



City of
**Santa
Monica**

Housing and Human Services Department
Housing Division
1685 Main Street, Mail Stop 19
Santa Monica, CA 90401
Phone: (310) 458-8702

8/20/2024

Tara Barauskas, Executive Director
Community Corporation of Santa Monica
1410 2nd Street, Suite 200
Santa Monica, California 90401

RE: 2033-2101 Virginia Avenue, Santa Monica, California
Construction and Permanent Loan Commitment

Dear Ms. Barauskas:

We are pleased to inform you that the City of Santa Monica ("City") has approved a Construction and Permanent Loan Commitment ("Commitment") to Community Corporation of Santa Monica ("Borrower") for the proposed rehabilitation of forty (40) rent-controlled residences located at 2033-2101 Virginia Avenue, Santa Monica, California ("Development").

As noted below, this Commitment is subject to the Borrower's execution of final documents and is subject to the terms and conditions set forth in this letter.

LOAN AMOUNT: Construction and Permanent Loan - \$32,115,008

OF UNITS: Forty (40) residences, including one manager's unit.
24 one-bedrooms and 16 two-bedrooms

RATE: Not to exceed three percent (3%) simple interest

TERM OF LOAN

AND REPAYMENT: Fifty-five (55) years for Construction and Permanent Loan, from the date of execution of the loan; Borrower shall make payments from residual receipts (which shall be defined in the Financing Documents), fifty percent (50%) of which shall be used for loan repayment and the other fifty percent (50%) may be retained by Borrower; provided, however, that Borrower's share of residual receipts shall be deposited into Borrower's fund for the

Development and such funds are utilized in accordance with the Financing Documents; provided, however, if there exists other public lenders also requiring loan repayment through residual receipts, the City and such other public residual receipt lender shall share the fifty percent (50%) on a pro rata basis.

At the fifty-five (55)-year maturity date of the Permanent Loan, provided that Borrower is in compliance with the terms of the City loan documents, the Permanent Loan may be extended for an additional twenty-five (25) years at the City's sole discretion.

SECURITY: City Trust Deed and Option Agreement, which may be subordinated to other lenders with City approval.

REGULATORY AGREEMENT: A Regulatory Agreement with a term beginning from the date of execution of the loan and continuing for ninety-nine (99) years from the date the Project is issued at Certificate of Occupancy. The Regulatory Agreement will specify, among other requirements, eligible occupancy standards, maximum affordable rents, and minimum operating and replacement reserves.

OCCUPANCY RESTRICTIONS: Occupancies for all units shall be for households earning no more than eighty percent (80%) of Los Angeles County median income, adjusted for household size, as determined by the U.S. Department of Housing & Urban Development (HUD) and as published annually by the California Department of Housing and Community Development (HCD). Notwithstanding the above, if a unit is 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.

City acknowledges that tenants occupying units within the Development at the time of Borrower's acquisition of the Property ("Existing Tenants") may have incomes that exceed Occupancy Restrictions above. The rents for these Existing Tenants are subject to the City's rent control laws. Upon vacancy

of any such unit subsequent to Borrower's acquisition of the Development, such residence shall be rented only to and occupied by eligible households as set forth in Occupancy Restrictions above. 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.

RENT

RESTRICTIONS: All rents, except one manager's unit, shall be based on no greater than eighty percent (80%) of area median income (AMI) adjusted for number of bedrooms as determined by the California Tax Credit Allocation Committee, and minus a utility allowance for any tenant-paid utilities unless further defined by the City, or as required by the Santa Monica Rent Control Board, whichever is less. No rent shall be collected for the manager's unit. Notwithstanding the above, if the Development receives an allocation of Section 8 Project-Based Vouchers from the Santa Monica Housing Authority, 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. The amount of rent received by Borrower for each unit with a Project-Based Voucher will be no greater than the payment standard.

FEES: None

DISBURSEMENT: City shall disburse construction loan funds as the Development is rehabilitated and in amounts reflective of work completed.

CITY

OPTION: City shall have an option to purchase the property upon the sooner to occur of (i) an event of default beyond any applicable notice and cure right or (ii) within 90 days prior to the end of the affordability regulatory period.

