

Housing Trust Fund Guidelines

City of Santa Monica
Housing Division

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(* Loan/Grant Limits and Developer Fee Limits have been updated for the FY2017-2018 period)

SUMMARY OF HOUSING TRUST FUND GUIDELINES

	Citywide Housing Trust Fund	Low-Moderate Income Housing Asset Trust Fund		HOME Housing Trust Fund	CDBG Housing Trust Fund	TORCA Housing Trust Fund	Redevelopment Replacement Housing Trust Fund
		Taxable Proceeds (Loans)	Tax Exempt Proceeds (Grants)				
Funding source	In-lieu fees, development agreements, commercial linkage fees, proceeds from sale of City-owned property	Proceeds from the sale of former RDA housing assets and 20% of the loan repayments owed by the former RDA to the City	Redevelopment tax exempt bond proceeds	Federally-funded HOME Program	Federally-funded CDBG Program	TORCA conversion tax, proceeds from repayment of TORCA shared-appreciation loans	Voter Approved Measure GSH and City Council matching funds including 80% of the loan repayments owed by the former RDA to the City
	Residual receipts loan payments						
Eligible Borrowers	Nonprofits, limited partnership w/nonprofit general partner	Nonprofits, for profits, and limited partnerships with nonprofit general partner	Nonprofits, for profits & limited partnerships; may not be provided to primarily religious organizations	Nonprofits and limited partnerships with nonprofit general partner			
Eligible Projects	Rental housing, 4 or more units, SRO housing, congregate housing. Acquisition and rehabilitation projects with at least 51% of the units occupied by tenants whose incomes do not exceed 80% of median income, except when waived by the City Manager unless otherwise prohibited by state or federal law. New construction with exceptions.						
	If in-lieu fees, only new construction and average 2 bedrooms		Mixed use if residential area equals 51% or more of space	New Construction allowed only if with CHDO.			Rental subsidy programs with City Council approval
Eligible Uses	Rental housing development: land lease/purchase, acquisition rehabilitation, new construction. Site acquisition & preparation, new construction & rehabilitation, carrying fees & charges, architecture, legal, organizational; relocation. Predevelopment loans, bridge loans. Working Capital for Citywide, CDBG, TORCA, Low-Moderate Income Housing Asset and Redevelopment Replacement. If using in-lieu fees, new construction only (average 2 bedrooms).						
Ineligible Uses	Preliminary feasibility studies, organizational operating expenses. Housing acquisition and rehabilitation if using in-lieu fees.		Reserves, impact fees, operating subsidies; land banking, temporary shelters, project-based rental assistance, commercial properties	New construction unless by CHDO; rental assistance payments			
Loan Term	Development loans and grants: 55 years, with automatic 25-year extension upon determination by City of full compliance with loan terms.						
Interest Rate	Freddie Mac Rate for 30-year loans; may be lower for tax credit projects, HUD 202/811, or when required to meet other lender/ subsidy layering guidelines						
Payments	Loans may be deferred for up to 2 yrs.; 3 yrs. with City Manager waiver. Thereafter, payments to be made from residual receipts. Grant balance reduced by 1/80th each year.						
Maximum Loans	New construction*: 0 & 1 bedroom: \$469,379; 2 or more bedroom: \$493,679; Acquisition and Rehabilitation*: 0 & 1 bedroom: \$584,486; 2 or more bedroom: \$615,181; <i>* figures updated for the FY2016-2017 period.</i> **HOME subsidy shall not exceed the maximum allowed by HUD under the HOME program (24 CFR 92.250), or that provided for under Section IV, Loan Terms, of these Guidelines, whichever is less. ***Individual Loans which exceed \$25 million shall be presented as an Information Item to City Council before issuance of a commitment letter.						
Affordability Requirements	All assisted units must be affordable to households whose incomes do not exceed 60% of median income.	All assisted units shall be affordable to households whose incomes do not exceed 80% of median income. New construction units shall be affordable to households whose incomes do not exceed 80% of median income.	For 4 or fewer HOME-assisted units, household income cannot exceed 60% of median income (use High HOME rents); for 5 or more HOME-assisted units, 20% of the HOME units, household must be at/below 50% of median income (use Low HOME rents). (Refer to HOME Final Rule, 24 CFR 92.252.)	For new construction, at least 20% of the units in the project must be affordable to households whose incomes do not exceed 80% of median income. Rents for all assisted units should be affordable to households whose incomes do not exceed 80% of median income.	All assisted units shall be affordable to households whose incomes do not exceed 80% of median income.		
Rent restrictions	Based on 30% of applicable income category, adjusted for unit size (i.e., # of bedrooms)		Maximum rents are determined by HUD	Based on 30% of applicable income category, adjusted for unit size (i.e., # of bedrooms)			
Prevailing wage and Labor requirements	City code provides that State prevailing wage requirements are applicable to rehabilitation projects over \$15,000 and new construction projects over \$25,000.						
	Davis-Bacon does not apply to these funds.		Davis-Bacon is applicable for projects where 12 units or more are assisted with HOME funds.	Davis-Bacon is applicable for projects of 8 units or more.	Davis-Bacon does not apply to these funds.		
Local Preference	Yes	Yes, with 1st preference to persons displaced by redevelopment projects	Only if permitted by HUD	Only if permitted by HUD	Yes	Yes	

Note: For complete details about the information contained on this summary sheet, please refer to the appropriate section of these Guidelines.

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I. INTRODUCTION

The City of Santa Monica provide financial assistance to support the acquisition, rehabilitation, and new construction of properties to preserve and increase affordable rental housing opportunities for lower income households through the following Programs:

- HOME Housing Trust Fund (HHTF)
- CDBG Housing Trust Fund (CDBGHTF)
- Citywide Housing Trust Fund (CHTF)
- Low-Moderate Income Housing Asset Trust Fund (LMIHATF)
- TORCA Housing Trust Fund (THTF)
- Redevelopment Replacement Housing Trust Fund (RRHTF).

Under these Programs, the City provides deferred payment loans and/or grants to bridge the financial gap between available resources - including the borrower's/grantee's equity and private financing - and the costs of developing affordable multi-family housing. The purpose of the Housing Trust Fund Guidelines ("Guidelines") is to provide an overview of the types and terms of loans which are available, application requirements, review procedures, selection criteria, loan commitment and closing procedures, and project monitoring and reporting requirements of these varied Programs within one comprehensive source of reference. **Throughout this document, loans and grants may be referred to collectively as "loans" except when the terms are unique to a loan or to a grant.**

These requirements are minimum requirements for participation in City Programs and are subject to change at any time. Meeting these requirements is not a guarantee of participation in any Program. The City reserves the right to require additional qualifications for individual projects. The City reserves the right to reject any and all applications and to accept applications which in its judgment best serve the interests of the City. On a case by case basis, City Council may also modify or waive provisions of these Guidelines.

These Programs are administered by the Housing Division of the City of Santa Monica (under the direct supervision of the Housing Manager, the direction of the Director of Housing and Economic Development, and the general supervision of the City Manager) on behalf of the City of Santa Monica.

These Guidelines should be interpreted in conjunction with Federal, State, and City statutes and regulations governing use of these funds; in the event of a conflict between these Guidelines and such statutes and regulations, the requirements of those statutes and regulations shall prevail.

Leveraging of City dollars (to the extent possible) with outside funding sources will continue to be a priority.

II. TYPES OF LOANS AND GRANTS

Acquisition & Predevelopment Loans and Grants

Acquisition & Predevelopment loans may be made to private, nonprofit corporations with a proven capacity to develop, own, and operate housing, and that have a valid 501(c)(3) or (4) designation from the IRS, and in limited circumstances described in the foregoing individual trust fund sections, to for-profit entities. Funds may be used for acquisition and pre-development expenses for projects for which there is site control and which have received a preliminary funding commitment from the City. Expenses shall be limited to services that cannot be obtained on a contingency basis and may include (but are not limited to) architectural and engineering fees, title reports, legal and organizational fees, mortgage application fees, environmental analysis, and permits and fees for public agencies. Predevelopment funds may also be used for purchase options or deposits for the purchase of buildings or land to be rehabilitated or developed with assistance from one or more of the Programs, or purchase options or deposits on properties that will not receive further subsidies under the Program, but that will be used for housing developments that meet the same requirements. Such funds may be provided as part of a predevelopment loan or through a separate contract with a nonprofit corporation as discussed below. Predevelopment loans may also be made to a nonprofit corporation for the purpose of acquiring real property for future affordable housing development, including but not limited to vacant property, and properties with existing residential or commercial improvements.

These predevelopment funds shall be disbursed to an eligible borrower at the time of the City's preliminary approval of a specific project. The amount of predevelopment funds disbursed to each project shall be included in the calculation of the maximum loan from a Program and shall be considered as part of the principal.

Development Loans and Grants

Program funds may be used for development loans for the following eligible purposes:

- (1) The purchase of existing multifamily or other buildings for rent to low- and moderate-income households and for the development of congregate housing for rent to low- and moderate-income persons with special needs. Except for congregate housing, existing buildings shall consist of four or more units, unless the City Manager finds that a substantial public benefit will be provided by a project consisting of less than 4 units.
- (2) The purchase or lease of land, buildings; or air rights for new construction or rehabilitation of housing that may utilize available State and Federal housing assistance programs such as the Section 202 Supportive Housing for the Elderly Program, tax-exempt bond financing, Section 811 Supportive Housing Program, and low-income housing tax credits.

- (3) The development of limited-equity housing cooperatives through either conversion or new construction.
- (4) The provision of interim loan funds for any of the above purposes prior to the funding of a public or private loan. Eligible development costs for the above uses include but are not necessarily limited to:
 - (A) site acquisition and preparation;
 - (B) rehabilitation of dwelling units, common areas and related structures;
 - (C) new construction;
 - (D) carrying charges and financing fees;
 - (E) architectural, legal, and organizational fees;
 - (F) temporary or permanent tenant relocation costs; and
 - (G) a developer fee consistent with guidelines described in Section IV below.
- (5) Prepayment of certain financing fees, such as bond issuance fees as necessary to make favorable financing available.

Working Capital Loans and Grants

Up to five percent (5%) of the total funds available to Housing Development Corporations (HDCs) under the CDBG Housing Trust Fund, the TORCA Housing Trust Fund and the Low-Moderate Income Housing Asset Trust Fund may be available for Working Capital Loans. A Working Capital Loan may be made to an HDC under contract with the City of Santa Monica for the development and management of affordable housing. Loan funds shall be held in a separate, interest-bearing account by the HDC for use as “working capital” to fund early costs for securing site control and expenses related to feasibility studies prior to approval of a site-specific predevelopment loan or other loan from the City.

Loan funds may be used for reimbursable development expenses that have received prior written approval from the Housing Manager in connection with the acquisition, rehabilitation or construction of housing units that will meet the criteria of low- or moderate-income household benefit as established by the Guidelines. Eligible uses include but are not necessarily limited to:

- (1) Site control costs through deposits to escrow for purchase of buildings or sites within the City of Santa Monica, or options to purchase property;
- (2) Non-refundable option payments, in order to assist the HDC to secure property in a competitive real estate market.
- (3) Development expenses that cannot be funded on a contingency basis, including architectural and engineering fees, environmental studies, appraisals and inspection fees. The total of such expenses shall not exceed \$25,000 per project.

Upon receipt of an acquisition & predevelopment loan, or development loan for the project, the HDC shall promptly reimburse the Working Capital account for the amount advanced from the fund for such purpose. In the event that the HDC does not receive an acquisition & predevelopment loan or development loan for the project or is unable to complete the project, the

City may forgive 90% of the total funds expended by the HDC upon repayment by the HDC of 10% of the amount of the expenditure.

No later than thirty calendar days after the termination date of the Working Capital Loan Agreement, the HDC shall provide a full accounting of the amount of funds available in the account, including all accrued interest, and a list of projects, if any, for which funds have been used and have not been repaid, along with a schedule of projected repayment dates. In the event the Working Capital Loan Agreement is not renewed, these funds shall be returned to the City.

