

2033-2101 Virginia Avenue

MERITS OF LOAN APPLICATION APPROVAL

<u>Developer:</u>	Community Corporation of Santa Monica (CCSM)
<u>Development Type:</u>	Rehabilitation – 40 residences (24 one-bedroom, 16 two-bedroom)
<u>Current Requested Loan:</u>	\$32,115,008 Construction and Permanent Loan
<u>Target Population:</u>	Small Families and Large Families

Summary:

CCSM acquired the existing 40-residence rent-controlled development in January 2020 with a City Housing Trust Fund acquisition and predevelopment loan. The goal was to preserve the affordability of the homes of long-term tenants and ensure existing tenants, many of whom are low-income, would not be displaced from the Pico neighborhood due to redevelopment of the property by speculative developers. The City's construction and permanent loan will now fund rehabilitation of the residences and common areas, which is needed to ensure the long-term habitability of the property (constructed in 1948). Existing tenants will be able to return to their residences following temporary relocation during the renovation. After renovation is complete, future tenancies will be restricted to extremely low, very low, and low-income households.

This loan commitment supersedes the City's construction and permanent loan commitment dated July 23, 2021, in the amount of \$20,560,000 (including the \$15,183,670 acquisition and predevelopment loan). The previous City loan commitment was contingent on the rehabilitation leveraging non-City financing, including tax credits and a bank loan. However, the rehabilitation was ultimately not competitive for such financing at that time, and the previous City commitment expired on June 30, 2022.

CCSM has since applied for tax credit and State tax-exempt bond financing. The City's current loan commitment is contingent on the rehabilitation leveraging approximately \$15,061,752 in non-City long-term funding. The City's current commitment also reflects increases in construction and tenant relocation cost estimates since the City's previous commitment.

The per-residence loan amount of \$802,875 exceeds the limits set forth in the Housing Trust Fund Guidelines of \$747,108 for acquisition and rehabilitation of 1-bedroom residences and \$786,344 for acquisition and rehabilitation of 2-bedroom residences. Exceeding the Housing Trust Fund Guidelines' per-residence loan limits is allowed under the Local Emergency on Homelessness declared by the City on February 14, 2023, and extended through May 31, 2025.

If the rehabilitation is awarded tax credit and State tax-exempt bond financing, construction is anticipated to begin in the second quarter of 2026 and complete in the third quarter of 2027.

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<p>Whether the loan request significantly increases affordable housing opportunities for households who have difficulty finding housing including the homeless, large families, the disabled, seniors, and persons traditionally served by Single-Room Occupancy housing</p>	<p><i>The proposed rehabilitation would preserve 40 affordable apartments that can accommodate large and small families. The majority of households report that they are low-income (80% of area median income or less). The housing mix includes 24 one-bedroom residences and 16 two-bedroom residences, including one for an on-site manager. The preservation of these affordable apartments through nonprofit ownership allows existing residents to remain in place at affordable rents. In addition, rents for future vacancies will be affordable to low-income residents. The rehabilitation will result in accessibility improvements for people with mobility disabilities in five (5) apartments as well as accessible paths of travel on the property. The rehabilitation will also result in two (2) additional units made accessible to people with sensory disabilities.</i></p>
<p>Cost-effective or achieve the lowest possible subsidy per unit for City resources</p>	<p><i>The City's commitment is contingent on CCSM leveraging approximately \$24,664,480 in non-City financing during construction and approximately \$14,211,752 in long-term non-City financing. In addition, CCSM was awarded an \$850,000 Community Project Funding grant from the U.S. Department of Housing and Urban Development (HUD) to further offset the City's Housing Trust Fund contribution.</i></p> <p><i>The per-residence City loan amount of \$802,875 exceeds the limits set forth in the Housing Trust Fund Guidelines of \$747,108 for acquisition and rehabilitation of 1-bedroom residences and \$786,344 for acquisition and rehabilitation of 2-bedroom residences. Exceeding the Housing Trust Fund Guidelines' per-residence loan limits is allowed under the Local Emergency on Homelessness declared by the City on February 14, 2023, and extended through May 31, 2025.</i></p>
<p>Benefit a high percentage of very low- and low-income households by ensuring deeper affordability</p>	<p><i>The majority of households currently residing at the property report their income as 80% or less of the area median. Rents will remain subject to the City's Rent Control law upon the return of existing residents to their homes following renovation. Occupancies for all future tenancies shall be limited to households earning no more than 80% of Los Angeles County median income (low income). If an existing tenant moves into a vacant unit covered by a Project-Based Housing Choice Voucher, occupancy shall be restricted to households earning no more than fifty percent (50%) of Los Angeles County median income, adjusted for household size, as determined by HUD and as published annually by HCD for Los Angeles County.</i></p>

<p>Located in areas currently underserved by affordable housing developments</p>	<p><i>The proposed rehabilitation project is in the Pico neighborhood, which is among the City’s most rent-burdened neighborhoods. Approximately 52% of renter households pay more than 30% of their income in rent, compared to 47% of renter households Citywide. While there are newly constructed affordable housing developments in the Pico neighborhood, this rehabilitation is for an existing building and is intended to preserve affordable housing that already serves the area.</i></p>
<p>Address an area of need identified in the Housing Element of the City of Santa Monica</p>	<p><i>The proposed affordable housing development addresses two Housing Element goals and policies:</i></p> <p><i>Goal 3 - Preservation of the existing supply of housing and prevent displacement of existing tenants.</i></p> <p><i>Policy 3.2 - Preservation of Naturally Occurring and Deed Restricted Affordable Rental Housing. Explore strategies to preserve naturally occurring, rent-controlled, and restricted affordable rental housing.</i></p> <p><i>Policy 3.5 - Availability of Affordable Housing. The City shall ensure the continued availability and affordability of housing for very low-, low-, and moderate-income households.</i></p> <p><i>Policy 3.6 - Rehabilitation Assistance. Provide rehabilitation assistance to maintain, improve, and extend the use and livability of the City’s aging residential buildings. Explore expansion of existing and new rehabilitation programs that may also result in short-term and long-term deed-restricted affordable units.</i></p> <p><i>Policy 3.7 - Public and Private Funding for Rehabilitation and Preservation. Encourage and promote the use of public and private funding to provide rehabilitation, home improvement, and maintenance loans and grants with priority given to affordable units at risk of conversion, and multi-unit rental housing.</i></p>
<p>Addresses a particular need identified in the Council-approved Housing Trust Funds Plan</p>	<p><i>The Housing Trust Fund Plan was approved by City Council in July 2018. The Plan calls for the City to create new affordable housing for four populations: seniors, physically and mentally challenged individuals, large families, and small families. The proposed rehabilitation would preserve housing for large families, small families, and individuals, as well as add accessibility features for physically challenged individuals.</i></p>

<p>Loan Applicant's past and projected effectiveness implementing the City-established local preferences (i.e. households which live or work in Santa Monica)</p>	<p><i>This criteria is no longer applicable, as City funding conditions require that residencies will be occupied using a City-administered waitlist.</i></p>
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