SOURCE OF	2020 State LHTF Program Funds:	\$1,250,000
CITY LOAN	City LHTF Match – Local Tax (GSH):	\$9,681,338
FUNDS:	Citywide Housing Trust Fund:	\$21,183,670

GENERAL CONDITIONS OF THE LOAN:

1. City review and approval of an appraisal of the as-is value of the property at acquisition. (City acknowledges receipt and approval.)
2. City receipt and approval of a Phase I and II, as applicable, Environmental Site Assessment acceptable to the City in its sole discretion. (City acknowledges receipt and approval of the Phase I Environmental Assessment; Phase II is not applicable.)
3. City receipt and approval of an updated Geotechnical Report and soils report, taking into consideration building design, acceptable to the City in its sole discretion.
4. City receipt and approval of the Land Survey and any Borrower plans to address Survey issues.
5. City Commitment is contingent upon compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), if applicable, and all applicable historical analysis to the satisfaction of the City, HUD, and the California State Historic Preservation Office (SHPO).
6. City receipt of an ALTA Lender's Title Insurance Policy in the amount of the total City loan.
7. Evidence that Borrower has obtained insurance as required by the City's Risk Manager.
8. Evidence, in the form of a Board Resolution, Staff Report and Board Meeting Minutes that the Borrower's Board of Directors has approved the proposed development.

CONDITIONS TO CLOSING THE CONSTRUCTION LOAN:

1. Borrower's receipt of all applicable regulatory approvals and issuance of a building permit for the Development from the City.

2. City's receipt and approval of all draw requests.
3. City's receipt and approval of a list of all contractors, subcontractors, consultants and material suppliers to be employed on the Development. Borrower will require performance bonds and payment bonds on all contracts and subcontracts, in form and substance acceptable to the City.
4. As of the date hereof, the City has an outstanding Acquisition and Predevelopment Loan to Borrower in the amount of \$15,183,670.
5. At the closing of the City's Construction and Permanent Loan, the Acquisition and Predevelopment Loan shall be repaid in full through escrow as a condition to the initial disbursement of the City's Construction and Permanent Loan to Borrower.
6. The payment in full of the City Acquisition and Predevelopment Loan shall be held by escrow and transferred to Borrower as an initial disbursement of the City's Construction and Permanent Loan to Borrower. The balance of the City's Construction and Permanent Loan shall be disbursed by the City directly to Borrower (outside of escrow) in an amount not to exceed \$16,931,338 plus the amount of any undisbursed predevelopment loan proceeds.

OTHER CONDITIONS:

1. Borrower's receipt of construction financing commitments from the following funding sources and in the following estimated amounts, pending final awards and underwriting:

LIHTC Equity: \$1,363,526

Bank Loan: \$23,300,954

City of Santa Monica Office of Sustainability and the Environment Grant:
\$24,999

2. Borrower's receipt of permanent financing commitments from the following funding sources and in the following estimated amounts, pending final awards:

LIHTC Equity: \$12,271,738

Developer Equity: \$1,940,014

HUD Economic Development Initiative Community Project Funding Grant:
\$850,000

3. City's receipt and approval of final plans and specifications for the rehabilitation of the Development. City will require an assignment of any such plans, subject to priority assignment, of Borrower's ownership interest in and to the plans, and specifications as security for the loan.
4. City's receipt and approval of all entitlements necessary to rehabilitate the Development.
5. City's receipt and approval of a final pro forma with calculations, construction budget and a final financial feasibility analysis, which will specify the manner in which loan proceeds will be disbursed.
6. City's receipt and approval of any construction contracts. Construction contracts must specify that the payment of State prevailing wages will be required for this Development. City will require an assignment, subject to priority assignment, of Borrower's interest in and to any such construction contracts as security for the loan, and Borrower shall obtain contractor consent to said assignment. Contractor(s) must be acceptable to City in its sole discretion.
7. City will require an assignment, subject to priority assignment, of Borrower's interest in and to the architect's/engineer's agreement, if any, as security for the loan.
8. Borrower shall make annual contributions in the amount of at least \$300 per unit per year into the replacement reserve account. Borrower's withdrawals from this account in excess of \$10,000 will require the City's written approval, which will not be unreasonably withheld.
9. Borrower shall establish an initial operating reserve account(s) in the amount of at least three months of operating expenses as a requirement of the Regulatory Agreement.
10. City reserves the right to require at any time during the term of the Regulatory Agreement that Borrower maintain on deposit in one or more accounts designated or held by City (a) funds sufficient to pay property taxes and insurance premiums owing with respect to the Development and (b) funds

designated and set aside as operating and replacement reserves for the Development.

11. City receipt and approval of a construction management contract, if applicable. City's approval should not be unreasonably withheld.
12. Confirmation satisfactory to the City, at the point the City approves the final pro forma in conjunction with City approval of permanent loan documents, in its sole discretion, that the Development operations either: (i) are sufficiently capitalized with an operating subsidy reserve and/or (ii) rents are sufficient to cover all operating expenses.
13. Borrower's execution and delivery of City's standard loan documents, and compliance with all covenants and conditions set forth in said loan documents or as City or their counsel may determine based on a review of Borrower's submissions as required by this Commitment.
14. Community Meetings. The City acknowledges that that the Borrower has completed the following community meeting requirements for the Development in compliance with the Housing Trust Fund Guidelines: a) Loan Commitment Meeting.
 - a. Loan Commitment Meeting. The Borrower shall conduct one (1) public meeting for the proposed development within 30 days of the delivery of the loan commitment letter. The Borrower must provide a written notice which provides the date, time and location of the public meeting to the Housing Division at least 15 days prior to the public meeting date.

