



# Information Item

**Date: May 19, 2009**

To: Mayor and City Council  
From: Andy Agle, Director of Housing and Economic Development  
Subject: Housing Trust Fund Commitments for Affordable Housing

## **Introduction**

This report provides an update and information about the commitment of Housing Trust Funds following the City Council's approval of a line of credit to facilitate affordable housing. Housing Trust Funds have been provided to acquire and rehabilitate six existing multifamily rental properties and also to acquire three other properties for future newly constructed affordable housing developments.

## **Background**

On April 22, 2008 the City Council authorized the City Manager (as Executive Director of the Redevelopment Agency) to negotiate and execute a line of credit with Bank of America to accelerate the production of affordable housing. The line of credit is for a base amount of \$50 million, with an option to increase the amount to \$75 million if needed. The repayment source for these funds is redevelopment housing set-aside revenue. The line of credit agreement was finalized in May 2008. Soon thereafter, a Notice of Funding Availability (NOFA) was issued by the City seeking proposals to use this new line of credit funding. Proposals received were evaluated based upon the Housing Trust Fund Guidelines (Guidelines).

The Guidelines were adopted by the City Council and establish the parameters for providing funding to affordable housing projects. There are various sources of funds that comprise the monies in the Housing Trust Funds. These funds are restricted for

affordable housing purposes only, and may not be used for other public benefits such as schools, parks, etc. The Guidelines allow for administrative approval of eligible affordable housing projects if the funding terms are consistent with the Guidelines. The Guidelines explain the types and terms of funding which are available, application requirements, review procedures, selection criteria, funding commitment and closing procedures, project monitoring, and reporting requirements.

## **Discussion**

Nine affordable housing proposals involving the Community Corporation of Santa Monica (CCSM) have been funded in the amount of \$44,066,009 since the issuance of the NOFA. CCSM is a nonprofit organization that has been serving the Santa Monica community since 1982, developing, owning and operating affordable housing. The funding applications involve two categories, acquisition/rehabilitation and acquisition/predevelopment. The former category involves acquiring and rehabilitating existing rental housing and dedicating it for long-term affordability. The latter category involves constructing new affordable housing. The acquisition, predevelopment, and rehabilitation of these Projects for affordable housing purposes are all eligible for funding under the Guidelines.

The properties acquired and scheduled for rehabilitation are located at 1513 Centinela Avenue, 750-752 Marine Street, 844 Lincoln Boulevard, 1438 25<sup>th</sup> Street, 914 4<sup>th</sup> Street, and 2029 20<sup>th</sup> Street. Rehabilitation improvements typically include repair or replacement of roofs, gutters, doors, windows, handrails/guardrails, signs, cabinets, floorings, water heaters, plumbing and electrical upgrades, termite damage, and new paint. Collectively, these properties now represent 66 affordable units for lower-income households preserved for a minimum of 55 years.

Properties acquired and in the predevelopment process for future affordable housing include 2802 Pico Boulevard, 2602 Broadway, and 430 Pico Boulevard. The predevelopment process includes project concept and design, community meetings, submittals to City and Architectural Review Board, securing other financing sources,

and applications for permits. Existing zoning allows for approximately 95 residences among the three sites. The future units will be income-restricted to lower-income households for a minimum of 55 years.

### **Summary**

Attachments 1 through 9 provide one page summaries specific to each of the nine funded projects. Attachment 10 provides a map illustrating the distribution of this affordable housing throughout the City of Santa Monica.