III. LOAN TERMS

Term

Permanent loans that are not grants shall be due and payable in fifty-five (55) years subject to the terms of the applicable Regulatory Agreement or recorded Covenants. Such loans may be extended for up to twenty-five (25) additional years, provided that the Borrower is in compliance with the loan documents. Where necessary in order to meet the requirements for other project funding or enhance project feasibility, the Housing Manager may approve a shorter loan term. However, in no case shall a Regulatory Agreement or recorded Covenant remain in effect for fewer than 55 years.

Acquisition & Predevelopment Loans that are not grants shall be due and payable in twenty-four (24) months subject to the terms of the applicable Memorandum of Agreement or recorded Covenants. Such loans may be extended for up to eighteen (18) months with an additional twelve (12) month extension option. Where necessary in order to meet the requirements for other project funding or enhance project feasibility, the Director of Housing and Economic Development Department may approve a shorter loan term.

Purchase Option

At the end of the permanent loan term, the City will have the option to take title to the property in accordance with the terms of an option agreement.

Interest Rates for Loans

The interest rate shall be set at either:

- (1) the rate established by the Federal Home Loan Mortgage Corporation for the average conventional commitment of a fixed rate, thirty-year (30) mortgage, and shall be compounded annually; or

- (2) when necessary to secure investor equity, interest rates of affordable housing projects that include tax credits or conventional lenders, at 3% simple interest; or
- (3) when the City loan is in a second position to a first trust deed capital advance/loan made under the U.S. Department of Housing and Urban Development (HUD) Section 202 or Section 811 Programs, the interest rate shall not exceed the highest permissible rate on the applicable HUD Section 202 or Section 811 Program mortgages, under authority of Chapter 24 of the Code of Federal Regulations (CFR), Subpart 885.410(g); or
- (4) when required in order to meet federal subsidy layering guidelines, at the Applicable Federal Rate (that rate established by the Internal Revenue Service pursuant to Section 1274(d)(1) of the Internal Revenue Code).

The City Manager may waive or reduce the interest rate as needed to ensure the feasibility of projects.

Loan Payments

Payments on permanent loans shall be made as follows:

- (1) Payments of principal and interest may be deferred for up to two (2) years from the date of execution of the loan, and up to three (3) years from the date of execution of the loan with approval of the City Manager. After the expiration of the deferral period, payments of principal and interest shall be made annually to the City in an amount equal to 50% of project Residual Receipts, if any. However, this 50% of Residual Receipts may be split among all the public lenders (including the City) on a pro rata (of funding) basis. Payments shall be applied first to accrued interest, and then to principal.
- (2) The Borrower may elect to prepay the loan prior to the end of the term. However, the Regulatory Agreement or recorded Covenants shall remain in full force and effect for its term regardless of any prepayment.
- (3) If the Borrower violates the terms of the Regulatory Agreement or recorded Covenants such that the City declares the loan in default, the entire amount of unpaid principal plus accrued interest at the rate established at the time of closing shall be due.
- (4) Unless paid in full earlier, the remaining principal balance of the loan and accrued interest shall be due and payable at the end of the term of the Promissory Note. Where necessary to meet requirements of third party investors and with approval of the City Manager, the City may allow the remaining principal and accrued but unpaid interest to be payable only to the extent that the fair market value of the Project exceeds the principal balance of the existing indebtedness secured by the property.
- (5) For loans for projects not financed by federal Low Income Housing Tax Credits, upon determination by the City that the borrower is in full compliance with the terms and conditions of the Regulatory Agreement, Deed of Trust, and Program Loan Agreement (collectively referred to as "Loan Documents"), the City shall extend the terms of the existing Regulatory Agreement, Deed of Trust, and Program Loan Agreement for a minimum period of twenty-five (25) years ("Extension Period"). If borrower fully

complies with all terms and conditions of the Loan Documents during the Extension Period, then any remaining principal and accrued but unpaid interest shall be forgiven at the end of the Extension Period.

Payments on acquisition & predevelopment loans shall be made as follows:

- (1) Payments of principal and interest are deferred until maturity. Upon maturity, the City/Agency may extend the term for up to eighteen (18) months with an additional twelve (12) month extension option.
- (2) The Borrower may elect to prepay the loan prior to the end of the term. However, the Memorandum of Agreement or recorded Covenants shall remain in full force and effect for its term regardless of any prepayment.
- (3) If the Borrower violates the terms of the Memorandum of Agreement or recorded Covenants such that the City declares the loan in default, the entire amount of unpaid principal plus accrued interest at the rate established at the time of closing shall be due.

Grant Balance Reduction

- (1) For grants for projects not financed by Low Income Housing Tax Credits, as long as Grantee is in full compliance with the Regulatory Agreement, the City shall reduce the amount of the balance of the grant by 1/80th of the total grant amount each year. If the Grantee is in full compliance with the Regulatory Agreement, the Conditional Grant Note, or the Conditional Grant Deed of Trust, at the end of the initial 55-year term, the Grantor shall accept a twenty-five (25) year extension of the term of the Regulatory Agreement, the Conditional Grant Note, and the Conditional Grant Deed of Trust. Thereafter, as long as the Grantee is in full compliance with the Regulatory Agreement, the Conditional Grant Note, and the Conditional Grant Deed of Trust, Grantor shall continue to reduce the remaining balance of the Grant by 1/80th of the Grant amount each year for an additional 25 years or until the balance of the Grant reaches zero.

Security

The loan shall be secured as follows:

- (1) The loan shall be secured by a Deed of Trust and Promissory Note which may be subordinated to Deeds of Trust securing other Federal, State, City loans, or loans from conventional financing institutions used in conjunction with the Trust Fund loan on the same property. The City must approve all requests for subordination.
- (2) The loan shall be further secured by a Regulatory Agreement, Memorandum of Agreement, or recorded Covenants to assure that Program funds are used to provide long-term affordable rental housing opportunities for low- and moderate-income households. The Borrower and the City shall execute the Regulatory Agreement, Memorandum of Agreement, or recorded Covenants regulating project rents, tenant selection procedures,

use of project income, management and maintenance, transfer of property, and permitted forms of ownership and use. The Regulatory Agreement, Memorandum of Agreement, or recorded Covenants shall be recorded with the Deed of Trust.

Maximum loan and grant amounts

Except as restricted by State or Federal law, the maximum Trust Fund Loan/Grant per-unit shall not exceed the following:

	Original Base Amount Fiscal Year 2007-08*		Updated Amount Fiscal Year 2017-18*	
	New Construction	Acquisition & Rehabilitation	New Construction	Acquisition & Rehabilitation
Zero and 1-Bedroom Units	\$367,000	\$457,000	\$492,848	\$613,710
2 or more Bedroom Units	\$386,000	\$481,000	\$518,363	\$645,940

* Maximum loan/grant to be adjusted in July of each year utilizing the annual adjustment methodology for the City’s Affordable Housing Fee pursuant to Santa Monica Municipal Code Section 9.56.070(b)

Actual loan/grant amounts will be based on the project’s need and the level of affordability that is provided. Program loan/grants in excess of maximum amounts above must be approved by the City Council. Loans for projects in excess of fifty (50) units and any pending loan for a project in excess of \$25 million must be presented to City Council as an Information Item.

IV. APPLICATION SUBMITTAL AND REVIEW PROCEDURES

Application Submittal

All applications for Program funds shall be submitted to the Housing Division and shall be reviewed and approved through an administrative review process as established in these Guidelines.

The Applicant shall complete and submit to the Housing Division the Application for Program Funds (see Exhibit C) and prepare all required attachments, including the management plan, tenant selection and marketing plan, relocation plan if necessary, signed purchase agreement and escrow instructions, preliminary title report, and limited partnership documents, if necessary, at least sixty

(60) days prior to the scheduled close of escrow. Applications may be submitted at any time during the program year and will be considered in the order submitted to the Housing Division.

Application Review

The Housing Division staff shall review the application to:

- (1) determine that the minimum Program requirements are met;
- (2) ensure that the estimated development costs are reasonable and in conformance with the City's underwriting guidelines and
- (3) review the estimated mortgage amount and Borrower equity contribution in accordance with the City's underwriting guidelines and the requirements of the proposed source of City funding.

Within seventy-five (75) days of the submission of the application, the Housing Division shall determine whether the proposal is approvable for commitment, with or without conditions. If the City determines, in its discretion, that the application is complete and meets all of the Program criteria, the City may issue a commitment letter. If the application has deficiencies, the City staff will identify the problem areas and notify the Applicant.

Staff shall review the design of the proposed project for appropriateness for the proposed target group, compatibility with surrounding uses, cost effectiveness of construction, and appropriateness of proposed materials for low maintenance and long term durability.

Design Review

Applicants proposing new construction or change of use of projects, including the moving of buildings onto vacant sites, will be responsible for notifying the neighbors of the proposed project plans for the site at the time the project is submitted to the Architectural Review Board (ARB) for approval. Applicants will invite neighbors to review the project design and comment on the plans at the ARB meeting. The Applicant will notify the neighbors at least seven (7) days prior to the ARB meeting at which the project is scheduled to be reviewed.

Determination of Reasonable Costs and Financial Feasibility

Housing Division staff shall review the Applicant's estimates and projections of rents, expenses, reserves and development costs in accordance with the City's underwriting guidelines. The Applicant shall provide background documentation on all costs as requested by the City. The City may adjust cost and expense amounts as appropriate to conform to current market and industry standards. The total amount of the Program loan and all private loans shall not exceed the total development costs approved by the City.

The maximum allowable purchase price shall not exceed the appraised value as evidenced by an appraisal prepared by a California State Certified General Appraiser and approved by the Housing Division, which is dated not more than six (6) months prior to the date of the application. The appraisal may not determine property value based solely on sales of properties financed by public agencies.

The maximum affordable mortgage amount shall be calculated using the rent schedule proposed by the Applicant as approved by the City, the proposed interest rate and terms of the primary loan(s), and reasonable operating allowances and reserves including a reserve to amortize a mortgage as needed.

The requested City loan for a project shall not exceed the total amount of the gap between the maximum affordable mortgage amount available from non-City sources plus funds available from other sources of public subsidy, and the total development costs plus any on-going annuity necessary to maintain affordable rent levels as defined in the Program application. The maximum City loan shall not exceed the maximum per-unit limits described in these Guidelines.

All assisted units must maintain rents that do not exceed the Maximum Affordable Rent, as defined in these Guidelines, for the life of the loan in accordance with the terms of the loan or other recorded Covenants. Syndicated projects must be structured such that ownership can feasibly be acquired by the nonprofit General Partner at the end of the term of the limited partnership agreement, when appropriate. When determining the maximum City loan, Housing Division staff will scrutinize the rent schedule and annual cash flows in order to determine whether long-term affordability is maintained. In cases where a rent subsidy program is utilized and the mortgage is calculated on the basis of the subsidized rents, an "affordability reserve" may be required, where the amount of the reserve shall be sufficient to cover the difference between affordable rents and the subsidized rents.

Developer Fee

For new construction projects, the developer fee shall not exceed the following per unit amounts, based on the size of the project:

	Original Base Amount Fiscal Year 2007-08*	Updated Amount Fiscal Year 2017-18*
For 1 – 20 units	\$16,240	\$21,809
For 21 – 30 units	\$15,080	\$19,042
For 31 – 50 units	\$13,920	\$17,577
For 51 or more units	Negotiated	Negotiated

For acquisition and rehabilitation projects of 7 units or less, the developer fee shall not exceed \$12,868 (updated for FY 2017-2018; original base amount for FY2007-2008 was \$10,900) per unit. For acquisition and rehabilitation projects of 8 or more units, the developer fee shall not exceed the greater of \$55,000 per project or the sum of 5% of the depreciable acquisition basis and 15% of the rehabilitation basis. With the exception of those fees for acquisition and rehabilitation projects of 8 or more units, developer fees will be adjusted in July of each year utilizing the annual adjustment methodology for the City's Affordable Housing Fee pursuant to Santa Monica Municipal Code Section 9.56.070(b). At the discretion of the City Manager a higher fee may be allowed.

