached analysis by Keyser Marston Associates (KMA) provides details on the development costs (Attachment 3). The proposed financing will include 9% Low Income Housing Tax Credits, California State Department of Housing and Community Development (HCD) Mental Health Services Act funds, HCD Multi-Family Housing Program-Supportive Housing capital (MHP), operating subsidy, a conventional mortgage, and LBHDC funds, if approved.

The project is proposed to be 100 percent affordable and will serve very low- to low-income tenants earning from 30% - 50% of the area median income. Incomes at these levels range from approximately \$15,930 to \$31,860 annually for a one-person

household. Under CBH's proposal, approximately 23 units will be set aside for people living with special needs and 21 units will be reserved for housing low-income adults, without special needs. Rents for the units are shown below. Two units will be reserved for use by on-site managers.

<b>Income Level</b>	<b>% Median Income</b>	<b>Proposed Rent</b>	<b># of Units</b>
Very-Low	30%	\$213	23
Low	50%	\$581	9
Low	60%	\$615	12

As mentioned earlier, CBH closed escrow on the properties in May 2008, with short-term loans from the Corporation for Supportive Housing and the Enterprise Foundation. CBH is requesting that the LHBDC provide funds to include the cost of the acquisition, as well as predevelopment and rehabilitation costs.

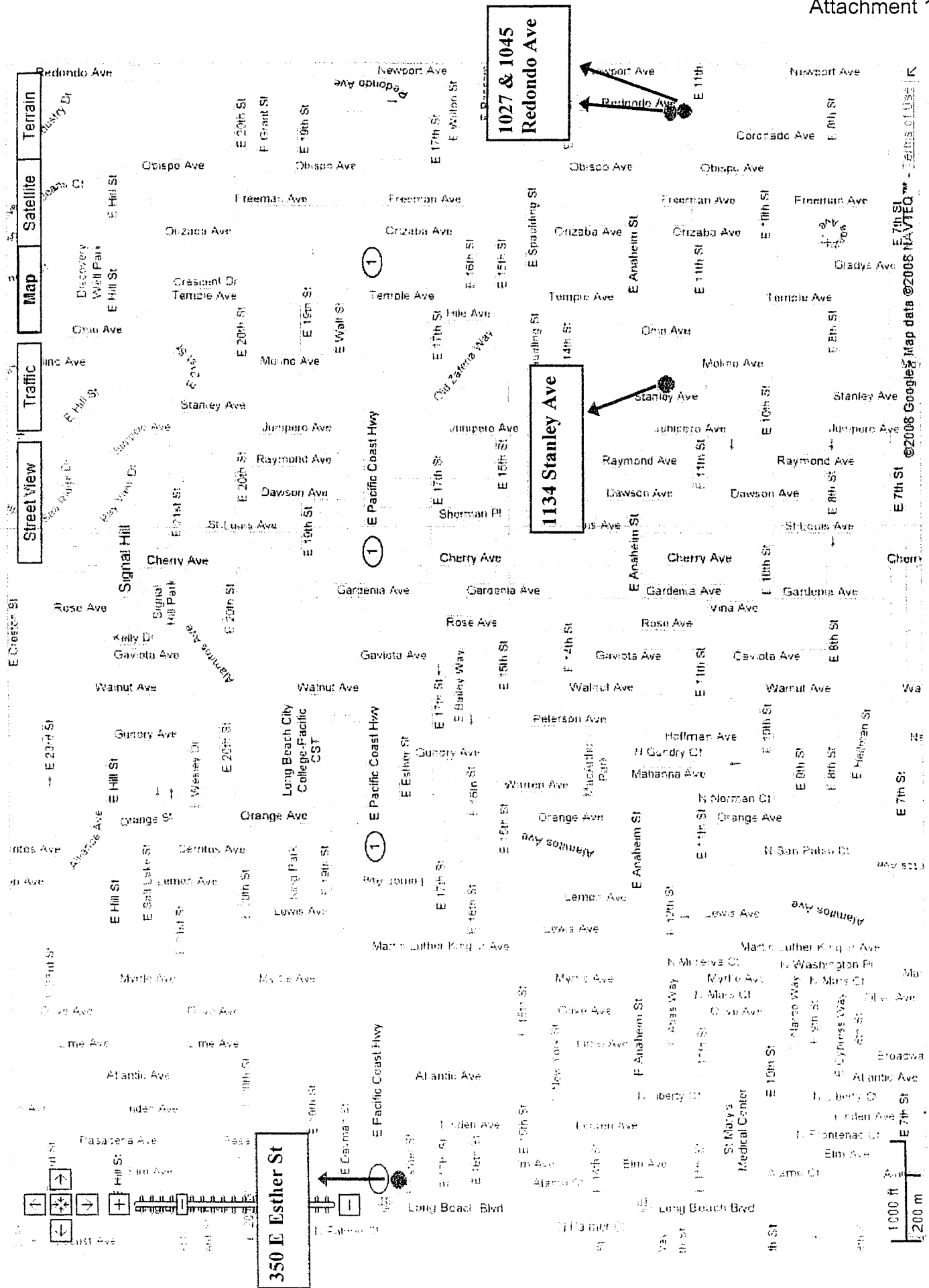
Staff and KMA have completed a thorough analysis of the project pro forma and it appears that the affordability gap is approximately \$2.27 million or \$49,400 per unit. Approximately \$1.1 million of the gap amount will be used to pay off the loan provided by the Corporation for Supportive Housing, which carries a high interest rate that adds to the overall cost of the project. The remaining \$1.17 million will be used for predevelopment and construction costs.