**Prepared By:** Ava Lee, Senior Administrative Analyst

### **ATTACHMENTS:**

- Attachment 1 -1513 Centinela Avenue
- Attachment 2 -750-752 Marine Street
- Attachment 3 -844 Lincoln Boulevard
- Attachment 4 -1438 25<sup>th</sup> Street
- Attachment 5 -914 4<sup>th</sup> Street
- Attachment 6 -2029 20<sup>th</sup> Street
- Attachment 7 -430 Pico Boulevard
- Attachment 8 -2602 Broadway
- Attachment 9 -2802 Pico Boulevard
- Attachment 10 -Map of Affordable Housing Locations

# ATTACHMENT 1

## Development

**Property Address:** 1513 Centinela Avenue  
**Proposed Owner:** Community Corporation of Santa Monica  
**Development Type:** Acquisition & Rehabilitation – Small Family Units  
**Development Size:** Eight (8) units [7 w/2-bedrooms & 1 single]  
**Existing/Proposed Use:** Apartment building

## Affordability

Income eligibility at/below 80% of median income [\$60,650 for 4-person household]; rents will range from \$628 to \$807;

## Rehabilitation

*Exterior:* new handrails/guardrails, new windows & sliding doors, entry doors and paint; *Interior:* new roof, new gas wall heaters, all new copper water lines and plumbing fixtures; cost of these improvements is estimated at approximately \$592,000 or \$74,000 per unit;

## Financing

**Total Development Cost:** \$3,112,089 (includes acquisition, rehabilitation and soft costs);

**City Financing:** \$3,112,089 loan from the Redevelopment Housing Trust Fund;

**Other Sources:** Bank loan not feasible due to minimal income available for debt service and/or current minimum loan standards;

**Security:** Regulatory Agreement, Deed of Trust, and Promissory Note;

**Financing Terms:** Fifty-five (55) year term with option for 25-year extension; payments on loan required only if net income available after payment of operating expenses and funding of replacement reserve; loan forgiven at end of 80-year term.

# ATTACHMENT 2

## Development

**Property Address:** 750 – 752 Marine Street  
**Proposed Owner:** Community Corporation of Santa Monica  
**Development Type:** Acquisition & Rehabilitation – Small Family Units  
**Development Size:** Eight (8) units [all w/2-bedrooms]  
**Existing/Proposed Use:** Apartment building

## Affordability

Income eligibility at/below 80% of median income; rents will be \$807;

## Rehabilitation

*Exterior:* new roof, gutters, doors, windows, railings, paint, and staircase landings; *Interior:* new cabinets, flooring, heaters, stoves, plumbing and electrical upgrades, and paint; includes asbestos removal; cost of these improvements is estimated at approximately \$873,000 or \$106,000 per unit;

## Financing

**Total Development Cost:** \$3,227,118 (includes acquisition, rehabilitation and soft costs);

**City Financing:** \$3,227,118 loan from the Redevelopment Housing Trust Fund;

**Other Sources:** Bank loan not feasible due to minimal income available for debt service and/or current minimum loan standards;

**Security:** Regulatory Agreement, Deed of Trust, and Promissory Note.

**Financing Terms:** Fifty-five (55) year term with option for 25-year extension; payments on loan required only if net income available after payment of operating expenses and funding of replacement reserve; loan forgiven at end of 80-year term.

# ATTACHMENT 3

## **Development**

**Property Address:** 844 Lincoln Boulevard  
**Proposed Owner:** Community Corporation of Santa Monica  
**Development Type:** Acquisition & Rehabilitation – Small Family Units  
**Development Size:** Ten (10) units [5 w/1-bedroom and 5 w/2-bedrooms]  
**Existing/Proposed Use:** Apartment building

## **Affordability**

Income eligibility at/below 80% of median income [\$60,650 for 4-person household]; rents will range from \$717 to \$807;

## **Rehabilitation**

*Exterior:* new roof, windows, doors, railings, and paint; patio repairs; *Interior:* new heaters, stoves, plumbing and light fixtures, showers, flooring and paint; includes asbestos removal and possible termite repairs; cost of these improvements is estimated at approximately \$785,000 or \$78,000 per unit.

## **Financing**

**Total Development Cost:** \$3,673,362

**City Financing:** \$3,673,362 loan from the Redevelopment Housing Trust Fund;

**Other Sources:** Bank loan not feasible due to minimal income available for debt service and/or current minimum loan standards;

**Security:** Regulatory Agreement, Deed of Trust, and Promissory Note;

**Financing Terms:** Fifty-five (55) year term with option for 25-year extension; payments on loan required only if net income available after payment of operating expenses and funding of replacement reserve; loan forgiven at end of 80-year term.

