City of
Santa Monica™

City of Santa Monica
Housing Division
1901 Main Street, 1st Floor, Suite A
Santa Monica, CA 90405
Phone: (310) 458-8702

October 23, 2017

Tara Barauskas, Executive Director
Community Corporation of Santa Monica
1423 Second Street, Suite B
Santa Monica, CA 90401

RE: 1342 Berkeley Street Commitment to Provide Predevelopment Financing

Dear Ms. Barauskas:

We are pleased to inform you that the City of Santa Monica (City) has preliminarily approved a predevelopment loan request from Community Corporation of Santa Monica (Borrower) in the amount of $467,735 for the predevelopment of 1342 Berkeley Street (Project) for the purpose of developing affordable housing targeting low-income households and young adults (aged 18-24) at-risk of homelessness. This loan will be funded from the Citywide Housing Trust Fund (CHTF). The City loan is subject to the Borrower's execution of final documents to be approved by the City Counsel and prepared under the following general terms and conditions:

LOAN AMOUNTS:	$467,735 is for predevelopment costs for the site.
LOAN RATE:	0%
TERM OF LOAN:	Two (2) years, with option to extend for additional two and one-half (2 ½) years; payments are deferred during the loan term, which includes any extension. The loan is due and payable at the end of the loan term.
SECURITY:	City First Trust Deed.
DISBURSEMENT:	Pre-development loan proceeds shall be disbursed on a reimbursement basis

<u>CONDITIONS FOR PREDEVELOPMENT PORTION OF LOAN:</u>

1. Borrower's assurances that the Project will target 100% of the affordable units to young adult (aged 18-24) homeless or at-risk of homelessness, to the extent permitted under state and federal fair housing laws.

2. City receipt and approval of a Phase I Environmental Site Assessment acceptable to the City in its sole discretion (received and approved).

3. Updated preliminary title report (no more than 30 days old). City receipt of an ALTA Lender's Title Insurance Policy in the amount of the City loan. Title must be free and clear of all exceptions, subject only to exceptions approved by the City in its sole discretion.

4. Evidence that Borrower has obtained insurance as required by the City's Risk Manager, including, but not limited to, *Liability insurance* of at least $1,000,000. The insurance certificate must indicate the City as an additional insured.

5. Evidence that Borrower has obtained a property insurance policy written on an "all risk" basis must be maintained by the Borrower, at the Borrower's expense, throughout the term of the loan agreement. The policy will provide for 100% full replacement value of the real property and name the City of Santa Monica as the loss-payee.

6. City receipt and approval of draw requests.

OTHER CONDITIONS:

1. Borrower's execution and delivery of City standard loan documents (including, a Predevelopment Loan Agreement, Promissory Note secured by a Deed of Trust, Memorandum of Agreement, Assignment of Contract) and compliance with all covenants and conditions set forth in the loan documents or as City or its counsel may determine based on a review of Borrower's submissions as required by this commitment letter.

2. Title must be free and clear of all exceptions, subject only to exceptions approved by the City in its sole discretion.

3. City reserves the right at any time during the term of this loan to sell, assign, or otherwise transfer its interest and rights in the promissory note and security for this loan after providing 30 days prior written notice to Borrower.

4. Borrower's assurances, as City deems necessary, that the property condition and Borrower financing condition remain substantially the same as represented at the time of commitment.

5. City reserves the right to cancel this commitment and terminate its obligations hereunder, upon the occurrence of any of the following events:

    a. Borrower's failure or inability to comply with the terms of this commitment after written notice to Borrower and the expiration of a sixty (60) day period for Borrower to cure any default or noncompliance;

    b. The filing by or against Borrower or any Guarantor of a petition in bankruptcy or insolvency or for reorganization or the appointment of a receiver or trustee, or the making by Borrower or any Guarantor of an assignment for the benefit of creditors, or the filing of a petition for arrangement by Borrower or Guarantor;

c. The disclosure of any information which in the opinion of City would materially impair the ability of Borrower or any Guarantor to perform under the terms of this commitment or the loan or of the Development to meet City's underwriting standards; or

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

6. Funding is subject to compliance with NEPA/CEQA, if applicable.

7. Prior to finalizing design drawings for submittal to review by the Planning and Community Development Department, Borrower will conduct a minimum of two public workshops with neighbors residing with 500 feet of the proposed development. At these workshops, the Borrower will describe the amount and type of development that is allowed by right on the site; present one or more schematic design options for the affordable housing development; and, elicit public input on the design options. To the extent feasible, Borrower shall incorporate comments from these workshops into the development design.

8. This proposed affordable housing development must follow the City's local preference guidelines, subject to any applicable federal or California fair housing laws or regulations, and must utilize a waitlist that will be maintained by the Housing Authority. The Housing Authority will be responsible for the waitlist and marketing of the proposed affordable housing development.

9. In accordance with the revised Housing Trust Fund Guidelines, the Borrower shall conduct a public meeting for the proposed development within 30 days of the delivery of the loan commitment letter. **The Borrower must provide a written notice which provides the date, time and location of the public meeting to the Housing Division at least 15 days prior to the public meeting date**.

10. Prior to construction loan approval, Borrower must make a demonstrated effort to work with the City to explore and implement cost reductions through the economies of scales with the affordable housing development located at 3021-3031 Santa Monica Boulevard (Berkeley Place).

11. Prior to construction loan approval, Lender receipt and approval of service provider, which may be selected from existing grantees under the City's Human Services with experience in the target population and will leverage service partners with outside funding sources.

12. Prior to construction loan approval, Borrower shall provide a financial feasibility analysis which includes an Affordability Reserve that would address lapse in rental subsidies if for any reason HUD does not renew SMHA contracts.

13. Prior to construction loan approval, the Borrower shall propose, as feasible, realistic and reasonable rents for the target population of this proposed affordable housing development for City review and approval.

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

The City of Santa Monica's commitment contained herein expires on December 29, 2017. Please sign below and return this letter to us by November 20, 2017, to acknowledge acceptance of the terms and conditions contained in this letter.

Please call Natalie Verlinich, Senior Development Analyst, at (310) 458-2201 ext. 5722 with any questions or comments. We look forward to assisting you with this affordable housing development.

Sincerely,

Rick Cole
City Manager

Approved by:

Andy Agle
Director of Housing and Economic Development

Approved as to form:

Lane Dilg
City Attorney

For BC

Barbara Collins
Housing Manager

ACKNOWLEDGED AND ACCEPTED:

Community Corporation of Santa Monica:

Tara Barauskas
Executive Director

11-20-17
Date