The Borrower met the requirement of conducting a Loan Commitment Meeting, which was held on January 28, 2020. The notice was (1) posted publicly on the Housing Division's website; (2) provided to the neighborhood association(s) in which the proposed development is located; and (3) published in a newspaper of general circulation.

15. Borrower's provision of a Management Plan subject to review and approval by the City. The Management Plan will specify that vacancies in the Development must be filled from the City- and/or Santa Monica Housing Authority waiting list, as applicable, and will include specific provisions for how vacant units may be leased to Existing Tenants.

16. Borrower's provision of a Relocation Plan subject to review and approval by the City.
17. All revenues generated from the property from the date of acquisition to the start of construction shall be remitted to the City. (City acknowledges this provision is not applicable).
18. This loan will be monitored over its term, and this Development will be monitored over the term of the Regulatory Agreement. Borrower understands that it will be required to complete monitoring reports, as required by City, in a timely fashion.
19. City liens shall be recorded subject only to exceptions approved by City in its sole discretion.
20. City reserves the right at any time during the term of this loan to sell, assign, or otherwise transfer its interest and rights in the promissory note and security for this loan.
21. Borrower's assurances, as City deems necessary, that the property condition and Borrower financing condition remain substantially the same as represented at the time of commitment.
22. City reserves the right to cancel this Commitment and terminate its obligations hereunder, upon the occurrence of any of the following events:
 - a. Borrower's failure or inability to comply with the terms of this Commitment; which failure continues for a period of thirty days after written notice to Borrower;
 - b. The filing by or against Borrower or any Guarantor of a petition in bankruptcy or insolvency or for reorganization or the appointment of a receiver or trustee which is not dismissed within 60 days, or the making by Borrower or any Guarantor of an assignment for the benefit of creditors, or the filing of a petition for arrangement by Borrower or Guarantor;
 - c. The disclosure of any information which in the opinion of City would materially impair the ability of Borrower or any Guarantor to perform under the terms of this commitment or the loan or of the Development to meet City's underwriting standards; or

- d. The failure of Borrower to disclose to City all information material to the loan or the Development and the improvements, or the misrepresentation by Borrower of any material fact relating to the loan, the Development, the improvements or the financial condition of Borrower or any Guarantor.

The Development must comply with all applicable City codes, standards, and current zoning requirements. Applicants are advised to check with the City Community Development Department and the City Rent Control Board. Please note that affordability definitions may differ under existing Santa Monica Municipal Code provisions applicable to the Development. The Development shall be leased-up according to the local priority policy of the City of Santa Monica, if consistent with federal laws and regulations, and in a manner acceptable to the City.

Borrower is expected to be adequately represented by its own legal counsel. Conditions stated herein may be changed only by the prior written consent of both of the parties to this letter.

The amount of the City permanent loan has been based upon estimated total development costs submitted by Borrower as part of the loan application documentation. To the extent that actual Development costs are lower, the City loan amount may be reduced accordingly so that the minimum necessary public subsidy is provided to the Development.

This Commitment is not intended to describe all of the requirements, terms, conditions and documents necessary for the loans. A loan agreement, including the promissory note, deed of trust and related documents, will be prepared for approval by City legal counsel and shall include all provisions and attachments customarily included in City affordable housing loan agreements.

City and Borrower intend for this letter to be a legally binding and enforceable agreement. Therefore, the parties agree to proceed in good faith to prepare the required documents and satisfy the other conditions to the commitment.

This commitment expires August 29, 2025 or at start of construction, whichever occurs first. Please sign and return this letter to acknowledge acceptance of the terms and conditions contained herein.

Please contact Ayala Scott, Senior Development Analyst, at ayala.scott@santamonica.gov or 310-458-2200 ext. 5116 with questions or comments. We look forward to partnering with you on this affordable housing development.

Sincerely,

DocuSigned by:

FACEAAD3F66A489

David White
City Manager

ATTEST:

DocuSigned by:

702884E934E4328

Nikima Newsome
City Clerk

APPROVED AS TO FORM:

DocuSigned by:

81C0210C-AB84432

DOUGLAS SLOAN
City Attorney

APPROVED BY:

DocuSigned by:

FCD957E433EF34E1

Heather Averick
Director of Housing and Human Services

DocuSigned by:

F439D3C485C140C

Natalie Verlinich
Housing Manager

ACKNOWLEDGED AND ACCEPTED:

Community Corporation of Santa Monica:

DocuSigned by:

836608FF00DC449D

Tara Barauskas
Executive Director

8/21/2024

Date