The development fee for new construction projects will be released in three stages: (1) one-third upon receipt of the necessary building permits, (2) one-third upon issuance of the certificate of occupancy, and (3) one-third upon the later of permanent loan closing or full lease-up of the project. For projects involving acquisition and rehabilitation, the development fee may be released in two stages: (1) twenty-five percent at the time of issuance of the building permit, and (2) 75% at the time of conversion of interim financing to permanent financing, or full lease-up of the project, whichever is later. Where the project does not utilize interim financing or involves acquisition only, the schedule for release of the developer fee will be reviewed on a case by case basis. Changes to the above schedules for the release of fees may be approved by the Housing Manager.

Developer Capacity

Applicants must demonstrate the capacity to successfully develop the proposed project. The City shall evaluate capacity on the basis of the Applicant's track record in developing and managing affordable housing, or inclusion of development team members with a successful record in developing such housing. In addition, Applicants must demonstrate the financial and legal capacity to undertake the proposed project.

Clear Title

The Applicant shall have the responsibility to obtain clear title to the property. As soon as feasible, the Applicant will submit a preliminary title report for City review and written approval. Staff shall review the state of title, including the conditions, covenants, restrictions and legal description of the property and the rent control registration and removal permit issues. The Applicant shall correct the state of title and remove all exceptions to the title not consented to by the City before the City closes the loan.

Senior Financing

The Applicant shall secure other resources such as equity from syndication proceeds, tax exempt financing, federal and state housing rental and development subsidies and available private financing to minimize the amount of the City loan. The Applicant will submit to the City for review the terms and conditions of all non-City financing as well as equity contributions. The Applicant must submit projected cash flows for the term of the loan, showing the maximum possible increases (i.e., worst case scenario) in debt service per year, the projected rent and expense increases, the means of making up any deficits, and projected payments of Residual Receipts. The City shall analyze the feasibility of the project to carry the loan, and if feasible will approve the terms of the non-City financing.

The City may, at its sole discretion, calculate the mortgage amount at the terms and rates of available financing programs other than that proposed by the Borrower, if alternative terms and rates are available that would reduce the amount of City subsidy required, and would otherwise conform to the City/Agency requirements.

Management and Affirmative Marketing Plan

Except in the case of projects funded under the federal Section 202 Supportive Housing Program and Section 811 Supportive Housing Program, the Applicant shall prepare a Project Management Plan for City review and approval. The Plan shall describe the Applicant's policies and procedures concerning:

- (1) Affirmative marketing and tenant selection procedures including application procedures, prioritization of Santa Monica residents and workers (see Local Preference section below) where possible; waiting lists, and lease agreements; and marketing efforts and tenant selection procedures that will be used to attract eligible persons from all racial, ethnic and gender groups, as well as persons living with disabilities, in the housing market area to the available housing; the Plan should describe the protocols for keeping records of affirmative marketing activities and for keeping records of requests (from applicants and existing tenants) for accessible units;
- (2) Procedures for determining tenant eligibility and certifying incomes; the Plan should demonstrate sufficient outreach to disability-related groups to ensure that accessible units are occupied to the extent possible by those households who need the accessibility features due to disability;
- (3) Management/tenant relations and assistance to tenant organizations, including the training and use of tenants to perform maintenance and management functions as appropriate;
- (4) Maintenance and repair services;
- (5) On-site management facilities;
- (6) Rent collection;

- (7) Records and reporting requirements;
- (8) Personnel and staffing;
- (9) Compliance with all tenant protection laws, including rent control law and Building and Health and Safety Codes;
- (10) Fee schedule.

No person shall on the grounds of race, marital status, sex, color, age, religion, national origin, ancestry, physical disability, AIDS, or sexual orientation be excluded from participating in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with these funds.

Local Preference

Local preference for Santa Monica residents and workers in tenant selection has been established by the City as policy. Local preference shall be a requirement of the Citywide Housing Trust Fund, Low-Moderate Income Housing Asset Trust Fund the TORCA Trust Fund, and the Redevelopment Replacement Housing Trust Fund. Local preference shall be a requirement of the HOME and CDBG Trust Funds only if permitted by the federal government.

In evaluating a loan request, staff shall evaluate a loan applicant's effectiveness in achieving the City's local preference goals and give priority to those loan applicants who administer their wait lists using sorting protocols which result in outcomes where households who live or work in Santa Monica are beneficiaries of City-funding affordable housing.

Subject to applicable tenant income limits and any preferences required by the laws of the United States or the State of California (including but not limited to laws and regulations governing nondiscrimination and preferences in housing occupancy), the Borrower shall give preference in leasing units in the following order of priority.

- (1) First priority shall be given to persons who have been permanently displaced or face permanent displacement from housing in Santa Monica as a result of any of the following:
 - (a) A redevelopment project undertaken pursuant to California's Community Redevelopment Law (Health & Safety Code Sections 33000, et seq.) -- applicable only to projects funded by the Low-Moderate Income Housing Asset Trust Fund.
 - (b) Ellis Act, owner-occupancy, or removal permit eviction;
 - (c) Earthquake, fire, flood, or other natural disaster;
 - (d) Cancellation of Section 8 contract by property owner; or
 - (e) Governmental Action, such as Code enforcement.

(2) Second priority shall be given to persons who are either:

(a) Residents of Santa Monica and/or

(b) Working in Santa Monica at least 36 hours per week for at least 6 months.

Regarding any “accessible units” that are required as part of a multifamily development, such accessible units should be first offered to existing occupants of the building (if applicable) who are not occupying an accessible unit and who have indicated a need for the features of an accessible unit. If no existing occupants of the building have indicated the need for the features of an accessible unit, or if the building is being leased for the initial occupancy, then such accessible units should first be offered to applicants who have indicated the need for the features of an accessible unit, inclusive of the preferences above. The application of preferences may not conflict with Section 504 of the Rehabilitation Act of 1973, 24 C.F.R. §100.202, and any other preemptive laws that may be enacted regarding fair housing for persons living with disabilities.

“Accessible units” refers to those units which were originally approved by the City specifically as accessible units and which provide specific features to address the needs of persons living with mobility impairments or persons living with sensory impairments.

Environmental Review

Project sites must be free from adverse environmental impacts, e.g., noise, or the proposed project must successfully mitigate these impacts. The City shall assess the environmental effects of each activity proposed to be carried out with City funding in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and the California Environmental Quality Act (CEQA), as applicable. The Housing Division staff will commence the assessment as part of the initial review of the application. For projects subject to NEPA review, no loan funds (except for activities normally exempted from the environmental clearance requirements in 24 CFR Part 58.34) shall be released until the environmental review is completed, the notice of finding and environmental assessment results are published, and the 15 day public comment period expires.

Prevailing Wages

Any contract for construction (rehabilitation or new construction) of affordable housing with **12 or more units** assisted with HOME funds, or **8 or more units** if the **project** is assisted with CDBG funds, must contain a provision requiring that not less than the prevailing wages paid in the locality, as determined by the Secretary of Labor pursuant to the Davis-Bacon Act, will be paid to all laborers and mechanics employed in the development of the project. **Contractors and subcontractors must comply with regulations issued under this Act and pertaining to labor standards and HUD Handbook 1344.1.**

For all funding programs, the following prevailing wage requirements apply. Pursuant to Chapter 7.28 of Article VII of the Santa Monica Municipal Code, any rehabilitation or new construction project receiving City financial assistance shall comply with State prevailing wage requirements if the following minimum thresholds are met:

- (1) For a rehabilitation project over \$15,000.
- (2) For a new construction project over \$25,000

"Minimum total construction contract" shall not include expenses associated with site acquisition, architectural and other pre-construction development costs, financing charges, bonding and insurance requirements, and fees, permits or licenses required in connection with the project. The minimum thresholds stated above are adjusted each July 1st by the percentage change in the Consumer Price Index for the previous calendar year. Current minimum thresholds and prevailing wage levels can be obtained from the Office of the City Engineer.

Relocation

The Applicant shall develop a plan for temporary relocation or permanent voluntary relocation, where necessary, for review by the City. The relocation plan shall be in accord with the City's Relocation and Tenant Assistance Plan, and the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and the implementing regulations at 24 CFR Part 42, and the California Relocation Assistance Law, where applicable, copies of which may be obtained from the Housing Division. There shall be no permanent involuntary tenant displacement. In cases where tenants will be voluntarily displaced, the Applicant must submit a copy of a letter to each tenant which (1) details the tenant's rights to relocation assistance, and (2) has been signed by the tenant indicating the tenant's voluntary waiver of any relocation payments.

Contracting Requirements

All Applicants will be required to submit an affirmative action/equal employment opportunity plan indicating the methods that they will use to encourage the participation of certified Minority Business Enterprise/Women Owned Business Enterprise (MBE/WBEs) in their development project. City staff will review the plan and competitive bid and selection process to ensure that required procedures have been followed. City staff will also monitor construction to ensure that MBE/WBEs are participating in the project as indicated in the construction contract.

In accordance with the City's Women and Minority Business Enterprise Program approved by City Council on March 8, 1983, all Borrowers are required to consider the City's Women and Minority Business Enterprise Program Library of Directories and Minority and Women Vendors' listing the procurement of equipment, material, supplies and professional services.

All work shall be completed by State-licensed contractors which shall have Santa Monica business licenses. All contracts must comply with competitive bidding requirements. Contracts over

\$10,000 must be in accordance with City's Women and Minority Business Enterprise Program. All efforts shall be made by the private owner or the Borrower to provide equal opportunity for employment without discrimination as to race, marital status, sex, color, age, religion, national origin, ancestry, physical disability, AIDS, or sexual orientation, in seeking contractors and subcontractors.

Competitive Selection Criteria

In selecting among competing project applications, unless otherwise determined for a particular project, priority shall be given to projects that:

- (1) Significantly increase 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.
- (2) Are cost effective or achieve the lowest possible subsidy per unit for City resources.
- (3) Benefit a high percentage of very low- and low-income households by ensuring deeper affordability.
- (4) Are located in areas currently underserved by affordable housing developments.
- (5) Address an area of need identified in the Housing Element of the City of Santa Monica;
- (6) Addresses a particular need identified in the Council-approved Housing Trust Funds Plan;
- (7) Applicant's past and projected effectiveness implementing the City-established local preferences (i.e., households which live or work in Santa Monica).

V. LOAN COMMITMENT AND CLOSING PROCEDURES

Loan Commitment

A commitment letter shall be prepared by the Housing Division, reviewed and approved by signature by the Manager of the Division and the Director of Housing and Economic Development, and signed by the City Manager. The letter shall state the maximum amount of Program funds reserved for the project and list all of the additional conditions, documents and steps that must be taken by the Borrower prior to loan closing. All loans which exceed the maximum loan and grant amounts in Section III shall require City Council approval. Notice of the issuance of the commitment shall be posted publicly, and a copy of such notice shall be published in a newspaper of general circulation, no later than 21 days after the commitment is issued.

Staff will prepare and make public a written statement explaining the reasons for approving or denying a loan request. The written statement should address the merits of the loan application evaluated under the criteria, including:

- 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;
- Cost-effective or achieve the lowest possible subsidy per unit for City resources;
- Benefit a high percentage of very low- and low-income households by ensuring deeper affordability;
- Located in areas currently underserved by affordable housing developments
- Addresses an area of need identified in the Housing Element of the City of Santa Monica;
- Addresses a particular need identified in the Council-approved Housing Trust Funds Plan;
- Loan Applicant's past and projected effectiveness implementing the City-established local preferences (i.e., households which live or work in Santa Monica).

The Borrower shall conduct a public meeting for the proposed project 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 the public meeting date. The written notice shall be made public on the Housing Division's website. In addition, staff will provide the written notice to the neighborhood association in which the proposed project is located and the notice shall be published in a newspaper of general circulation. This publication may be combined with the notice of issuance of the commitment.