Staff is supportive of the proposed project for the following reasons: it fulfills the LBHDC's mission of providing affordable housing to the very low- and low-income residents of Long Beach; the assistance per unit is very reasonable; and the rehabilitation of the four properties will result in the improvement of existing housing stock. Staff recommends that the Committee approve CBH's loan request.

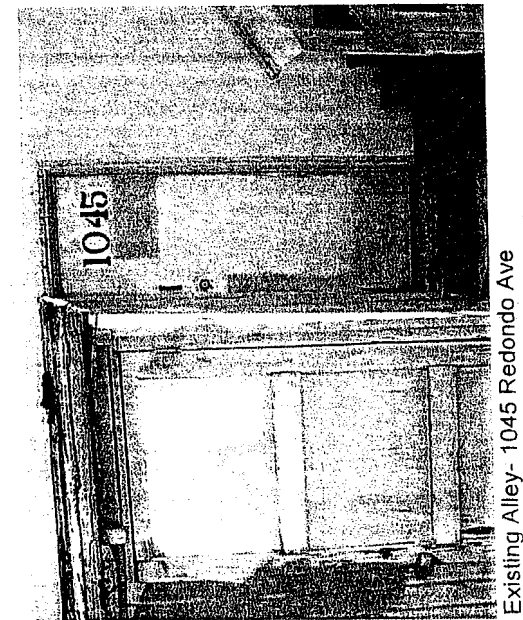
The Executive Review Committee reviewed this item at its meeting on September 10, 2008, and recommends approval.

Attachments: Attachment 1 – Site Map, Photos  
Attachment 2 – Conceptual Renderings  
Attachment 3 – KMA Analysis

