

1445-1453 10th Street

MERITS FOR LOAN APPLICATION APPROVAL

<u>Developer:</u>	EAH Housing (EAH)
<u>Development Type:</u>	New Construction – 40 residences (39 @ one-bedrooms and 1 @ two-bedroom/on-site manager)
<u>Current Requested Loan:</u>	\$6,585,000 Acquisition / Predevelopment Loan
<u>Target Population:</u>	Extremely Low-Income to Low-Income Seniors

Future Projected Permanent City Loan: \$11,000,000 Projected Permanent Loan¹

Summary:

The Developer, EAH Housing, submitted an application for a proposed development of 39 new affordable housing residences targeted to extremely low-income to low-income seniors and one two-bedroom on-site manager's residence. This loan commitment funds only acquisition and predevelopment activities at this time, involving purchasing property as well as design, engineering and site work. During the predevelopment period and prior to submitting a development application to the City's Planning Division, the Developer will hold two community meetings to provide an opportunity for input into the development's design.

Once the proposed development obtains the necessary entitlement approval, the Developer will submit a loan application for any additional City housing trust funds needed to fill the gap between the total development costs and other public and private financing obtained by the Developer (e.g., Federal Low Income Housing Tax Credits, and bank loan). The City's anticipated permanent loan is \$11,000,000 or \$275,000 per residence. The estimated total development cost \$23,349,114 or \$583,728 per residence.

On the following page, the table lists the criteria by which the loan request was evaluated and the merits upon which the loan request was granted.

¹ Developer will submit an application for construction and permanent financing once the proposed development obtains Planning Approval. At that time, Housing staff will underwrite the application for the Loan Committee's consideration.

LOAN REQUEST EVALUATION

CRITERIA	MERITS
<p>Whether the loan request significantly increases affordable housing opportunities for households who have difficulty finding housing including the homeless, large families, the disabled, seniors, and person traditionally served by Single-Room Occupancy housing</p>	<p><i>This acquisition and predevelopment loan commitment of \$6,585,000 towards the proposed development will increase affordable housing opportunities for extremely low-income to low-income seniors in Santa Monica – a vulnerable population generally on fixed incomes who experience great difficulty finding affordable housing. Existing senior developments within the city have long waitlists. When the Housing Authority’s waitlist opened in January 2017, 362 extremely low-income to low-income seniors who live or work in Santa Monica applied, which represents 13% of all applicants who live or work in Santa Monica.</i></p>
<p>Cost-effective or achieve the lowest possible subsidy per unit for City resources</p>	<p><i>EAH will leverage the City’s loan with approximately \$12,346,673 in tax credit equity (or 53% of the total permanent financing) from the Low Income Housing Tax Credit program administered by the State of California.</i></p> <p><i>EAH explored other possible subsidies for the proposed development to ensure the City would provide the lowest possible subsidy per residence, such as funding from the State of California Housing and Community Development and the County of Los Angeles, however the available funding requires residences reserved for homeless populations, which is inconsistent with the target population proposed for this development.</i></p>
<p>Benefit a high percentage of very low- and low-income households by ensuring deeper affordability</p>	<p><i>All of the residences (except the manager’s residence) would target low-income households at or below 60 of the area median income (AMI). Additionally, the proposed development would provide deeper affordability to 70% of the residences, with four residences at 30% AMI, eight residences at 40% AMI, and sixteen residences at 50% AMI.</i></p>

<p>Located in areas currently underserved by affordable housing developments.</p>	<p><i>The proposed development is located in both the Mid-City and Pico neighborhoods. The Pico neighborhood has historically been served by affordable housing developments. The Mid-City neighborhood has not been served as well as the Pico neighborhood. However, the proposed development is located near senior-serving amenities such as transit, which provide increased opportunities for senior households while providing access to mobility, transit, a supermarket, pharmacy, library and other services.</i></p>
<p>Address an area of need identified in the Housing Element of the City of Santa Monica.</p>	<p><i>The proposed development will provide 39 residences, which addresses an area of need identified in the Santa Monica Housing Element:</i></p> <ul style="list-style-type: none"> • <i>Goal 5.0 - Provision of housing assistance and supportive services to extremely low-, very low-, low-, and moderate-income households and households with special needs.</i> • <i>Objective 2.f - The facilitation of the development of special need housing which includes seniors.</i>
<p>Addresses a particular need identified in the Council-approved Housing Trust Funds Plan</p>	<p><i>The revised Housing Trust Fund Guidelines were approved by City Council in July 2017 with the requirement for a Council-approved Housing Trust Funds Plan. At the time of this Loan Committee date (July 2018), the proposed Housing Trust Funds Plan was pending for Council consideration on July 24, 2018. Although the City Council approved Housing Trust Funds Plan was not available at the time of the Loan Committee date, the new proposed development addresses specific needs identified in the Housing Element (Goal 5.0 and Objective 2.f) and the Consolidated Plan (Priority Need 1 and 2). On July 24, 2018, City Council approved the Housing Trust Funds Plan, which prioritizes housing for seniors.</i></p>

<p>Loan Applicant's past and projected effectiveness implementing the City-established local preferences (i.e. households which live or work in Santa Monica)</p>	<p><i>As this is the Borrower's first proposed development within the City of Santa Monica, an analysis of the Borrower's projected effectiveness implementing the City-established local preference will be based on the Borrower's past implementation with other jurisdictions. EAH has implemented live/work preference in jurisdictions in both Hawaii and California with a variety of methodologies for implementation. EAH will provide the proposed methodology to the City for review and approval. Examples of methodologies used on existing EAH developments in other jurisdictions include a preference given to applicants based on live/work preference in which applicants are ranked on a waiting list based on a preference and then secondly ranked by date/time of application.</i></p>
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