Upon issuance of a commitment letter, the Housing Division shall prepare draft loan documents, including a draft Loan Agreement, Promissory Note, Deed of Trust (or other appropriate security as determined by the Housing Manager), and Regulatory Agreement or recorded Covenants, and submit them to the City Attorney's office for review and approval as to form. The submission shall include copies of the preliminary title report, instructions to escrow concerning the items that may appear on the title upon closing, and may include the purchase agreement, long term lease agreement, or air-rights agreement, as applicable. Requirements for a Regulatory Agreement or recorded Covenants may be waived in the case of a project which is funded under the HUD Section 202 or Section 811 Program.

Loan Closing

Funds may be disbursed following execution of the loan documents by the Borrower and the City Manager, and compliance with all commitment conditions. Staff shall submit a request for release of funds required for loan closing to the Finance Director. The Finance Director may then authorize release of loan funds into an escrow account established for the loan closing with instructions for disbursement. The City will wire funds to escrow twenty-four hours prior to the scheduled close of escrow.

VI. PROJECT MONITORING AND REPORTING

The Housing Division shall monitor the project during rehabilitation or construction as needed for compliance with any loan documents and applicable City, State and/or Federal regulations. The Housing Division shall request notification of the final inspection and final construction release from the primary lender, and shall review management practices and reporting procedures with the Borrower and project management agent at that time for full compliance with Program requirements. A copy of the Notice of Completion for the project shall be submitted to the Housing Division at the time the Notice is recorded.

Borrowers shall be required to certify annually that they have complied with affirmative marketing and tenant selection procedures, and shall submit an annual report to the Housing Division in the form specified by the Division. The Housing Division shall monitor compliance with any Regulatory Agreement or recorded Covenants, the loan documents, and applicable City, State and/or Federal regulations on an annual basis.

For projects funded under the federal Section 202 Supportive Housing Program and Section 811 Supportive Housing Program, during the term of the HUD Capital Advance documents, compliance with the HUD documents will constitute compliance with the provisions of these Guidelines.

Fair Housing and Equal Opportunity

Borrower shall post notices stating that a housing project is subject to Fair Housing and Equal Employment Opportunity requirements of 24 CFR 92.350 and 351 at each project site. The name and telephone number of the Fair Housing Officer of the City of Santa Monica will be included on the notices.

Fair Housing complaints are referred to the City Attorney's office for investigation. If, after investigation, it is determined that discrimination in the rental or sale of housing has occurred, the City Attorney may attempt to mediate a settlement between the owner/seller and the complaining party. Mediation is usually successful. However, if it is not, the party with the complaint may proceed to file against the owner/seller. If a pattern of discrimination has occurred, the City may file suit for unfair business practices or other applicable violations.

Establishment and Use of Reserve Funds

Upon completion of project construction, the Borrower will be required to capitalize a Reserve Fund in an amount determined by the City and make annual contributions to the Fund. The Reserve Fund can be utilized for expenditures related to necessary structural and equipment replacements and improvements of a capital nature, and is not intended to be used for ordinary maintenance items. Any expenditure by the Borrower from the Reserve Fund in excess of \$5,000 must be approved in advance by the City in writing. Expenditures of \$1,000 to \$5,000 must be

documented by paid invoices submitted to the City within 30 days of disbursement from the Reserve Fund.

Annual Reporting by the Housing Division

The City Manager shall prepare an initial proposed plan, called Housing Trust Funds Plan (“Plan”), for affordable housing development in the City for the remaining period covered by the current Housing Element (i.e., through 2021). The Plan shall be made available online and the Housing Division shall conduct a 45-day public comment period. A public meeting hosted by the Housing Commission shall be held by the Housing Division between the 30th and 45th day of the public comment period. Once the public comment period is completed, the Plan with any public comments shall be submitted to the Housing Commission for review and recommendation to the City Council for review and its approval. A Housing Trust Funds Plan shall be prepared and adopted for each Housing Element cycle.

Thereafter, on an annual basis, the Housing Division shall prepare a report to the Housing Commission for its review and recommendation for City Council approval. The annual report shall include details on the following items:

- (1) The source and amounts of funding for each Housing Trust Fund received during the prior year;
- (2) The amount and uses of funds, including the amount and source of funding commitments issued, from each Housing Trust Fund during the prior year;
- (3) The quantity and type of affordable housing made available for occupancy during the prior year;
- (4) The quantity and type of housing which exceeded or fell below the annual production mandate of Proposition R during the prior year;
- (5) Cumulative figures of source/amount of Housing Trust Funds, quantity/type of affordable housing made available, and exceeded/missed Proposition R requirement, covering the Housing Element period, as well as comparison with the Quantified Objectives set forth in the Housing Element; and
- (6) A comparison of the actual cumulative affordable housing production covering the period of the adopted Housing Trust Funds Plan with the goals set forth in that plan.

Once approved by City Council, both reports shall be posted on the Housing Division’s website.

Public Information on the Housing Division’s Website

Within one week of becoming public, the following items shall be posted to the “Housing Trust Funds” location on the Housing Division’s website:

- (1) the current Housing Trust Fund Guidelines;
- (2) all documents generated and made public by the City Manager, the Housing Division, the

Housing Commission, and the City Council pursuant to the affordable housing planning and reporting process;

- (3) written explanation of the City's decisions to approve or deny loan applications;
- (4) all loan commitment letters issued;
- (5) all notices of the required public meeting following a loan commitment; and
- (6) all annual reports provided by the Housing Trust Fund recipients. Staff shall ensure that the annual reports posted publicly shall redact any confidential or personal information.

The City also shall provide—at the same location on its website—a mechanism whereby interested members of the public can sign-up to receive an automatic email with a link to the document every time a new document is posted to this section of the City's website.

VII. FUNDING SOURCES

HOME Trust Fund

Source of Funds

Funding for this Program is provided through the U.S. Department of Housing and Urban Development (HUD) HOME Program (including program income and residual receipts), and therefore is subject to the federal rules and regulations found in 24 CFR Part 92, as amended from time to time.

Eligible Borrowers/Grantees

Eligible borrowers are non-profit Housing Development Corporations (HDCs) with proven capacity to develop, own and operate affordable housing, and which have a valid 501(c)(3) or (4) designation from the IRS, and private owners of multi-family and SRO rental buildings with proven capacity to develop, own and operate affordable housing. Limited partnerships whose general partner is otherwise eligible are also eligible to borrow Program funds.

Eligible Projects

Projects eligible for HOME funding shall:

- (1) be rental projects located in the City of Santa Monica;
- (2) contribute to the achievement of the City's fair housing goals;
- (3) involve 4 or more apartments or Single-Room-Occupancy (SRO) units which will be rented to eligible lower income households at rents that do not exceed rents as defined by 24 CFR 92.252, dated September 16, 1996, as amended from time to time. Projects serving persons with special needs, or where the City Manager finds that the project will provide a substantial public benefit, may have fewer than four apartment or SRO units. Transitional or permanent housing may be provided (but not temporary shelters).
- (4) have at least 20% of the HOME assisted units rented to very low income families (50% of median income) under the terms and conditions set forth in 24 CFR 92.252 (2)(b);
- (5) demonstrate financial feasibility -- including the ability to maintain rents for the subsidized units at affordable levels for the periods specified in 24 CFR 92.252;
- (6) be free of significant adverse environmental impacts, except those that can be mitigated through the project itself;
- (7) minimize tenant displacement;
- (8) comply with all local building and zoning codes and standards, including energy efficiency and water conservation standards, meet housing quality standards in Section 882.109 of Title 24. Newly constructed housing must meet the current edition Model Energy Code of the Council of American Building Officials;
- (9) make efficient use of public funds and avoid "layering" of subsidies beyond those necessary to achieve a financially feasible project;
- (10) have at least 51% of the project space be residential, if in a mixed use project.
- (11) Acquisition or Acquisition and Rehabilitation projects shall have at least 51% of the units occupied by households with incomes that do not exceed 80% of median income,

adjusted for household size, at the time of acquisition (except as approved by the City Manager).

Eligible Uses and Activities

HOME funds may only be used to finance new construction or acquisition and/or rehabilitation of rental housing which is affordable to very low and low-income households as defined by 24 CFR 92.2. Fifteen percent (15%) of the annual HOME fund allocation shall be set aside for certified community housing development organizations (CHDO's).

New construction costs eligible for HOME funding shall be as specified in 24 CFR Part 92, including:

1. site acquisition;
2. cost of demolishing existing structures only if construction is commenced within 12 months of demolition;
3. site preparation costs (grading, filling, etc.);
4. financing costs as described in 24 CFR 92.206;
5. architectural, engineering, and other related soft costs;
6. the cost of extending or upgrading utilities to the site to support the proposed project;
7. construction costs;
8. relocation costs; and,
9. affirmative marketing and audit costs related to HOME program requirements.
10. predevelopment loans up to a period of 24 months for site acquisition, predevelopment activities, including professional services which cannot be obtained on a contingency basis, and construction. Such loans may be extended for up to 18 months with an additional 12 month extension option at the discretion of the Housing Manager.

Rehabilitation costs eligible for HOME funding include:

1. project acquisition with or without rehabilitation;
2. costs of temporary or permanent relocation for existing tenants;
3. financing costs, as described in 24 CFR 92.206;
4. architectural, engineering, or other design costs;
5. utility upgrade or extension costs;
6. costs associated with demolition (where necessary) only if rehabilitation is commenced within 12 months of demolition;
7. construction costs;
8. project audit costs; and,
9. affirmative marketing costs.

Ineligible Uses and Activities

The following costs are not eligible for HOME funding:

1. project reserve accounts for replacement or operating reserves, and operating subsidies;
2. payment of impact fees;
3. land banking;

4. emergency repair or weatherization programs;
5. commercial properties;
6. temporary shelters; or
7. project-based rental assistance.

Affordability Requirements

A housing project qualifies as a HOME assisted affordable housing project if rents are limited as follows:

1. At least 20 % of the HOME assisted units are:
 - a) Occupied by very low-income families who pay toward rent not more than 30% of the family adjusted income, or
 - b) Occupied by very low-income families and bear rents not greater than 30% of the gross income of a family whose income equals 50% of the median income, as determined by HUD. In determining the maximum monthly rent, the landlord must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.
2. All remaining HOME assisted units must bear rents not greater than the lesser of:
 - a) The fair market value for existing comparable units in the area as established by HUD, less the monthly allowance for utilities and services to be paid by the tenant; or
 - b) A rent that does not exceed 30% of the adjusted income of a family whose income equals 65% of the median income for the area as determined by HUD. In determining the maximum monthly rent, the owner must subtract a monthly allowance for utilities and services to be paid by the tenant.
3. Is occupied only by households that qualify as lower income (80% of median income) families;
4. Will remain affordable, pursuant to deed restriction, covenants running with the land, or other mechanisms that ensure that the property will remain affordable without regard to the term of the mortgage or transfer of ownership for not less than 55 years.

Other Requirements

Minimum Loan: All HOME investments must total not less than \$1,000 multiplied by the number of HOME assisted units in the project.

Maximum Loan: The maximum amount of subsidy per unit shall not exceed the maximum allowed by HUD under the HOME program (24 CFR 92.250), or that provided for under Section IV, Loan Terms, of these Guidelines, whichever is less. The City will avoid unnecessary layering of subsidies from different federal, state and local programs and seek to maximize the benefit to target households from the investment of HOME funds in a project. See Exhibits (in Section VIII of this report) for Home Program Subsidy Limits.

Property Standards: Housing that is assisted with HOME funds must meet, at a minimum, the housing quality standards of all local codes, rehabilitation standards and zoning codes. Newly constructed housing must meet the current edition of the Model Energy Code published by the

Council of American Building Officials. Substantially rehabilitated housing must meet the cost-effective energy conservation and effectiveness standards in 24 CFR 39.