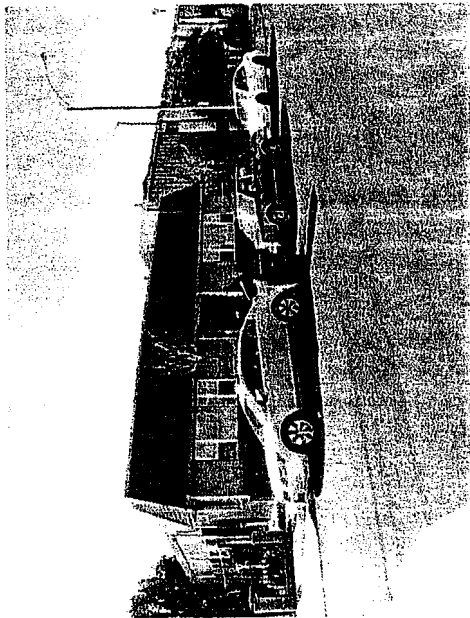






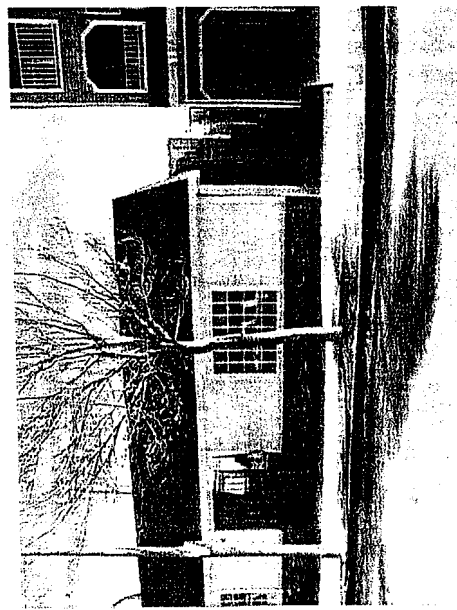


Existing Alley - 1045 Redondo Ave

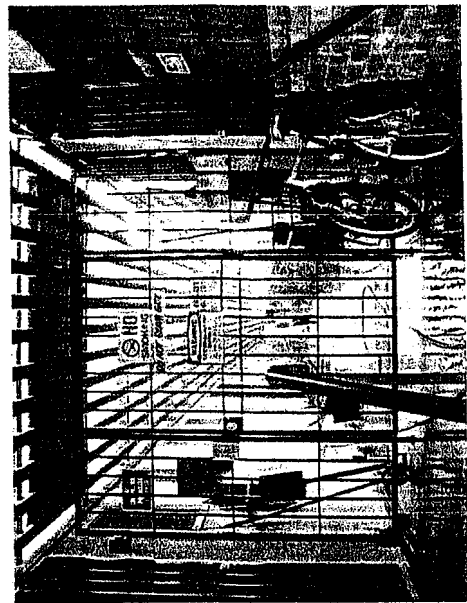


Existing Façade: 350 Esther Ave

**Clifford Beers Housing, Inc. Proposed Rehabilitation Program**  
**Spanish-Style Courtyard Housing, Long Beach, CA**

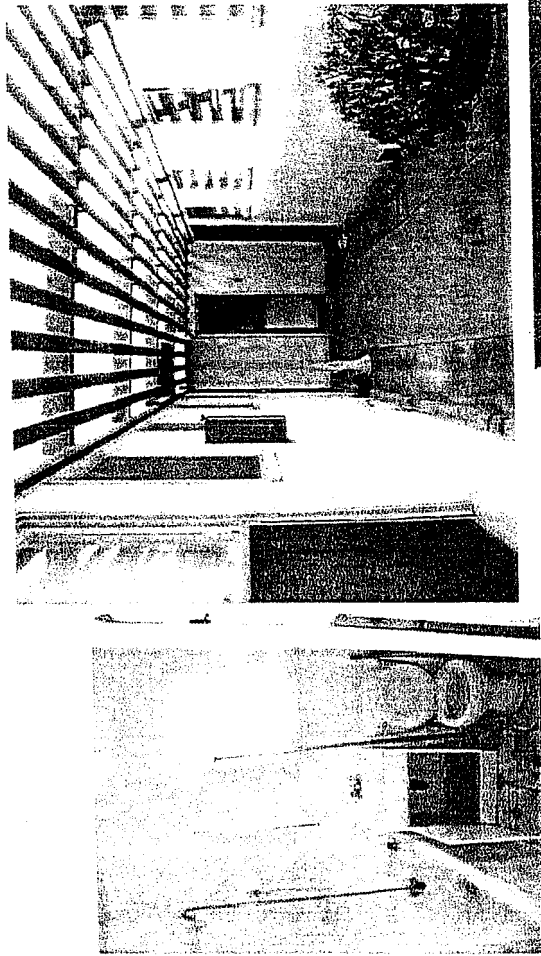


Existing Façade: 1134 Stanley Ave



Courtyard view at 1027 Redondo Ave

# 1027 & 1045 Redondo Ave, Long Beach, CA



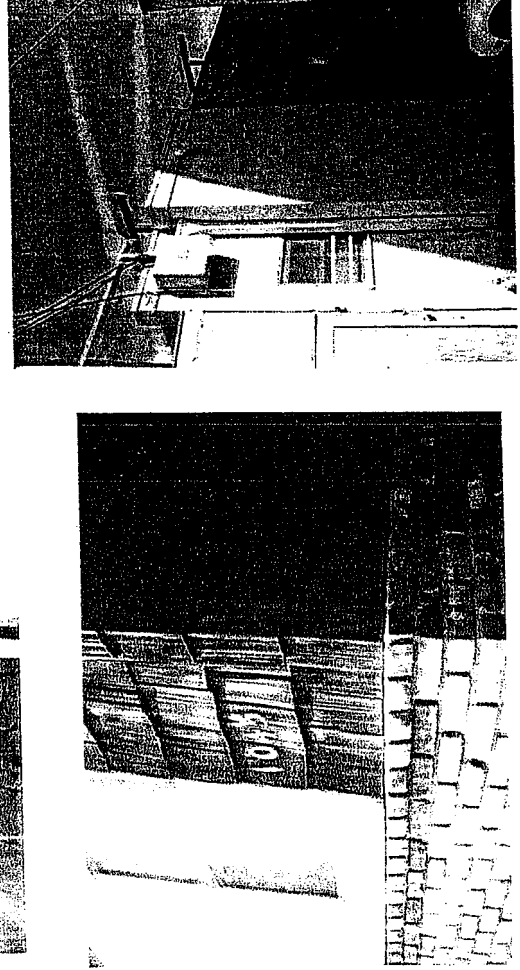
## Property Facts: Current Configuration

Located at 10<sup>th</sup> and Redondo, the 2 buildings contain 24 single apartments in deteriorated condition. Mental Health America of Los Angeles (MHA) has placed 6 of its Village clients in these units. Rents average \$550 per month.

These buildings, constructed in the early 1900s, have lost their original architectural integrity by previous facade modifications, and desperately need systems upgrades to the electrical, HVAC, and plumbing systems.

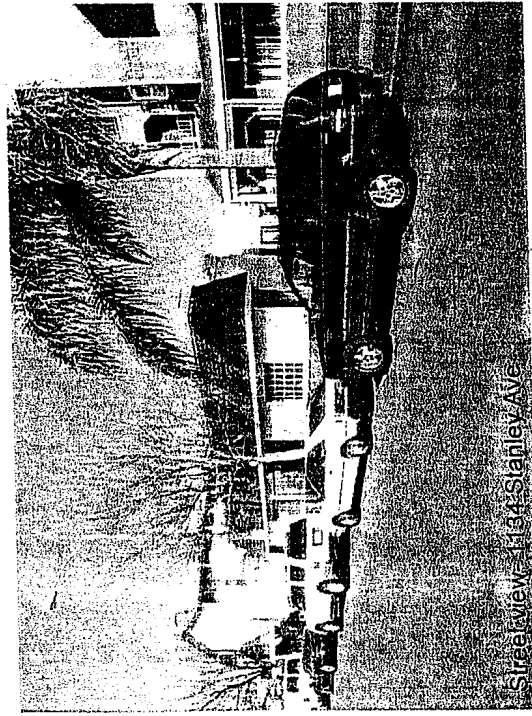
