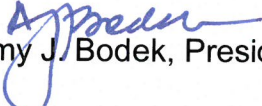


M E M O R A N D U M

DATE: January 18, 2017

TO: Board of Directors
The Long Beach Community Investment Company

FROM: 
Amy J. Bodek, President

SUBJECT: Approval of additional loan funds to Century Housing for the development of The Beacon located at 1201-1235 Long Beach Boulevard (CD 1)

RECOMMENDATION:

1. Approve additional permanent loan funds in the amount of \$2,000,000 to provide a total permanent loan of \$12,276,000 to a Limited Liability Company to be formed by Century Housing Corporation for the development of The Beacon apartments located at 1201-1235 Long Beach Boulevard;
2. Authorize the president to negotiate an Affordable Housing Loan Agreement with a Limited Liability Company to be formed by Century Housing Corporation; and,
3. Authorize the President to execute any and all documents necessary to implement the Loan Agreement and the project.

DISCUSSION

On November 18, 2015, the Board approved a construction loan in the amount of \$12,276,000 and a permanent loan in the amount of \$10,276,000 to a Limited Liability Company to be formed by Century Housing Corporation (Century) to provide gap financing for the development of The Beacon (Project), a two building, 160-unit apartment project. A site map (Attachment A) and a copy of the staff report (Attachment B) are attached for your reference.

Since November 2015, the Project has received all of the proposed financing for the smaller, 39-unit supportive housing building. The Project was also awarded a \$1,500,000 Affordable Housing Program (AHP) loan for the larger, 121-unit senior building. However, due to the California Department of Housing and Community Development's (HCD) sudden and unpredicted treatment of senior housing projects as retirement communities, the senior building was not awarded the anticipated \$16,444,000 in AHSC funds.

In addition to working diligently on an appeal request to HCD, Century quickly began to work with staff on an alternate financing scenerio for the 121-unit senior building that would allow Century to keep the awarded funds for the 39-unit supportive housing building and begin construction according to the required schedule. The alternate scenerio was reviewed by staff and presented to the City's executive management team.

On November 8, 2016, Century submitted a revised proforma for the senior building and a request for increased LBCIC assistance for the proposed Project. The proforma reflects several key changes to the financing structure including the following:

- \$2,000,000 of LBCIC funds formerly approved for the construction period only, are now proposed to remain permanently in the project;
- Addition of Project Based Section 8 Vouchers for all 120 restricted units, which substantially increases the net operating income;
- Additional \$2,000,000 of Century funds invested in the form of a larger carryback loan; and
- Assumes competitively awarded 9% Federal Tax Credits, with 50% of the senior units now serving special needs households (households experiencing homelessness; physical or developmental heath disabilities; and/or chonic illness).

The total development cost for the senior building is estimated at \$63,972,000. Century has identified potential permanent funding sources in the amount of \$53,972,000 and is requesting a total of \$12,276,000 in permanent financial assistance from the LBCIC, including \$2,276,000 in previously disbursed funds and \$10,000,000 in new permanent funds. The chart below provides a comparison of the 2015 and 2017 proposed financing sources:

	2015 Senior Building Budget	Current Senior Building Budget	Change
Development Costs			
Property Acquisition Costs	11,414,000	11,414,000	0
Direct Costs	33,644,000	41,630,000	7,986,000
Indirect Costs	5,466,000	5,770,000	304,000
Developer Fee	5,853,000	2,000,000	(3,853,000)
Financing Costs	2,837,000	3,158,000	321,000
Total Costs	\$59,214,000	\$63,972,000	4,758,000
Permanent Funding Sources			
Tax Credit Equity	18,755,000	37,749,000	18,994,000
Permanent Loan	4,938,000	6,974,000	2,036,000
LBCIC (new loan)	8,000,000	10,000,000	2,000,000
LBCIC (existing loan)	2,276,000	2,276,000	0
LBCIC Deferred Interest	397,000	400,000	3,000
City of Long Beach Fee Waivers	672,000	672,000	0

AHSC (Cap and Trade)	10,444,000	0	(10,444,000)
AHSC (Transit & Housing Infrastructure)	6,000,000	0	(6,000,000)
AHP/ Federal Home Loan Bank	1,500,000	1,500,000	0
Deferred Developer Fee	4,950,000	1,000,000	(3,950,000)
Developer Loan	1,282,000	3,282,000	2,000,000
Deferred Developer Loan Interest	0	119,000	119,000
Total Sources	\$59,214,000	\$63,972,000	\$4,758,000

Staff requested Keyser Marston Associates (KMA) to review Century's revised proforma and also update the SB341 Analysis in consideration of the additional proposed LBCIC funds. The KMA Gap Analysis (Attachment C) and the KMA SB341 Analysis (Attachment D) are attached for reference. KMA's Gap Analysis confirms that Century's request for \$10,000,000 in new permanent financing is warranted by the Project's economics. Further, the updated SB341 Analysis indicates that additional income restrictions are merited with the increased loan amount. The revised unit restrictions compared to the previous restrictions are as follows:

Income Limits	2015 Senior Building	Current Senior Housing
Extremely-Low H&SC/Tax Credit 30%	8	8
H&SC 59%/Tax Credit 30%	0	52
H&SC 59%/Tax Credit 50%	0	60
TOTAL	8	120

Based on the KMA analyses, staff recommends approval of a \$12,276,000 permanent loan, contingent upon the competitively awarded 9% tax credits. In addition, the development of the project supports the implementation of the City's Certified Housing Element Program 4.1 (Affordable Housing Development Assistance), and is therefore supported by staff. If approved, the \$12,276,000 permanent loan will be structured as a residual receipts note with a 3% simple interest rate and a 55-year term.

SUGGESTED ACTION:

Approve Recommendations.

AJB:PU:MS

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Attachments:

- A. Site Map
- B. November 18, 2015 LBCIC Staff Report
- C. KMA Gap Analysis
- D. KMA SB341 Analysis