Labor Standards/Construction Contracts: Any contract for construction (whether it is for rehabilitation or for new construction) of affordable housing with **12 or more units** assisted with HOME funds must contain a provision requiring that not less than the prevailing wages paid in the locality, as determined by the Secretary of Labor pursuant to the Davis-Bacon Act, will be paid to all laborers and mechanics employed in the development of the project. Contractors and subcontractors must comply with regulations issued under this Act and pertaining to labor standards and HUD Handbook 1344.1. These provisions apply whether HOME funds are used for construction or non-construction costs.

Lead-based Paint: Housing assisted with HOME funds constitutes HUD-associated housing for the purpose of the Lead-Based Paint Poisoning Prevention Act and is therefore subject to 24 CFR Part 35. Unless otherwise provided, borrowers are responsible for testing and abatement.

Conflict of Interest: No person who is an employee, agent, consultant, officer, or elected official or appointed official of the City who exercises or has exercised any function or responsibility with respect to activities assisted with HOME funds or who is in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

Religious organizations: HOME funds may not be provided to primarily religious organizations, such as churches, for any activity including secular activities. In addition, HOME funds may not be used to rehabilitate or construct housing owned by primarily religious organizations or to assist primarily religious organizations in acquiring housing. However, HOME funds may be used by a secular entity to acquire housing from a primarily religious organization, and a primarily religious organization may transfer title to property to a wholly secular entity and the entity may participate in the HOME program in accordance with the requirements of this part. The entity may be an existing or newly established entity (which may be an entity established, but not controlled, by the religious organization). The completed housing project must be used exclusively by the owner entity for secular purposes, available to all persons regardless of religion. In particular, there must be no religious or membership criteria for tenants of the property.

CDBG Housing Trust Fund

Source of Funds

Funding for this program is provided through the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program (including program income and residual receipts), and therefore is subject to the federal rules and regulation found in 24 CFR Part 570, as amended from time to time.

Eligible Borrowers/Grantees

Eligible borrowers are community-based nonprofit housing development corporations (CBDO's) duly organized or with capacity to promote and undertake community development activities on a not-for-profit basis, with proven capacity to develop, own and operate affordable housing, within a neighborhood identified in the Community Development plan. Such organizations are defined in CDBG regulations (24 CFR 570.204(a)(2)(c)(1)). Nonprofit Housing Development Corporations (HDC's) and social service agencies with proven capacity to develop, own, and operate affordable housing, and limited partnerships whose general partner(s) is otherwise eligible under the above provisions are also eligible to borrow Program funds if the nonprofit partner is the managing general partner throughout the term of the loan and will receive at least 51% of the developer fee. Nonprofit corporations must have a valid 501(c)(3) or (4) designation from the Internal Revenue Service.

Eligible Projects

Eligible projects will: (1) have four or more apartment units, Single Room Occupancy (SRO) units, or fewer than four units in the case of congregate housing, mobile home units or where the City Manager finds that the project will provide a substantial public benefit; (2) if acquisition or rehabilitation, have at least 51% of the units occupied by low and moderate income tenants at the time of acquisition (except as approved by the City Manager); (3) if new construction, have 20% of the units occupied by low income tenants; (4) be free from significant adverse environmental impacts except those that can be mitigated; and, (5) avoid permanent involuntary tenant displacement to the greatest degree feasible in order to carry out the program. Transitional or permanent housing may be provided. Rents of assisted units shall be affordable to households whose incomes do not exceed 80% of the area median income.

Eligible Uses and Activities

Funds can be used to make loans to eligible borrowers to provide affordable housing, principally for low and moderate income households, including but not limited to:

- (1) acquisition and/or rehabilitation of eligible rental properties;
- (2) new construction of rental or limited equity cooperative housing by a CBDO is eligible, provided the construction activity is carried out as part of a neighborhood revitalization, community economic development or energy conservation project;

- (3) predevelopment loans up to a period of 24 months for site acquisition or construction. Such loans may be extended for up to 18 months with an additional 12 month extension option at the discretion of the Housing Manager.
- (4) acquisition of short-term occupancy rental housing.

Funds may also be used for related predevelopment activities, including professional services which cannot be obtained on a contingency basis.

Ineligible Uses and Activities

Funds may not be used for the following activities:

- (1) the construction of new rental housing or for any program to subsidize or assist such housing except when carried out by a CBDO.
- (2) to provide income payments for rent or utilities, except in emergency situations for a period not longer than three months.
- (3) to assist rental housing properties if less than 51% of the units will be occupied by low and moderate income households. However, such housing may be assisted where
 - (a) The assistance is for the purpose of reducing the development cost of new construction;
 - (b) The project is not designed for/occupied by elderly households;
 - (c) At least 20% of the units will be occupied by low- and moderate-income households (households with incomes which do not exceed 80% of median income); and
 - (d) The proportion of the total cost of developing the project (to be borne by the CDBG funds) is less than or equal to the proportion of the units in the project which will be occupied by low to moderate income households.

Compliance with Federal and Local Regulations

All projects must comply with all applicable federal requirements contained in 24 CFR Part 570 Subpart K, including but not limited to standards of financial management, environmental review, labor and wage requirements, debarred contractors, lead-based paint and equal opportunity. Borrowers should note:

Contract Requirements: All work shall be completed by licensed contractors. All contracts must comply with competitive bidding requirements.

Labor Standards: A property with **eight or more residential units** must comply with the Federal Labor Standards, including the Davis-Bacon Act requirements, as promulgated by HUD, and set forth in 24 CFR Part 570, Subpart K in the performance of the rehabilitation or construction work financed by the loan. Contracts over \$10,000 must comply with Equal Opportunity Affirmative Action requirements of Section 3 of the Housing Urban Development Act of 1968 and be in accord with the City's Women and Minority Business Enterprise Program. All efforts shall be made to provide equal opportunity for employment without discrimination as to race, marital status, sex,

color, age, religion, national origin or ancestry, and to seek out qualified local tradespeople for contracting and subcontracting bids.

Lead Based Paint: All projects must comply with the federal Lead-Based Paint Hazard Abatement regulations contained in Subpart K, 24 CFR 570.

Accessibility: All projects must comply with the federal Section 504 Disabled Accessibility regulations contained in Sections 8.22 and 8.23 of Subpart C, 24 CFR Part 8.

Religious Organizations: All projects must be used exclusively for secular purposes, and must be available to all persons regardless of religion. The housing may not be used for worship or religious instruction.

Citywide Housing Trust Fund

Source of Funds

Funding for this program is provided using revenues generated through (i) Development Agreements with for-profit development firms doing business in the City of Santa Monica, (ii) in-lieu fees from the Affordable Housing Production Program established by Ordinance 1918, (iii) the Affordable Housing Commercial Linkage Fee Program, and (iv) proceeds from the sale of City-owned property.

Eligible Borrowers/Grantees

Eligible borrowers are nonprofit Housing Development Corporations (HDCs) with proven capacity to develop, own, and operate affordable housing and whose Articles of Incorporation and Bylaws irrevocably dedicate residential property owned by the corporation to the charitable purpose of providing affordable housing to low and moderate income households. Limited partnerships with such a nonprofit housing development corporation as the general partner are also eligible borrowers if the nonprofit partner is the managing general partner throughout the term of the loan and will receive at least 51% of the developer fee. Nonprofit corporations must have a valid 501(c)(3) or (4) designation from the Internal Revenue Service.

Eligible Projects

Funds can be used to make deferred loans to eligible borrowers to provide affordable housing, for low- and very low-income households through acquisition and/or rehabilitation or new construction.

Eligible rehabilitation projects will:

- (1) be in need of rehabilitation as defined herein;
- (2) be located in the City of Santa Monica;
- (3) be free from significant adverse environmental impacts except those that can be mitigated through rehabilitation; and
- (4) avoid permanent involuntary tenant displacement to the greatest degree feasible in order to carry out the program.

Eligible projects which involve new construction or conversion of an existing non-residential use will conform to items (2), (3), and (4) above.

Eligible acquisition and rehabilitation projects shall have at least 51% of the units occupied by households whose incomes do not exceed 80% of median income, adjusted for household size, at the time of acquisition (except as approved by the City Manager). Any units vacated subsequent to the acquisition date shall be affordable to households whose incomes do not exceed 60% of median income, and (except for households in occupancy at the time of acquisition) shall be occupied by households whose incomes do not exceed 60% of median income.

For new construction projects, any unit assisted under this program shall be affordable to and occupied by households whose incomes do not exceed 60% of median income as adjusted for household size.

Eligible Uses and Activities

Funds can be used to make loans to eligible borrowers to provide affordable housing, for low- and very low-income households, including but not limited to the following:

- (1) acquisition and rehabilitation of eligible rental properties;
- (2) acquisition and conversion of non-residential property to multifamily or Single-Room Occupancy rental housing units;
- (3) new construction of rental housing units;
- (4) acquisition and rehabilitation or construction of Single-Room Occupancy housing units; and
- (5) predevelopment loans up to a period of 24 months for site acquisition, predevelopment activities, including professional services which cannot be obtained on a contingency basis, and construction. Such loans may be extended for up to 18 months with an additional 12 month extension option at the discretion of the Housing Manager.

Other Requirements

Funds derived from the Affordable Housing Production Program may only be used for (i) new construction expenses, or for (ii) acquisition expenses incurred in conjunction with new construction of projects. Units assisted with Affordable Housing Production Program funds shall be primarily units for families with an average of two bedrooms.

Religious Organizations

All projects must be used exclusively for secular purposes, and must be available to all persons regardless of religion. The housing may not be used for worship or religious instruction.

Low-Moderate Income Housing Asset Trust Fund

Source of Funds

Funding sources for this program are generated from proceeds from the sale of former Redevelopment Agency housing assets, residual receipts from former Redevelopment Agency assets (i.e., loans), as well as a portion of the loan repayments from the former Redevelopment Agency to the City. Sources are set aside for the purpose of increasing, improving and preserving the community's supply of low and moderate income housing as stipulated by California Health and Safety Code Section 34176. (Further information on grant terms provided in Section III).

Eligible Borrowers/Grantees

Eligible borrowers are nonprofit Housing Development Corporations (HDC's) duly organized to promote and undertake community development activities on a not-for-profit basis, or for-profit housing developers or development corporations, with proven capacities to develop, own, and operate affordable housing. Limited partnerships whose general partners are otherwise eligible under the above are also eligible to borrow Program funds.

Eligible Projects

All new construction projects shall be affordable to households whose income, as adjusted for household size, does not exceed 80% of median income.

Eligible acquisition and/or rehabilitation projects will:

- (1) have four or more apartment or SRO units or be congregate housing or mobile home units, except where the City Manager finds that the project will provide a substantial public benefit;
- (2) be in need of rehabilitation as defined herein;
- (3) be located in the City of Santa Monica;
- (4) be free from significant adverse environmental conditions except those that can be mitigated at a reasonable cost through rehabilitation; and
- (5) minimize tenant displacement.

Eligible Uses and Activities

Program funds can be used to make loans or grants to eligible borrowers who will provide affordable housing, principally for low- and moderate-income households. Eligible uses of deferred payment loan funds or grants include, but are not limited to, the following:

- (1) acquisition and/or rehabilitation of eligible properties for rental or transitional housing;
- (2) acquisition and conversion of non-residential property to multifamily or Single-Room Occupancy rental housing units;
- (3) new construction of housing units for rental or transitional housing;
- (4) acquisition and rehabilitation of Single-Room Occupancy housing units; and

- (5) predevelopment loans or grants up to a period of 24 months for site acquisition, predevelopment activities, including professional services which cannot be obtained on a contingency basis, and construction. Such loans or grants may be extended for up to 18 months with an additional 12 month extension option at the discretion of the Housing Manager.

Affordability Requirements

As required by State law, all projects shall be targeted to households earning 80% or less of the area median income, based on the State of California Housing and Community Development income and rent limits. State law also requires that at least thirty percent (30%) shall be expended for rental housing affordable to and occupied by “low-income” households does not exceed thirty percent (30%) of the area median income and no more than twenty percent (20%) affordable to and occupied by households between 60% of the area median income and 80% of the area median income.