Interior units also require reconfiguration of the kitchen and bathrooms to better accommodate those with disabilities and to improve unit circulation. These units have moderate to severe termite damage, and replacement of windows, doors, walls, and some flooring is anticipated.

Rehabilitation of these units would allow unattractive utility areas in alley ways to be improved, historic architecture to be restored, and attractive hardscaping and landscaping to add to the existing streetscape.

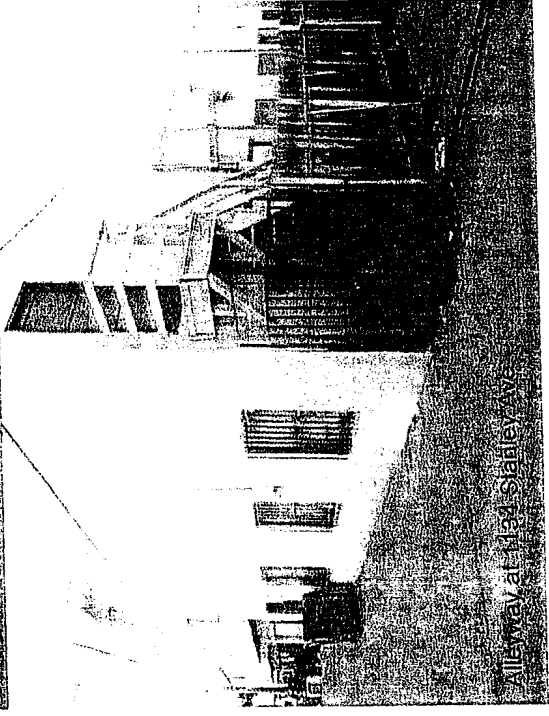




# 1134 Stanley Ave 350 E Esther Street



Street View: 1134 Stanley Ave



Street View: 350 E Esther Street

Street View: 350 E Esther St

## Property Facts: Current Configuration

Similar to the Redondo Avenue properties, both buildings have gone through facade changes that have masked the architectural history and charm of these buildings. Termite damage at these building is less severe, although these properties also require electrical, HVAC, and plumbing upgrades. All units are single apartments, and a rehabilitation would allow for a reconfiguration of existing kitchens and bathrooms to benefit those with disabilities.