# ATTACHMENT 4

## **Development**

**Property Address:** 1438 25<sup>th</sup> Street  
**Proposed Owner:** Community Corporation of Santa Monica  
**Development Type:** Acquisition & Rehabilitation – Large-Family Units  
**Development Size:** Twelve (12) units [6 w/2-bedrooms & 6 w/3-bedrooms]  
**Existing/Proposed Use:** Apartment building

## **Affordability**

Income eligibility at/below 80% of median income [\$60,650 for 4-person household]; rents will range from \$807 to \$897;

## **Rehabilitation**

*Exterior:* new roof, windows, railings, entry doors, gutters and paint; *Interior:* new electrical, doors, flooring, countertops, cabinets and paint; includes lead and asbestos removal; cost of these improvements is estimated at approximately \$708,000 or \$59,000 per unit;

## **Financing**

**Total Development Cost:** \$4,656,654 (includes acquisition, rehabilitation and soft costs);

**City Financing:** \$4,656,654 loan from the Redevelopment Housing Trust Fund;

**Other Sources:** Bank loan not feasible due to minimal income available for debt service and/or current minimum loan standards;

**Security:** Regulatory Agreement, Deed of Trust, and Promissory Note;

**Financing Terms:** Fifty-five (55) year term with option for 25-year extension; payments on loan required only if net income available after payment of operating expenses and funding of replacement reserve; loan forgiven at end of 80-year term.

# ATTACHMENT 5

## **Development**

**Property Address:** 914 4<sup>th</sup> Street  
**Proposed Owner:** Community Corporation of Santa Monica  
**Development Type:** Acquisition & Rehabilitation – Small Family Units  
**Development Size:** Sixteen (16) units [12 w/1-bedroom & 4 w/2-bedrooms]  
**Existing/Proposed Use:** Apartment building

## **Affordability**

Income eligibility at/below 80% of median income [\$60,650 for 4-person household]; rents will range from \$718 to \$807;

## **Rehabilitation**

*Exterior:* new roof, windows, railings and paint; *Interior:* new electrical, plumbing (including the addition of a gas system & wall heaters which do not currently exist), bathroom remodel, doors, flooring, countertops, cabinets and paint; includes lead and asbestos removal; cost of these improvements is estimated at approximately \$1,200,000 or \$75,000 per unit;

## **Financing**

**Total Development Cost:** \$6,477,576 (includes acquisition, rehabilitation and soft costs);

**City Financing:** \$6,477,576 loan from the Redevelopment Housing Trust Fund;

**Other Sources:** Bank loan not feasible due to minimal income available for debt service and/or current minimum loan standards;

**Security:** Regulatory Agreement, Deed of Trust, and Promissory Note;

**Financing Terms:** Fifty-five (55) year term with option for 25-year extension; payments on loan required only if net income available after payment of operating expenses and funding of replacement reserve; loan forgiven at end of 80-year term.

# ATTACHMENT 6

## **Development**

**Property Address:** 2029 - 2031 20<sup>th</sup> Street  
**Proposed Owner:** Community Corporation of Santa Monica  
**Development Type:** Acquisition & Rehabilitation – Small Family Units  
**Development Size:** Twelve (12) units [6 w/2-bedrooms, 5 w/1-bedroom and 1 single]  
**Existing/Proposed Use:** Apartment building

## **Affordability**

Income eligibility at/below 80% of median income [\$60,650 for 4-person household]; rents will range from \$628 to \$807;

## **Rehabilitation**

*Exterior:* new roof, windows, railings, and paint; *Interior:* new heaters, stoves, plumbing and light fixtures, showers, flooring and paint; includes asbestos removal; cost of these improvements is estimated at approximately \$1,097,000 or \$91,000 per unit;

## **Financing**

**Cost:** \$4,517,723 (includes acquisition, rehabilitation and soft costs);

**City Financing:** \$4,517,723 loan from the Redevelopment Housing Trust Fund;

**Other Sources:** Bank loan not feasible due to minimal income available for debt service and/or current minimum loan standards;

**Security:** Regulatory Agreement, Deed of Trust, and Promissory Note;

**Financing Terms:** Fifty-five (55) year term with option for 25-year extension; payments on loan required only if net income available after payment of operating expenses and funding of replacement reserve; loan forgiven at end of 80-year term.