Units are considered affordable when the rent, less a deduction for a utility allowance, for a “very low-income” household does not exceed thirty percent (30%) of 50% of the area median income; for a “low-income” household does not exceed thirty percent (30%) of 60% of the area median income.

Very low-income households are households whose incomes do not exceed 50% of the area median. Low-income households are households whose income does not exceed 80% of the area median. The median income as referenced above is the Los Angeles County median income figure, adjusted for household size, as published by the California Department of Housing and Community Development (HCD) from time to time.

Project Monitoring

The City shall monitor annually any housing affordable to households of low- or moderate-income funded with these trust funds. The City will require owners or managers of the housing developments to submit an annual report to the City. The annual report will include information on rental rates, family income, and family size of occupants.

Security

The loan or grant shall be secured by a Deed of Trust and Promissory Note which may be subordinated to deeds of trust securing other Federal, State, or City loans, or loans from conventional financing institutions used in conjunction with the Low-Moderate Income Housing Asset Trust Fund Loan on the same property. The City must obtain written commitments to protect the City’s investment in the event of a default. The City must approve all requests for subordination.

The loan or grant shall be further secured by recorded Covenants and Restrictions, running with the land, to assure that Program funds are used to provide long-term affordable rental housing opportunities for low and moderate income households. The Borrower and the City shall execute

and record Covenants and Restrictions regulating project rents, tenant selection procedures, use of project income, management and maintenance, transfer of property, and permitted forms of ownership and use, including a prohibition on conversion of the project to condominium or stock cooperative ownership for the term of the recorded Covenants and Restrictions. The recorded Covenants and Restrictions shall provide for the longest feasible time. Notwithstanding the above, the Covenants and Restrictions would in no event, be shorter than any other term of a Regulatory Agreement or Covenant recorded concurrently with the City's Covenants and Restrictions. The Covenants and Restrictions shall be recorded with the Deed of Trust.

In some circumstances, these Covenants and Restrictions may be subordinated by the City, pursuant to Section 33334.14 of California Health and Safety Code, to liens, encumbrances, or regulatory agreements of other federal or state agencies or lenders providing financing for the project, subject to assurances by senior lenders that the City's lien rights will be protected.

Religious Organizations

All projects must be used exclusively for secular purposes, and must be available to all persons regardless of religion. The housing may not be used for worship or religious instruction.

TORCA Housing Trust Fund

Source of Funds

Funding for this Program is provided using revenues generated pursuant to the Tenant Ownership Rights Charter Amendment, as amended by Proposition K (including the repayment of shared-appreciation loans made pursuant to this Program).

Eligible Borrowers*

Eligible borrowers are nonprofit Housing Development Corporations (HDCs) with proven capacity to develop, own, and operate affordable housing, and whose Articles of Incorporation and Bylaws irrevocably dedicate residential property owned by the corporation to the charitable purpose of providing affordable housing to low- and moderate-income households. Limited partnerships with such a nonprofit housing development corporation as the general partner are also eligible borrowers if the nonprofit partner is the managing general partner throughout the term of the loan and will receive at least 51% of the developer fee. Nonprofit corporations must have a valid 501(c)(3) or (4) designation from the Internal Revenue Service.

Eligible Projects

Eligible projects include acquisition, rehabilitation, or new construction of rental or ownership housing projects which:

- (1) consist of mobile home unit(s), congregate housing, Single-Room Occupancy units, or have four or more apartments, except where the City Manager finds that the project will provide a substantial public benefit;
- (2) are located in the City of Santa Monica;
- (3) are free from significant adverse environmental impacts except those that can be mitigated through rehabilitation;
- (4) avoid permanent involuntary tenant displacement to the greatest degree feasible in order to carry out the program and
- (5) have at least 51% of the units occupied by households whose incomes do not exceed 80% of median income, adjusted for household size, at time of acquisition (except as approved by the City Manager).

Projects which involve conversion of an existing nonresidential use to residential use are eligible. Transitional or permanent housing may be provided. Projects which involve the conversion of mobile home units to limited equity housing cooperative ownership are also permitted.

Eligible Uses and Activities

Program funds can be used to make loans to eligible borrowers who will provide affordable housing, principally for low and moderate income households. Eligible uses of TORCA funds include, but are not limited to, the following:

*While the City may not act as a borrower itself, the City Charter provides that the City may also utilize TORCA funds for the development of housing projects which meet TORCA requirements.

- (1) acquisition and/or rehabilitation of eligible rental properties;
- (2) acquisition and conversion of nonresidential property to multifamily or Single Room Occupancy rental housing units;
- (3) new construction of rental housing units;
- (4) acquisition and rehabilitation of Single-Room Occupancy housing units;
- (5) predevelopment loans up to a period of 24 months for site acquisition, predevelopment activities, including professional services which cannot be obtained on a contingency basis, and construction. Such loans may be extended for up to 18 months with an additional 12 month extension option at the discretion of the Housing Manager; and
- (7) provide rental subsidies for temporary or permanent housing for low-income households.

Affordability Requirements

All units assisted under this program shall be affordable to households with incomes that do not exceed 80% of median income, and (except for households in occupancy at time of acquisition) shall be occupied by households with incomes that do not exceed 80% of median income.

Other Requirements

Labor Standards: State prevailing wage requirements apply to projects in which project costs exceed \$25,000 for new construction or \$15,000 for rehabilitation.

Religious Organizations

All projects must be used exclusively for secular purposes, and must be available to all persons regardless of religion. The housing may not be used for worship or religious instruction.

Redevelopment Replacement Housing Trust Fund

Source of Funds

Funding for this program is provided using revenues generated through (i) the voter-approved Measure GSH tax revenues and (ii) any other funds dedicated by the City Council.

Eligible Borrowers/Grantees

Eligible borrowers are nonprofit Housing Development Corporations (HDCs) with proven capacity to develop, own, and operate affordable housing and whose Articles of Incorporation and Bylaws irrevocably dedicate residential property owned by the corporation to the charitable purpose of providing affordable housing to low- and moderate-income households. Limited partnerships with such a nonprofit housing development corporation as the general partner are also eligible borrowers if the nonprofit partner is the managing general partner throughout the term of the loan and will receive at least 51% of the developer fee. Nonprofit corporations must have a valid 501(c)(3) or (4) designation from the Internal Revenue Service.

Eligible Projects

Funds can be used to make deferred loans to eligible borrowers to provide affordable housing, for low- and very low-income households through acquisition and/or rehabilitation or new construction.

Eligible rehabilitation projects will:

- (1) be in need of rehabilitation as defined herein;
- (2) be located in the City of Santa Monica;
- (3) be free from significant adverse environmental impacts except those that can be mitigated through rehabilitation; and
- (4) avoid permanent involuntary tenant displacement to the greatest degree feasible in order to carry out the program.

Eligible projects which involve new construction or conversion of an existing non-residential use will conform to items (2), (3), and (4) above.

Eligible acquisition and rehabilitation projects shall have at least 51% of the units occupied by households whose incomes do not exceed 80% of median income, adjusted for household size, at the time of acquisition (except as approved by the City Manager). Any units vacated subsequent to the acquisition date shall be affordable to households whose incomes do not exceed 80% of median income, and (except for households in occupancy at the time of acquisition) shall be occupied by households whose incomes do not exceed 80% of median income.

Affordability Requirements

All assisted units shall be affordable to households whose incomes do not exceed 80% of median income, and (except for households in occupancy at the time of acquisition) shall be occupied by

households whose incomes do not exceed 80% of median income. The City may require the Borrower to pay to the City residual receipts resulting from rents associated with tenant(s) existing prior to the acquisition which exceed the rent limits pursuant to the Regulatory Agreement.

For new construction projects, any unit assisted under this program shall be affordable to and occupied by households whose incomes do not exceed 80% of median income as adjusted for household size.

All eligible projects assisted under this program will not be required to meet a minimum average number of bedrooms per unit requirement.

Eligible Uses and Activities

Funds can be used to make loans to eligible borrowers to provide affordable housing, for low- and very low-income households, including but not limited to the following:

- (1) acquisition and rehabilitation of eligible rental properties;
- (2) acquisition and conversion of non-residential property to multifamily or Single-Room Occupancy rental housing units;
- (3) new construction of rental housing units;
- (4) acquisition and rehabilitation or construction of Single-Room Occupancy housing units;
- (5) predevelopment loans up to a period of 24 months for site acquisition, predevelopment activities, including professional services which cannot be obtained on a contingency basis, and construction. Such loans may be extended for up to 18 months with an additional 12 month extension option at the discretion of the Housing Manager; and
- (6) Rental subsidy or other affordable housing programs with City Council approval.

Religious Organizations

All projects must be used exclusively for secular purposes, and must be available to all persons regardless of religion. The housing may not be used for worship or religious instruction.

VIII. EXHIBITS

Exhibit A Definitions

Exhibit B HOME Program Subsidy Limits

Exhibit C Rental Housing Loan Application (with check list and including Green Affordable Housing Checklist)

Exhibit D Green Affordable Housing Checklist

EXHIBIT A

Definitions

Acquisition Basis: Owner's basis for acquisition of the property as determined by Standard Accounting Procedures.

Capitalized Reserve Account: An account established with funds from capital funding sources available at the time of completion of development for the purpose of funding future project costs.

Community Housing Development Corporation (CHDO): A private nonprofit housing development corporation which meets a series of HUD qualifications prescribed in the HOME Regulations, including the requirement that it is duly organized to provide decent housing that is affordable to low- and moderate-income persons; maintains at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income residents, or elected representatives of low-income neighborhood organizations; and, provides a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing.

Community Based Development Organization (CBDO): A Housing Development Corporation which meets the requirements of CDBG regulations as defined in 24 CFR 570.204(a)(2)(c)(1), as amended from time to time.

Congregate Housing: A multi-family residential facility with shared kitchen facilities, deed-restricted or restricted by an agreement approved by the City for occupancy by low or moderate income households, designed for occupancy for periods of six months or longer, providing services which may include meals, housekeeping and personal care assistance as well as common areas for residents of the facility.

Depreciable Basis: Owner's basis for depreciable costs of the project as determined by Standard Accounting Procedures, not including developer fees.

Fair Market Rents: Maximum rents as published by HUD for the Section 8 programs for the Los Angeles Area, adjusted for unit size.

Grant: Transfer of trust funds for purposes of financing the development of affordable housing, on the condition that grantee remains in full compliance with the Regulatory Agreement. Unlike a loan, the grant only becomes due and payable in the event that grantee is in default of the Regulatory Agreement.

HED: Housing and Economic Development Department, City of Santa Monica. This Department will administer the Program for the City under the direction of the City Manager/Executive Director.

Nonprofit Housing Development Corporation (HDC): A private, nonprofit corporation with proven capacity to develop, own and operate housing, and which has a valid 501(c)(3) or (4) designation from the IRS.

Limited Equity Cooperative: A form of ownership whereby the residents form a cooperative corporation which owns and manages the property, and where the return on residents' original equity is limited to no more than 10%, as defined in the California Health and Safety Code, Section 33007.5.

Loan: Advance of trust funds for purposes of developing affordable housing with promise to repay.

Qualified Developer: A non-profit corporation with proven capacity to develop, own and operate housing which has a 501(C) (3) or (4) designation from the I.R.S.

Low and Moderate Income Households:

For Home Trust Fund, CDBG Housing Trust Fund and TORCA Housing Trust Fund: Households with incomes that do not exceed 80% of Los Angeles County median income, adjusted for household size, as published by the U.S. Department of Housing and Urban Development (HUD) from time to time.

For Citywide Housing Trust Fund: Households with incomes that do not exceed 60% of the Los Angeles County median income, adjusted for household size, as published by the U.S. Department of Housing and Urban Development (HUD) from time to time are considered low income. Within this group of households, those with incomes that do not exceed 50% of the median are considered very low income.