Additionally, the alleyways and courtyards have unsightly features such as aging stairways, utility storage, and fencing that would be improved with rehabilitation and the addition of hardscaping and landscaping features.

The property at 350 E Esther Avenue has 10 units and is located in Bonnie Lowenthal's Council District. Currently, Mental Health America of Los Angeles (MHA) has a master lease on this property, and sublets its units to its Village Clients under a Safe Haven program with HUD. Rents are \$450 per month.

The property located at 1134 Stanley Avenue has 12 units, and is located in Patrick O'Donnell's Council District. There are currently 4 MHA Village clients that rent units from the current owner. The average rent at this property is \$550 per month.

# Concept for Rehabilitation

- Restore original architectural features by implementing facade improvements, ornamental detail, hardscaping and landscaping details that will enhance courtyard style layout.
- Reconfigure layout of courtyard to increase opportunities for social interaction
- Add ADA accessibility to units
- Implement green building techniques and green systems upgrades to electrical, HVAC, and plumbing.
- Preserve affordability of current units by income restricting units to 30% - 60% AMI.

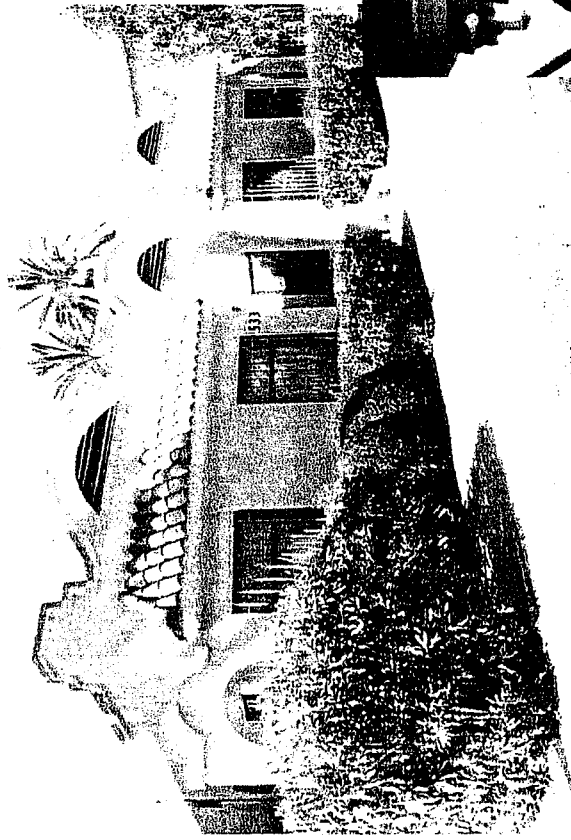
# Design Possibilities



Restore architectural integrity and create an improved sense of place-making by window/door replacement and addition of ornamental landscaping detail and attractive, drought resistant landscaping features of property street frontage as well as within courtyard.



# Design Possibilities Cont.



Reface building facades to restore original Spanish-style architecture. Ornamental fencing will secure building while enhancing the façade improvements.

