



Legislation Text

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Recommendation to authorize City Manager to execute any and all documents necessary to complete the refinancing of the Evergreen Apartments and record new affordability covenants for a period of 55 years. (Districts 4,9)

In 1992, The Long Beach Housing Development Company (LBHDC) purchased the properties located at 1801 and 1823 East 68th Street and 1528 Freeman Avenue, which include 69 two-bedroom and 12 three-bedroom rental apartment units (81 total). The properties were acquired with housing set-aside funds and rehabilitated with HOME funds. Subsequently, both the LBHDC and the City of Long Beach recorded Conditions, Covenants, and Restrictions (CCRs) against the properties. The CCRs require that the units be rented to very low-, low-, and moderate-income households for a period of 40 years.

In 1999, the LBHDC sold the properties to the Los Angeles Community Design Center, now Abode Communities (Abode). Abode obtained conventional first mortgages from Bank of America to cover a portion of the acquisition costs, and the City and LBHDC carried second mortgages on the properties to cover the affordability gap. The City and LBHDC loans were funded with HOME and housing set-aside, respectively, and were structured as residual receipts loans. Under Abode’s ownership, the three properties became collectively known as Evergreen Apartments (Evergreen). The existing covenants remained in place when the properties were sold to Abode.

In 2010, Abode submitted a proposal to the LBHDC to refinance and rehabilitate Evergreen. The proposal included a plan to repay the outstanding City and LBHDC debt, estimated at approximately \$1,920,000, and requested that the LBHDC provide a new loan to assist with the refinancing and rehabilitation of the project. On June 15, 2011, the LBHDC approved a loan using HOME funds of up to \$2,702,000. In conjunction with the new loan, the LBHDC will record new CCRs, which require that 78 units be restricted for rent to very low- and low-income households for a period of 55 years. This new term is consistent with the affordability period required by low-income housing tax credits, the other source of funding secured by Abode for the Evergreen Apartments.

In order to allow the LBHDC to record the new CCRs with an extended restriction period, the existing CCRs with a remaining term of 18 years must be released. Because some of the existing CCRs were recorded by the City, the City Council must authorize the release of those covenants to allow the LBHDC to record the new covenants.

The project’s existing and proposed affordability structures are as follows:

Evergreen Apartments Affordability		
	Existing	Proposed

	(Through 2032)	(Through 2067)
Very Low-Income	9	43
Low-Income	29	35
Moderate-Income	40	0
Unrestricted Manager Unit	3	3
Total	81	81

This matter was reviewed by Deputy City Attorney Richard Anthony on August 25, 2011 and Budget Management Officer Victoria Bell on September 2, 2011.

City Council's approval of the release of existing covenants will allow the LBHDC to record new covenants on the Evergreen Apartments.

The proposed action will not have any impact to the General Fund. The proposed assistance for refinancing and rehabilitation of the Evergreen Apartments will be loaned from HOME funds in the Community Development Grants Fund (SR 150) in the Department of Development Services (DV). This project will provide up to 125 jobs during construction.

Approve recommendation.

AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES

APPROVED:

PATRICK H. WEST
CITY MANAGER