For Low-Moderate Income Housing Asset Trust Fund: Households with incomes that do not exceed 120% of the Los Angeles County median income, adjusted for household size, as published by the U.S. Department of Housing and Urban Development (HUD) from time to time.

Maximum Affordable Rent: A rent which does not exceed thirty percent (30%) of the maximum income level of the income group being served (see "Low and Moderate Income Households"), adjusted for unit size and utility costs.

For Low-Moderate Income Housing Asset Trust Fund: the Maximum Affordable Rent for households with incomes that do not exceed 120% of median income for Los Angeles County shall be 30% of 110% of such median income.

Maximum Allowable Rent: The legal rent for the unit under Santa Monica Rent Control Charter Amendment, with allowable adjustments by the Rent Control Board for annual expense increases or for capital improvements.

New Construction: The construction of new housing including, but not limited to assembly of factory-built modular housing, or conventional on-site construction.

Operating Reserve Account: An account established for the purpose of funding a deficit in the project's operation.

Rehabilitation: Correction of local code violations and removal of health and safety hazards; upgrading of housing units to decent, safe and sanitary conditions to comply with the Housing Quality Standards promulgated by HUD and with local standards; repair or replacement of major building systems or components in danger of failure; and alterations, additions and improvements to expand the number of affordable units, or needed to improve the basic livability, energy efficiency, accessibility for the disabled, or security of the property, and to reduce overcrowding.

Rehabilitation Basis: Owner's basis for rehabilitation costs incurred for the property, as determined by Standard Accounting Procedures, not including developer fees.

Replacement Reserve Account: An account established for the purpose of funding major repairs or replacement of capital components of a building which reach the end of their economic life and require replacement.

Residual Receipts: The gross receipts from the property, less actual costs of operation, administration, maintenance, taxes, insurance, utilities, management, approved replacement and operating reserves, payments of principal and interest on loans senior to the City loan, and required debt service coverage. The amount of Residual Receipts shall be calculated based on the actual income and expenses set forth in the Annual Operating Budget required under the Regulatory Agreement or recorded Covenants, as approved by the City.

Single Room Occupancy Housing: Multifamily residential buildings containing housing units with a minimum floor area of one hundred fifty square feet and a maximum floor area of three hundred seventy-five square feet which may have kitchen and/or bathroom facilities, and where each housing unit is restricted to occupancy by no more than two persons and is offered on a monthly rental basis or longer.

Transitional Housing: A type of supportive housing used to facilitate the movement of homeless individuals and families to permanent housing. Typically, transitional housing is housing in which homeless people live for up to 24 months and receive supportive services that enable them to live more independently. The supportive services may be provided by the organization managing the housing or coordinated by them and provided by other public or private social service agencies.

EXHIBIT B

HOME PROGRAM SUBSIDY LIMITS

UNIT SIZE	SUBSIDY LIMIT
0 Bedroom	\$141,088
One Bedroom	\$161,738
Two Bedroom	\$196,672
Three Bedroom	\$254,431
Four Bedroom or larger	\$279,285

Limits are for 2017

EXHIBIT C

**Housing Trust Fund Loan Application
(includes Checklist)**

**City of Santa Monica
Housing and Economic Development Department
Housing Division**

Rental Housing Loan Application

Loan Request: \$ _____ Term (in years): _____

Purpose of Loan (Circle one):

 Acquisition & Rehabilitation New Construction Rehabilitation

Proposed City Funding Source (Circle one):

 Predevelopment Construction Permanent Interim/Bridge

Applicant

Name of Organization _____

Street Address _____

City, State & Zip Code _____

Contact/Title _____

Phone/Fax _____

Legal Status of Applicant (Circle one): nonprofit corporation for-profit corporation
general partnership limited partnership individual joint venture other

Names and Addresses of Principals (if firm, not individual)

City of Santa Monica
Housing and Economic Development Department
Housing Division

Proposed Project

Name of Project _____

Street Address _____

City, State & Zip Code _____

Total Number of Units _____

Description of Proposed Project

Please provide a brief description of the proposed physical project, including proposed (or current if an existing property) resident income levels, number and size of units, special amenities, on-site services, etc. Description should be at least several paragraphs in length.

(Please circle the appropriate categories)

Building Type

Row	Detached	Semi-Detached	Walk-up	Elevator	Mixed-Use
-----	----------	---------------	---------	----------	-----------

Foundation Type

Full Basement	Partial Basement	Crawl Space	Slab/Grade
---------------	------------------	-------------	------------

Parking Type

Subterranean	Semi-Subterranean	Tuck-under	On-Grade
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	<i>Existing</i>	<i>Proposed</i>
Stories:		
Units:		
Buildings:		
Parking Spaces:		
Gross Building Sq/Footage (excluding parking):		
Parking Square Footage:		
Residential Area:		
Commercial Area:		
Year Built: _____		
Units Demolished: _____		

Amenities

Pool Laundry Other: _____

Type of Social Services, if any _____

Accessory Buildings(i.e. Rec Halls, Garage or Shed Structures, etc.):

No., type, size _____

Unit Mix	Existing	Proposed	Sq/Ft	Rents	
				Existing	Proposed
studio					
one bedroom					
two bedrooms					
three bedrooms					
four bedrooms					
Total					

Site information

Lot Size:	Sq. Ft.
Lot Dimensions:	X Ft.
Zoning:	
Variances/conditional use permits/ other planning approvals required?	
Is the project located in the Coastal Zone?	

Equipment and Services to be included in Rent

Ranges (gas/electric)	Refrigerator (gas/elec)	Air Conditioner
Kitchen Exhaust Fan	Dishwasher	Garbage Disposal
Laundry Facility	Drapes	Carpet
Gas	Heat	Hot Water
Water	Electricity	Other:

Do you have a Rent Control Removal Permit? Yes No

If yes, please provide the permit number and date of issue _____

Financing

Will this project seek to utilize low income housing tax credits? Yes No

If yes, estimated federal credits _____ 9% _____ 4% _____
 estimated State credits _____

Will the project seek to utilize tax exempt financing? Yes No

If yes, proposed issuer and form of credit enhancement _____

Development Team

Name		Contact/Title	Phone/Facsimile	Address
Developer				
Architect				
Consultant				
Attorney				
General Contractor				
Construction Manager				
Relocation Consultant				
Other				

Certification Statement

Please provide the following information. Leave no blanks. If not applicable, type N/A. (Please attach additional sheets, if necessary).

1. Applicant's Name:

2. List any additional names or aliases, exercise of power of attorney and/or fiduciary trust capacities that you are currently using or have used in the past. If any, please explain.

3. List all partnerships, corporations, joint ventures, and/or limited partnership entities, (including applicant, if applicable), which you are currently or have been associated with, and designate whether you are/were a principal and list your title and responsibilities, the purpose of the organization and its current status.
 - 3a. Have any of the entities listed above been either suspended, revoked, lapsed and/or terminated for any reason? If so, please explain.

 - 3b. Has the applicant or its partners or principals filed for bankruptcy? If so, please state the case number and whether the case was dismissed, discharged or is current.

 - 3c. Has the applicant or its partners or principals defaulted on a financial obligation? If so, please explain.

 - 3d. Is there, or has there ever been, a settlement and/or judgement filed or a case pending against the applicant or its partners or principals? If so, please explain.

 - 3e. Has a lien ever been filed against real property owned by the applicant or its partners or principals listed above as a result of a judgment, etc.? If so, please explain.

4. Has the applicant or its partners or principals ever been convicted of a felony or misdemeanor other than minor traffic violations and/or placed on probation, fined or given a suspended sentence in court? If so, please explain.

5. Has the applicant or its partners or principals ever been cited and/or convicted of a misdemeanor, including but not limited to a conviction under local health, fire, environmental and/or building and safety laws, relating to the ownership and/or management of real property? If so, please explain.

6. Does the applicant have any employees or relatives who have close associations with current or former employees of the Santa Monica City Council, City Manager's Office, or the Housing and Economic Development Department? If so, please explain.

7. Are any current or former employees of the Santa Monica Housing Division currently employed by the applicant? Any relatives of any Housing Division employees? If so, please state the individual's name and dates of employment.

8. Are there any Housing Division current or former employees that have a financial interest in this project? If so, state name, dates of employment and interest.

9. List all residential income properties which are owned by the applicant or its partners or in which principals have a vested interest.

10. Does the applicant or its partners or principals have any income and/or real property taxes or assessments that are past due? If so, please explain.

PRIVACY NOTIFICATION. The information requested above is to be used by the Santa Monica Housing Division to assess the applicants creditworthiness. Information provided that is contained in public records cannot be withheld from disclosure under the California Public Records Act, Government Code, Sections 6250 and 6254. All other information may be required to be disclosed outside the agency by state and/or federal law.

Furnishing all information requested on this form is mandatory. Failure to provide such information may result in disqualification or a withdrawal of Housing Division's commitment.

CRIMINAL PENALTIES. Any person who shall knowingly make or cause to be made, either directly or indirectly, any false statement in writing, with the intent that it shall be relied upon, for the purpose of procuring the loan secured by real property shall be guilty of a criminal offense, punishable by a fine not exceeding ten thousand dollars (\$10,000.00) or by imprisonment in a county jail not exceeding six months, or by both the fine and imprisonment. (California Penal code sections 532(a) and 532)).

CONTINUING OBLIGATION. I understand that I have a continuing obligation to provide the Housing Division with current and accurate information. Applicant must provide to Housing Division all requested information with an Applicant's Certification Statement for any individual or entity that Housing Division in its sole discretion believes is necessary to evaluate the application (reasonably related to the applicant).

I, the undersigned, certify that the information provided to the City of Santa Monica, Housing Division, is true and correct as of the date set forth opposite my signature on this application package and acknowledge that any false or misleading statements of the information contained may result in civil liability and liability for monetary damages to the lender, its agents, successors, and assigns, insurers and any other person who may suffer any loss due to reliance upon any false or misleading statements which I have made on this Certification Statement.

Date

Applicant's Name

Certified By (Print Name)

Signature

Title

Federal Tax ID#

Special Supplement for Environmental Review

In addition to the following information, please attach 1 copy each of application exhibits (1c) Construction and Design Description and (1e) current photos of site, and Assessor Parcel Map(s) with parcels indicated. These materials will be forwarded separately to the parties responsible for environmental review.

Applicant: _____

Project Address: _____

Site information

Assessor's Parcel #(s):		
Lot Size:		Sq. Ft.
Lot Dimensions:	X	Ft.
Zoning:		
Uses on adjacent sites:		
Variances/conditional use permits/ other planning approvals required?		
Is the project located in the Coastal Zone?		
Present Property Use:		
Prior Property Use:		

Number of:	Existing	Proposed
Stories:		
Units:		
Buildings:		
Parking Spaces:		
Gross Building Square Footage (excluding parking):		
Parking Square Footage:		
Year Built:		

<i>Units Demolished:</i>	
--------------------------	--

Special Supplement for Environmental Review
Part II. Questions

1. Please describe adjacent uses and neighborhood characteristics.

2. Is the property designated or determined eligible for historic register designation at the local, state or national level? Has it been determined ineligible?

3. Please identify the source of information used to determine the exact or approximate year of building construction.

4. Will financing for this project include the Historic Rehabilitation Tax Credit?

5. Provide the name and address of any person who has commented or may wish to comment on this project.

6. Provide the names and telephone numbers of the project applicant, project monitor, and project architect and/or contractor.

7. Please provide a copy of a building permit for each building, if applicable.

8. Are there any other environmental studies available for the site (i.e. Archaeological, Hazardous Materials, Phase I or II)?

Unit Number	Name of Tenant	# of persons in household	actual income, if known	Income*		
				Low	Moderate	Above Moderate
	Totals					

Percent of Units Low Income _____

Percent of Units Moderate Income _____

Percent of Units Above Moderate Income _____

*See attached chart for maximum income by household size for each income category.