TABLE 1

## ESTIMATED DEVELOPMENT COSTS

23 VERY-LOW INCOME UNITS; 9 LOW INCOME UNITS; 12 MODERATE INCOME UNITS &amp; 2 MGRS UNIT

THE COURTYARDS

LONG BEACH, CALIFORNIA

<b>I. <u>Property Assemblage</u><sup>1</sup></b>			
Property Acquisition	46 Units	\$60,000 /Unit	\$2,760,000
Relocation <sup>2</sup>	46 Units	\$12,739 /Unit	586,000
<b>Total Property Assemblage Costs</b>			<b>\$3,346,000</b>
<b>II. <u>Direct Costs</u><sup>3</sup></b>			
Rehabilitation			
1045 Redondo Avenue	12 Units	\$99,768 /Unit	\$1,197,000
1027 Redondo Avenue	12 Units	\$99,420 /Unit	1,193,000
1134 Stanley Avenue	12 Units	\$90,520 /Unit	1,086,000
350 East Esther	10 Units	\$98,078 /Unit	981,000
Green Building Features	46 Units	\$2,174 /Unit	100,000
Furnishings	46 Units	\$1,090 /Unit	50,000
Contractor Fees	14% Direct Costs		642,000
Liability Insurance <sup>1</sup>	\$133,000 Allowance		133,000
Contingency Allowance	10% Total Direct Costs		538,000
<b>Direct Costs Before Additional Contingency Allowance</b>			<b>\$5,920,000</b>
Additional Contingency Allowance <sup>4</sup>	5% Total Direct Costs		269,000
<b>Total Direct Costs</b>	<b>46 Units</b>	<b>\$134,500 /Unit</b>	<b>\$6,189,000</b>
<b>III. <u>Indirect Costs</u></b>			
Architecture, Engineering & Consulting	10.0% Total Direct Costs		\$619,000
Permits & Fees <sup>5</sup>	46 Units	\$2,870 /Unit	132,000
Taxes, Legal & Accounting	1.5% Assemblage + Direct Costs		143,000
Insurance <sup>1</sup>	46 Units	\$1,740 /Unit	80,000
Marketing/Leasing	46 Units	\$130 /Unit	6,000
Developer Fee <sup>6</sup>	13% Applicable Tax Credit Basis		986,000
Soft Cost Contingency	5.0% Ind + Fin Costs		171,000
<b>Total Indirect Costs</b>	<b>46 Units</b>	<b>\$46,500 /Unit</b>	<b>\$2,137,000</b>
<b>IV. <u>Financing Costs</u></b>			
Acquisition Loan Interest & Fees <sup>7</sup>	\$2,000,000 Loan	7.25% Interest	\$182,000
Predevelopment Loan Interest & Fees <sup>8</sup>	\$1,100,000 Loan	6.00% Interest	94,000
Interest During Construction <sup>9</sup>	\$7,239,000 Loan	6.10% Interest	464,000
Loan Origination Fees			
Construction Loan	\$7,239,000 Loan	1.50 Points	109,000
Capitalized Reserves <sup>1</sup>			338,000
Tax Credit & MHSA Costs <sup>10</sup>			87,000
<b>Total Financing Costs</b>	<b>46 Units</b>	<b>\$27,700 /Unit</b>	<b>\$1,274,000</b>
<b>V. <u>Total Development Costs</u></b>			
<b>Total Development Costs</b>	<b>46 Units</b>	<b>\$281,400 /Unit</b>	<b>\$12,946,000</b>
<b>Total Construction Costs</b>	<b>46 Units</b>	<b>\$221,400 /Unit</b>	<b>\$10,186,000</b>

<sup>1</sup> Based on Developer estimate.<sup>2</sup> Based on estimate prepared by the Developer and Shober Consulting, Inc. Estimate includes: \$276,000 tenant relocation benefits; \$86,000 relocation consultant fee; and \$224,000 relocation contingency.<sup>3</sup> Estimates assume prevailing wage requirements will be imposed on the Project.<sup>4</sup> Based on Developer estimate. Agency will maintain authority over the distribution of the additional contingency allowance.<sup>5</sup> Based on Developer estimate. The estimate should be verified by City staff.<sup>6</sup> Equal to the amount identified by the Developer. This amount is less than the maximum allowed by TCAC.<sup>7</sup> Based on Developer estimate; assumes a 15 month loan term and a 2 point origination fee.<sup>8</sup> Based on Developer estimate; assumes a 17 month loan term and a 1.5 point origination fee.<sup>9</sup> Includes 95% of the Tax Credit equity which will not be funded during construction. Assumes a 16 month construction period; a 3 month lease-up period &<sup>10</sup> Based on Developer estimate. TCAC costs includes \$2,000 application fee; \$410/unit monitoring fee; and 4% of the gross Tax Credit proceeds for one-year; and MHSA application costs equal to \$21,000.