# ATTACHMENT 7

## **Proposed Development**

**Property Address:** 430 Pico Boulevard  
**Owner:** Community Corporation of Santa Monica  
**Development Type:** New Construction – Large Family Units  
**Development Size:** Approximately 32 units  
**Affordability:** Income eligibility targeted to very low income and low income households (50% and 60% of area median income, respectively)  
**Existing Use:** Apartment buildings – 14 units; 7 occupied;

## **Financing Plan**

**Cost:** \$6.3M (acquisition and predevelopment costs only);  
**City Financing:** \$6.3 million acquisition / predevelopment loan; this initial loan funds the purchase of the property, holding costs and the design of the project; full City-subsidy need will not be determined until design and financial leveraging is completed;  
**Other Sources:** Potential sources are tax credit equity and a small bank loan;  
**Security:** Memorandum of Agreement, Deed of Trust, and Promissory Note;  
**City Financing Terms:** 2 – 4.5 years for this predevelopment phase; this financing will then be converted to construction and permanent financing to coincide with start of construction.

## **Timeline:**

Land Acquisition: January 16, 2009  
Estimated Construction Start: Fall 2010  
Estimated Completion: Summer 2012

# ATTACHMENT 8

## **Proposed Development**

<b>Property Address:</b>	2602 Broadway
<b>Owner:</b>	Community Corporation of Santa Monica
<b>Development Type:</b>	New Construction – Large Family Units
<b>Development Size:</b>	Approximately 33 units
<b>Affordability:</b>	Income eligibility targeted to very low income and low income households (50% and 60% of area median income, respectively)
<b>Existing Use:</b>	Former skilled nursing facility, currently vacant.

## **Financing Plan**

<b>Cost:</b>	\$6.6M (acquisition and predevelopment costs only);
<b>City Financing:</b>	\$6.6 million acquisition / predevelopment loan; this initial loan funds the purchase of the property, holding costs and the design of the project; full City-subsidy need will not be determined until design and financial leveraging is completed;
<b>Other Sources:</b>	Potential sources are tax credit equity and a small bank loan;
<b>Security:</b>	Memorandum of Agreement, Deed of Trust, and Promissory Note;
<b>City Financing Terms:</b>	2 - 4.5 years for this predevelopment phase; this financing will then be converted to construction and permanent financing to coincide with start of construction.

## **Timeline:**

Land Acquisition:	January 8, 2009
Estimated Construction Start:	Fall 2010
Estimated Completion:	Summer 2012

# ATTACHMENT 9

## Proposed Development

<b>Property Address:</b>	2802 Pico Boulevard
<b>Owner:</b>	Community Corporation of Santa Monica
<b>Development Type:</b>	New Construction – Large Family Units
<b>Development Size:</b>	Approximately 30 units
<b>Affordability:</b>	Income eligibility targeted to very low income and low income households (50% and 60% of area median income, respectively)
<b>Existing Use:</b>	Auto repair and sales business

## Financing Plan

<b>Cost:</b>	\$5.5M (acquisition and predevelopment costs only);
<b>City Financing:</b>	\$5.5 million acquisition / predevelopment loan; this initial loan funds the purchase of the property, holding costs and the design of the project; full City-subsidy need will not be determined until design and financial leveraging is completed;
<b>Other Sources:</b>	Potential sources are tax credit equity and a small bank loan;
<b>Security:</b>	Memorandum of Agreement, Deed of Trust, and Promissory Note;
<b>City Financing Terms:</b>	2 - 4.5 years for this predevelopment phase; this financing will then be converted to construction and permanent financing to coincide with start of construction.

## Timeline:

Land Acquisition:	February 18, 2009
Estimated Construction Start:	Fall 2010
Estimated Completion:	Summer 2012

# ATTACHMENT 10

## Map of Affordable Housing