- _____ # Application
- _____ # Attachment A - Tenant Profile
- _____ # Special Supplement for Environmental Review
- _____ # Site and Project Information

Survey of site, if available

Legal Description of the Property

Construction and Design Description

***For Acquisition or Rehabilitation Projects - Property Inspection Report and/or
Detailed Work Write-Up on a unit by unit basis***

Schematic designs, if available

Current Photos of Site

Evidence of Site Control

Preliminary Title Report

Appraisal, if available

***Current Rent Roll for existing tenants of acquisition and rehabilitation projects,
and estoppel certificates when available***

Verification of Zoning, if available

***Phase I Environmental Report and any other Environmental Reports (e.g. lead
and asbestos assessments)***

Termite Report

Construction Cost Estimate

Proposed Project Timetable

*Analysis of replacement reserve requirements, showing remaining economic life
and projected replacement cost for building systems*

Financial Feasibility Project development and operating pro formas in format shown. A diskette with these forms prepared using Excel software is available from the City for your use. Notes and assumptions explaining the basis of all projected costs development and operating costs must be provided. Required exhibits include:

- _____ Project Summary
- _____ Exhibit 1, Development Costs
- _____ Exhibit 2, Rent Schedule
- _____ Exhibit 3, Operating Expenses
- _____ Exhibit 4, 30 Year Cash Flow Analysis
- _____ Exhibit 5, Financing
- _____ Exhibit 6, Tax Credit Analysis (where applicable)
- _____ Exhibit 7, Bond Fees Worksheet (where applicable)
- _____ Exhibit 8, Sources and Uses Through Construction (when available)

Organizational Documents

Project Team Resumes

Resumes of Principals of sponsor

For nonprofit developers,

List of Board of Directors and Organizational Chart
501(c)(3) exemption determination letter from the IRS

By-Laws, Articles of Incorporation, Partnership Agreements

Current Financial Statements (Audited statements should be no more than 1 year old. Unaudited statements should be no more than 6 months old.)

Ownership Plan, if applicant will not be owner.

Financing

Evidence of other Financing Approvals, Summary of Terms and Status, Contact Persons and phone numbers.

Ground Lease, if applicable

Loan Documents for Existing or Proposed Subordinate Financing, if available

Tax credit reservation, if available

Property Management

Resume of Firm

Management Plan, if available

Tenant Information

Tenant Profile, existing if available and proposed, showing number of persons in each household and income level.

Relocation Plan, if applicable

Tax Credit Projects Only

Evidence of Tax Credit Allocation, if available

Commitment of Tax Credit Investor, if available

Partnership Agreement, if available

EXHIBIT D

Green Affordable Housing Checklist

GREEN AFFORDABLE HOUSING CHECKLIST

Purpose and Use of the Green Affordable Housing Checklist

The City of Santa Monica Housing Division strongly encourages the use of environmentally sensitive ("green") building materials and systems in affordable housing developments.

This checklist is intended to encourage developers to consider green building methods and practices in the earliest stages of project planning. On the checklist are a number of recommended green practices, including practices related to energy efficiency; landscaping; framing and carpentry; indoor air quality; and other building systems and materials. Keeping in mind the intended scope of each project, budgetary constraints, availability of materials, and other factors, our goal is that as many of these practices as possible be incorporated into each project.

It should be noted that many green building systems and materials are evolving and becoming increasingly available. Therefore, this checklist is a living document, to be updated as technology and construction practices change.

Costs

Some of these practices involve no additional costs. Others may involve marginally or significantly higher initial costs. Please do not dismiss some items just because they may cost more, as the City may be willing to fund the increased cost in the interest of promoting a healthy environment.

Contractor Bid Packages

If you do not have, or cannot obtain, current costs for certain items on the checklist, please include these as alternatives as part of the contractor bid package in order to determine the cost.

Completing the Checklist

Please complete this checklist to show which green building practices will be included in the project. If you do not intend to include certain practices, or if the practice is not applicable to the project, please provide an explanation on the checklist. Also, please indicate which items will be included as alternatives in the contractor bid package. To facilitate completion of the checklist, the City's Project Analyst is available to assist you.

City of Santa Monica Housing Division

- Green Affordable Housing Checklist -

<i>Item and Santa Monica Green Building Design and Construction Guideline (SMGBD&CG) reference</i>	<i>Description</i>	<i>Benefit</i>	<i>Included in Project</i>			
			<i>Yes</i>	<i>No</i>	<i>Not Sure--Will Include in Bid Package to Determine Cost</i>	<i>N/A</i>

Energy Efficiency

<p style="text-align: center;">Energy Efficient Lighting <i>SM GBD&CG-ES2</i></p>	<p>Energy efficient exterior lighting, such as high-pressure sodium. Should be appropriately sized for the location.</p> <p>Interior fluorescent bulbs and (where practical and appropriate) fixtures produce light quantity and quality that is comparable to incandescents, while expending less energy.</p>	<p>Energy efficient lighting reduces energy consumption and lowers utility bills. One compact florescent bulb will pay itself back over ten times over the course of its life through reduced energy use.</p>				
--	--	---	--	--	--	--

If included, please describe how the item will be used in the project.

If not included, please describe why.

<p>Resource Efficient Appliances <i>SM GBD&CG-WS1</i></p>	<p>Refrigerators, water heaters, stoves, dishwashers, and washing machines that are designed to use less energy and water. Most efficient appliances qualify for Energy Star designation.</p>	<p>Appliances, particularly refrigerators and water heaters, are some of the major sources of residential energy use. Reducing energy and water use lowers utility bills while benefiting the environment.</p>				
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If not included, please describe why.

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			<i>Yes</i>	<i>No</i>	<i>Not Sure--Will Include in Bid Package to Determine Cost</i>	<i>N/A</i>

Combined Hydronic Heating <i>SM GBD&CG-HS8</i>	This system uses hot water from the water heater for space heating. Applicable for new construction and major rehab only.	Using the water heater for two purposes uses energy more efficiently.				
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If included, please describe how the item will be used in the project.

If not included, please describe why.

Landscaping

Low-Water Landscape Designs <i>SM GBD&CG-LA3</i> <i>See Zoning Ordinance Section 9.04.010.04.110</i> Water Conservation Landscaping	Low-water landscape designs, such as xeriscape, reduce water use by emphasizing native and/or drought tolerant plants, elimination of turf areas, and minimizing maintenance.	Low-water designs reduce water and maintenance bills and impacts on local water supply infrastructure.				
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If not included, please describe why.

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Water-Efficient Irrigation <i>SM GBD&CG-LAb</i>	Water efficient systems, such as drip irrigation, place the correct amount of water directly at the base of each plant thus reducing water use and waste from overwatering.	Water efficient systems help plant growth and overall health by eliminating over watering or excessive drying. They also lower water bills and reduce impacts on water supply infrastructure.				
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If included, please describe how the item will be used in the project.

If not included, please describe why.

Engineered Lumber and Wood Alternatives

Oriented Strand Board (OSB) <i>SM GBD&CG-MA3</i>	OSB is an alternative to plywood for sheathing, flooring, and roofing.	Plywood requires the use of large-size, typically old growth trees. OSB is made from small pieces of wood, thus eliminating or reducing impacts to forests.				
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If included, please describe how the item will be used in the project.

If not included, please describe why.

Wood I-Beam <i>SM GBD&CG-MA3</i>	Wood I-Beams are an alternative to 2x6s or 2x8s used for floor and roof joists.	Wood I-Beams are engineered to use less wood to perform the same function and are often straighter, thus minimizing wood waste.				
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If not included, please describe why.

Laminated Wood Fiber Products <i>SM GBD&CG-MA3</i>	Gluelam, parlam, microlam, etc. are alternatives to large dimension lumber for trusses, beams, and headers.	Laminate products provide the same strength while eliminating the need to use large-dimension lumber from old-growth sources.				
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If included, please describe how the item will be used in the project.

If not included, please describe why.

Certified Wood <i>SM GBD&CG-MA6</i>	Certified wood is used like conventional lumber for framing, etc. Based on 2001 availability, may be appropriate for new construction and major rehab projects only.	Wood certified by the Forest Stewardship Council has been monitored from the forest to the local supplier to ensure that the wood is harvested, milled, and delivered under environmentally, and socially responsible conditions.				
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Plastic Lumber <i>SM GBD&CG-Mab</i> <i>SM GBD&CG-LA7</i>	Plastic lumber is made from recycled plastic products. It can be used as an alternative to wood in non-structural applications such as decking and fencing, depending on field conditions.	Plastic lumber is highly durable and is not susceptible to rot or termite damage. It is also an excellent use of recycled plastics.				
If included, please describe how the item will be used in the project.						
If not included, please describe why.						
Fiber-Cement Siding <i>SM GBD&CG-Mab</i> <i>SM GBD&CG-MA4</i>	Fiber cement siding can be used as an alternative to redwood or other types of siding.	Fiber cement siding is not susceptible to rot or termites and is fire resistant.				
If included, please describe how the item will be used in the project.						
If not included, please describe why.						

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Indoor Air Quality

No-VOC (volatile organic compound) Paint <i>SM GBD&CG-MA7</i>	No-VOC paint is used exactly like conventional paint. Current no-VOC paints are suitable for indoor use only, subject to ongoing maintenance viability.	No-VOC paint does not emit odors related to VOCs. Organic chemicals are widely used as ingredients in household products like paint, adhesives, cleaning supplies, etc. VOCs can cause eye, nose, and throat irritation, loss of coordination, and potentially damage the liver and central nervous system. Outside, VOCs can bond with other pollutants and create ground-level ozone.				
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If included, please describe how the item will be used in the project.

If not included, please describe why.

Carbon Monoxide Detector	Carbon monoxide detectors monitor the level of this gas in individual dwelling units.	Carbon monoxide is a common indoor air pollutant created by the combustion of natural gas from stoves and heaters and is harmful to human health.				
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Seal Exposed Particle Board <i>SM GBD&CG-MA7</i>	Particleboard typically includes formaldehyde. Sealing with a flat, latex-based primer or other suitable material can prevent the off gassing of formaldehyde.	EPA ranks formaldehyde as a probable human carcinogen. Exposure to formaldehyde can cause eye, nose and throat irritation, skin rashes, headaches, nosebleeds, and nausea.				
If included, please describe how the item will be used in the project.						
If not included, please describe why.						
Formaldehyde-Free Cabinets and Counters <i>SM GBD&CG-MA7</i>	Particleboard or medium density fiberboard (MDF) in cabinets and counters can be substituted with formaldehyde-free MDF alternatives or products such as strawboard and wheatboard made from agricultural waste.	Cabinets and counters are typically made of particleboard that uses formaldehyde as the binding agent. Minimizing or eliminating formaldehyde-based materials has a positive impact on indoor air quality.				
If included, please describe how the item will be used in the project.						
If not included, please describe why.						
<i>Building Materials</i>						

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Ceramic Tile <i>SM GBD&CG-MA4</i>	Ceramic tile can be used in kitchen and bathroom and counter tops. May be applicable to new construction and major rehab only.	Ceramic tile is long lasting and does not off gas.				
If included, please describe how the item will be used in the project.						
If not included, please describe why.						
Linoleum Flooring <i>SM GBD&CG-MA4</i>	Linoleum flooring is made of natural, renewable substances such as amber, chalk, cork, and jute. It can be used as an alternative to sheet vinyl, vinyl composite tiles, or carpet.	Most flooring products such as sheet vinyl and carpet off gas volatile organic compounds (VOCs) and are made from non-renewable petroleum-based products. In contrast, linoleum minimizes off gassing and is made from renewable substances.				
If included, please describe how the item will be used in the project.						
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Recycled Content Insulation <i>SM GBD&CG-MAb</i>	Both fiberglass and blown cellulose insulation have recycled content. Fiberglass products are used identically to standard products. Blown cellulose (made of recycled newsprint) requires a special installer.	Recycled-content products support Statewide solid waste diversion goals. Cellulose insulation provides a tighter enclosure than fiberglass.				
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