



KEYSER MARSTON ASSOCIATES[™]

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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To: Patrick Ure, Housing Development Officer
City of Long Beach

From: Julie Romey
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cc: Meggan Sorensen, Development Project Manager III

Date: January 9, 2017

Subject: The Beacon: SB 341 Analysis

At your request, Keyser Marston Associates, Inc. (KMA) prepared an SB 341 analysis for The Beacon – a 160-unit apartment project (Project) proposed by Century Housing (Developer). The Beacon will consist of the following two buildings:

1. Beacon Place Apartments – A 39-unit 100% affordable supportive housing project; and
2. Beacon Pointe Apartments – A 121-unit affordable senior housing project.

Beacon Place and Beacon Pointe will be connected via a shared parking structure. As such, although the buildings will be financed via separate funding mechanisms, they will be constructed concurrently. Each of the buildings must obtain sufficient financing for the Project to commence construction.

The Developer has requested \$10.0 million in permanent financial assistance from the Long Beach Community Investment Company (LBCIC). This financial assistance will be drawn from the Housing Asset Fund (HAF), and will be provided as a loan to the Project. The Project will have one regulatory agreement for both buildings. The LBCIC must require that the Developer provide at least 30 Extremely-Low units in the Project per California Health and Safety Code (H&SC) definitions. The remaining units in the Project should be restricted to Very-Low and Low Income households that earn no greater than 59% of the Area Median Income (AMI) per H&SC.

Any expenditure from the HAF must comply with the requirements set forth in SB 341. The following analysis summarizes the Project's compliance with these requirements.

SB 341 REQUIREMENTS

Section 34176.1 of the H&SC has restricted how the HAF expenditures are to be allocated to extremely-low and low income households over a five-year period, as well as set limitations on the number of senior citizen units that can be assisted by the LBCIC over a 10-year period.

Income Test

Section 34176.1(a)(3)(B) requires that the LBCIC must expend at least 30% of the HAF for the development of rental housing affordable to and occupied by households earning 30% or less of the Area Median Income (AMI) as published by the California Department of Housing and Community Development (HCD) (Extremely-Low Income). Section 34176.1(a)(3)(C) requires that no more than 20% of the HAF be expended for development of rental housing affordable to and occupied by households earning between 60% and 80% of the AMI (Lower Income). The Income Category between 30% and 60% AMI is referenced as Very-Low to Low Income; however, there is no minimum or maximum expenditure limit on the Very-Low to Low Income category.

The Income Test is applied over five year periods, with the first period being 2014 to 2019. The Income Test is applied cumulatively over the five-year period. It does not need to be met on a project-by-project basis.

The \$10.0 million in cash assistance from the LBCIC, which will be drawn from the HAF, must meet the Income Test.

Extremely-Low Income Test

A provision of the \$10.0 million loan of HAF funds should require the Developer to restrict at least 30 units in the Project as Extremely-Low Income Units with the remaining restricted as Very Low to Low Income units (no greater than 59% AMI). A financial gap analysis for the Extremely-Low Income units in the Project results in \$3.18 million of the total \$10.0 million assistance being allocated to Extremely-Low Income units. This represents 32% of the \$10.0 million HAF expenditure. As shown in the following table, prior to this Project, the LBCIC had not made any HAF expenditures during the 2014 to 2019 period.

The following table summarizes the HAF expenditures for the 2014 to 2019 period:

2014 – 2019 Period	Extremely-Low Income Expenditures	Total HAF Expenditures
2014	\$0	\$0
2015	\$0	\$0
2016	\$0	\$0
2017 ¹	\$3,182,000	\$10,000,000
Total Expenditures To Date as a % of Total Expenditures	\$3,182,000 32%	\$10,000,000

It is important to understand that penalties are applied if the LBCIC fails to comply with the Extremely-Low Income requirement in any five-year period. If the LBCIC fails to meet this requirement during the five-year period, in each following fiscal years, the LBCIC must spend at least 50% of the funds remaining in the HAF on households earning 30% or less of the AMI until the LBCIC demonstrates compliance with the Extremely-Low Income requirement.

Lower Income Test (60% to 80% AMI)

The LBCIC is not providing assistance to any Lower Income units nor has LBCIC expended any HAF funds on previous projects. Therefore, the balance of the \$10,000,000 in assistance will be directed to units restricted to Very-Low to Low Income households (31% to 59% AMI).

Similar to the Extremely-Low Income Test, penalties will be applied if the LBCIC exceeds the cap on Low Income expenditures during any five-year period. Specifically, if the LBCIC fails to meet this requirement during the five-year period, in each following fiscal years, the LBCIC is prohibited from spending any HAF funds on Low Income Units until the LBCIC demonstrates compliance with the Low Income requirement.

Senior Housing Test

Section 34176.1(b) places a limit on the percentage of deed-restricted rental units that are restricted to senior citizens. This limit is applied retroactively over the past 10 years to units assisted by the LBCIC, the former redevelopment agency and/or the City. During that period, no more than 50% of the aggregate number of assisted units of

¹ The LBCIC funds will not be disbursed until 2017.

deed-restricted rental housing be senior citizen units. If this percentage exceeds 50%, then the Authority cannot expend future HAF funds to assist additional rental senior housing units until the LBCIC or City assist, and construction has commenced, on the number of units that are not age-restricted rental units that brings the LBCIC back into compliance with the Senior Housing Test.

During the previous 10 years, a total of 390 restricted senior units have been assisted. The following table adds the Project to the list of senior units subject to the Senior Housing Test:

2005 – 2015 Period	Total Senior Units	Total Restricted Units	Senior Units as a % of Total Units
Belwood	0	33	0%
Beachwood	0	44	0%
Collage	0	13	0%
Courtyards	0	44	0%
Decro	44	320	14%
530 Elm	0	16	0%
Evergreen Apartments	0	78	0%
Immanuel Senior	23	23	100%
LB Senior (Menorah)	65	65	100%
Family Commons	0	80	0%
Gallery 421	0	26	0%
Meta 2355 LB	0	35	0%
Meta Senior Arts	198	198	100%
Pacific City Lights	0	41	0%
Palace Hotel	0	14	0%
Puerto del Sol	0	63	0%
Ramona Park	60	60	100%
Anchor Place	0	119	0%
The Beacon (Proposed)	120	159	75%
Totals	510	1,431	36%

As can be seen in the table, there will be 510 restricted senior units out of 1,431 total assisted units once the Project has commenced. This equates to 36% of the total restricted units. Thus, the LBCIC will remain in compliance with the Senior Test after the proposed assistance is provided to the Project.

CONCLUSIONS

The following summarizes the conclusions of the KMA analysis:

1. The \$10.0 million in LBCIC HAF funds will be expended as follows:
 - a. \$3.18 million, or 32%, will be expended for 30 Extremely-Low Income Units.
 - b. The remaining \$6.82 million will be expended for the remaining 130 units in the Project for Very-Low to Low Income units.
2. The LBCIC is in compliance with the Income Test for the 2014 – 2019 Period.
3. The LBCIC is in compliance with the Senior Housing Test.