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M E M O R A N D U M

DATE: January 4, 2022

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Oscar W. Orci, President 

SUBJECT: **Approval of a Loan to Excelerate Housing Group for the Development of Seventy-Seven Affordable Rental Housing Units for Individuals Experiencing Homelessness (District 4)**

RECOMMENDATION:

1. Approve a loan in the amount of up to \$4 Million to Excelerate Housing Group for the development of affordable rental housing units located at 3590 E. Pacific Coast Highway;
2. Authorize the President to negotiate an Affordable Housing Loan Agreement with Excelerate Housing Group; and,
3. Authorize the President or designee to execute any and all documents necessary to implement the Loan Agreement and the project. (District 4)

DISCUSSION

On May 20, 2020, the Board authorized an Agreement to Negotiate Exclusively (ENA) with Excelerate Housing Group (Excelerate) for the development of an affordable rental housing project targeted to individuals experiencing homelessness or at risk of homelessness located at 3590 E. Pacific Coast Highway (Project). A site map (Attachment A - Site Map) and a copy of the staff report are attached for reference (Attachment B - May 20, 2020 Staff Report). The purpose of the ENA was to give the Long Beach Community Investment Company (LBCIC) and Excelerate time to work exclusively to determine whether the Project is physically and financially feasible. Since execution of the ENA, the development and finance plans have been finalized, and the Project has received approval/entitlement from the Department of Development Service's Planning Bureau. In addition, the Project has been awarded a loan from the Los Angeles County Development Authority (LACDA), 76 Project Based Vouchers (PBV) from the Long Beach Housing Authority, and State and Federal Low Income Housing Tax Credits (4 percent Tax Credits).

Excelerate is a real estate development company that develops new affordable housing in communities across the country. Its focus is partnering with public agencies and local

nonprofits to expand housing opportunities in communities that are in need of affordable housing for seniors, low-income families and individuals experiencing homelessness.

Excelerate is currently proposing to develop a 5-story, 77-unit permanent supportive housing project. A site plan and rendering are attached (Attachment C - Site Plan and Rendering). The affordable studio units will serve extremely low- and low-income individuals experiencing homelessness, or who are at risk of homelessness, earning between 30-60 percent of area median income (AMI). Comprehensive wrap-around primary support services will be provided in partnership with Mental Health America of Los Angeles, an experienced and respected supportive housing and services provider. The Project will provide amenities including supportive services offices, laundry facilities, a community kitchen, flexible open space, a multipurpose room, lounge space, and an exterior recreational space with picnic tables and BBQs.

Although the Project was initially awarded \$3 Million in HOME funds, Excelerate submitted a request for LBCIC financial assistance in the amount of \$4 Million to cover an additional \$1 Million proposed financial gap during construction. Staff requested Keyser Marston Associates (KMA) to review the request and prepare a Financial Gap Analysis, which is attached for your reference (Attachment D - KMA Analysis). KMA's analysis indicates that the total project development cost is estimated at \$41,717,000, potential available funding sources at \$37,742,000 and determined a financial gap at approximately \$4 million.

The additional \$1 Million will be used to fund the direct cost contingency and the President will approve any disbursements, if needed. Excelerate will be required to apply for funds from the Federal Home Loan Bank of California Affordable Housing Program (AHP) during construction. If awarded, the AHP funds will be used to repay any LBCIC funds disbursed over \$3 Million. While HOME funds were originally awarded, staff is proposing use of Low- and Moderate-Income Housing Asset Funds (LMIHAF) for the Project in order to expedite the development of the project.

Based on KMA's analysis, staff recommends approval of a loan in the amount of up to \$4 Million. Development of the Project also 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 receipt note with a 3 percent interest rate and a 55-year term.

SUGGESTED ACTION:

Approve Recommendation.

OWO:PU:MS:SM

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Attachments:

- Attachment A - Site Map
- Attachment B - May 20, 2020 Staff Report
- Attachment C - Site Plan and Rendering
- Attachment D - KMA Analysis