TABLE 2

## ESTIMATED NET OPERATING INCOME

23 VERY-LOW INCOME UNITS; 9 LOW INCOME UNITS; 12 MODERATE INCOME UNITS & 2 MGRS UNIT  
THE COURTYARDS  
LONG BEACH, CALIFORNIA

<b>I. <u>Income</u></b>			
Non-MHSA Managers' Units	2 Units @	\$0 /Month	\$0
<u>Rent</u> <sup>1</sup>			
<u>MHSA, Very-Low Inc. MHP, &amp; Tax Credit @ 30% Median</u>			
Studios @ 350 Sf	23 Units @	\$213 /Month	58,800
<u>Non-MHSA, Low Inc. MHP &amp; Tax Credit @ 50% Median</u>			
Studios @ 350 Sf	9 Units @	\$581 /Month	62,700
<u>Non-MHSA, Moderate Inc. MHP, &amp; Tax Credit @ 50% Median</u>			
Studios @ 350 Sf	12 Units @	\$615 /Month	88,600
Laundry/Miscellaneous Income	46 Units @	\$0 /Month	0
<b>Gross Income</b>			<b>\$210,100</b>
(Less) Vacancy and Collection	17% Gross Income		(21,000)
<b>Effective Gross Income (EGI)</b>			<b>\$189,100</b>
<b>II. <u>Operating Expenses</u></b>			
General Operating Expenses	46 Units @	\$4,289 /Unit	\$197,300
Property Taxes <sup>2</sup>	46 Units @	\$54 /Unit	2,500
Service Provider <sup>3</sup>	46 Units @	\$261 /Unit	12,000
Operating Reserve	46 Units @	\$504 /Unit	23,200
MHP Loan Repayment <sup>4</sup>	\$2,904,000 Loan	0.42% Interest	12,200
MHSA Loan Repayment <sup>5</sup>	\$2,146,000 Loan	0.42% Interest	9,000
<b>Total Operating Expenses</b>	46 Units @	<b>(\$5,570) /Unit</b>	<b>(\$256,200)</b>
<b>III. MHSA Operating Subsidy<sup>6</sup></b>	9 Units	<b>\$11,311 /Month</b>	<b>\$101,800</b>
<b>IV. <u>Net Operating Income</u></b>			<b>\$34,700</b>

<sup>1</sup> Based on Los Angeles County 2008 incomes distributed by HUD/HCD. As pertinent, the rents are based on California Health & Safety Code Section 50053, and rents published by MHP & TCAC. Utility Allowance per Housing Authority of the City of Long Beach: \$48 for studio units. The managers' units are treated as Tax Credit units.

<sup>2</sup> Based on the assumption that Developer will receive the property tax abatement accorded to nonprofit housing organizations that develop income restricted apartments.

<sup>3</sup> Based on Developer estimate. Assumes that social service coordination for non-Mental Health Service Act (MHSA) units are funded through the Project's operating budget, and that intensive supportive services are provided to MHSA units through a separate contract with the California Department of Mental Health (DMH).

<sup>4</sup> Annual interest payment.

<sup>5</sup> Annual interest payment.

<sup>6</sup> Assumes the Project receives capitalized operating subsidy through the MHSA Housing Program funded jointly by the California Housing Finance Agency (CalHFA) and the DMH.

TABLE 3

## FINANCIAL GAP CALCULATION

23 VERY-LOW INCOME UNITS; 9 LOW INCOME UNITS; 12 MODERATE INCOME UNITS & 2 MGRS UNIT  
 THE COURTYARDS  
 LONG BEACH, CALIFORNIA

I. Available Funding SourcesA. Federal Low Income Housing Tax Credit Proceeds<sup>1</sup>

Gross Tax Credit Value \$6,536,000

Syndication Value \$0.86 /Tax Credit Dollar

Tax Credit Value \$4,857,000

B. Deferred Developer Fee \$160,000

C. MHP/Supportive Housing Component 46 Units \$63,130 /Unit \$2,904,000

D. MHSA Program 46 Units \$46,652 /Unit \$2,146,000

E. AHP Grant 46 Units \$10,961 /Unit \$504,000

F. Income Earned During Rehabilitation<sup>2</sup> \$104,000

Total Available Funding Sources \$10,675,000

II. Financial Gap

Total Available Funding Sources \$10,675,000

(Less) Total Development Costs (12,946,000)

Financial Surplus/(Gap)	46 Units	(\$49,400) /Unit	(\$2,271,000)
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<sup>1</sup> \$7.4 million eligible basis, which includes a \$1,091,525 voluntary basis reduction; a 130% difficult to develop premium; a 2% credit reduction; an 9.00% Tax Credit rate; an applicable fraction of 100.00% and a \$764,000 voluntary equity reduction.

<sup>2</sup> Based on Developer estimate.

TABLE 4

## PRO FORMA COMPARISON

23 VERY-LOW INCOME UNITS; 9 LOW INCOME UNITS; 12 MODERATE INCOME UNITS & 2 MGRS UNIT  
 THE COURTYARDS  
 LONG BEACH, CALIFORNIA

	KMA	Developer	Difference
I. <b>Property Assemblage</b>			
Property Acquisition	\$2,760,000	\$2,760,000	\$0
Relocation	586,000	586,000	0
<b>Total Property Assemblage</b>	<b>\$3,346,000</b>	<b>\$3,346,000</b>	<b>\$0</b>
Per Unit	\$72,700	\$72,700	\$0
II. <b>Estimated Construction Costs</b>			
A. <b>Direct Costs</b>			
Rehabilitation	\$4,457,000	\$4,457,000	\$0
Green Building Features	100,000	100,000	0
Furnishing	50,000	50,000	0
Contractor Fees	642,000	642,000	0
Liability Insurance	133,000	133,000	0
Contingency Allowance	807,000	861,000	(54,000)
<b>Total Direct Costs</b>	<b>\$6,189,000</b>	<b>\$6,243,000</b>	<b>(\$54,000)</b>
Per Unit	\$135,000	\$135,700	(\$700)
B. <b>Indirect Costs</b>			
A&E, Taxes, Legal, Accounting, Insurance	\$842,000	\$862,000	(\$20,000)
Permits & Fees	132,000	132,000	0
Marketing/Leasing	6,000	6,000	0
Developer Fee	986,000	986,000	0
Contingency	171,000	62,000	109,000
<b>Total Indirect Costs</b>	<b>\$2,137,000</b>	<b>\$2,048,000</b>	<b>\$89,000</b>
% of Directs	35%	33%	2%
C. <b>Financing Costs</b>			
Acquisition Interest & Fees	\$182,000	\$175,000	\$7,000
Predevelopment Interest & Fees	94,000	100,000	(6,000)
Interest During Construction	464,000	430,000	34,000
Financing Fees	109,000	108,000	1,000
Capital Reserves	338,000	338,000	0
TCAC Fees	87,000	87,000	0
<b>Total Financing Costs</b>	<b>\$1,274,000</b>	<b>\$1,238,000</b>	<b>\$35,000</b>
% of Directs	21%	20%	1%
III. <b>Total Development Costs</b>	<b>\$12,946,000</b>	<b>\$12,875,000</b>	<b>\$71,000</b>
Per Unit	\$281,400	\$279,900	\$1,500
Per SF GBA	\$789	\$785	\$4



TABLE 4 (CONTINUED)

## PRO FORMA COMPARISON

23 VERY-LOW INCOME UNITS; 9 LOW INCOME UNITS; 12 MODERATE INCOME UNITS &amp; 2 MGRS UNIT

THE COURTYARDS

LONG BEACH, CALIFORNIA

	KMA	Developer	Difference
IV. <u>Net Operating Income</u> <sup>1</sup>			
Effective Gross Income <sup>1</sup>	\$290,900	\$291,200	(\$300)
(Less) Operating Expenses	(256,200)	(256,200)	0
Net Operating Income	\$34,700	\$35,000	(\$300)
V. <u>Available Funding Sources</u>			
9% Tax Credit Equity	\$4,857,000	\$4,857,000	\$0
Deferred Developer Fee	160,000	160,000	0
MHP/Supportive Housing Component	2,904,000	2,904,000	0
CalFHA Mental Health Services Act. Program	2,146,000	2,146,000	0
AHP Grant	504,000	504,000	0
Income Earned During Rehabilitation	104,000	104,000	0
Total Available Funding Sources	\$10,675,000	\$10,675,000	\$0
VI. <u>Financial Gap</u>			
Total Available Funding Sources	\$10,675,000	\$10,675,000	\$0
(Less) Development Costs	(12,946,000)	(12,875,000)	(71,000)
VII. <u>Financial Surplus/(Gap)</u>	(\$2,271,000)	(\$2,200,000)	(\$71,000)
Per Unit	(\$49,400)	(\$47,800)	(\$1,600)
Per Sf Land	(\$88)	(\$85)	(\$3)

<sup>1</sup> Developer's estimate assumes applicable rents for Low Income restricted units is \$584/unit/month. The H&S Section 50053 restricted rent is \$581/unit/month.

