



City of  
**Santa Monica™**

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

March 2, 2020

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

RE: 1834-1848 14<sup>th</sup> Street  
Construction and Permanent Loan Commitment

Dear Ms. Barauskas:

We are pleased to inform you that the City of Santa Monica ("City") has approved a construction and permanent loan commitment to Community Corporation of Santa Monica (or a limited partnership in which Community Corporation of Santa Monica acts as a general partner ("Borrower")) for the proposed development of seventy-three (73) residences ("Development") to be located at 1834-1848 14<sup>th</sup> Street, Santa Monica, CA 90401.

As noted below, this construction and permanent loan commitment is contingent on the Development being awarded Low Income Housing Tax Credits, and is subject to the terms and conditions set forth in this letter. Once executed, this commitment letter, which includes the existing Acquisition/Predevelopment Loan, shall replace and supersede the previously executed commitment letter dated April 15, 2019, which will become null and void.

**LOAN AMOUNT:** Construction and Permanent Loan - \$20,650,000 (includes existing Acquisition/Predevelopment loan of \$14,098,131)

**# OF UNITS:** Seventy-Three (73) residences, including one manager's unit.  
(35 one-bedroom, 19 two-bedroom and 19 three-bedroom)

**RATE:** Three percent (3%)

**TERM OF LOAN:** Three Years for Construction Loan; Fifty-five (55) years for Permanent Loan, from the Certificate of Occupancy date or Placed in Service Date, whichever is later; thereafter Borrower shall make payments from residual receipts (which shall be defined in the loan agreements), 50 percent of which shall be used for loan repayment and the other 50 percent may be retained by Borrower; provided however, if there other public lenders also requiring loan repayment through residual receipts, the City and such other public residual receipts lenders shall share 50 percent of any residual receipts on a pro rata basis.

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

**REGULATORY AGREEMENT:** A Regulatory Agreement with a term of fifty-five (55) years from the date the Certificate of Occupancy or Placed in Service Date is issued to the Development, which specifies, among other requirements, eligible occupancy standards, maximum affordable rents, and minimum operating and replacement reserves, which may be subordinated to other lenders with City approval.

**OCCUPANCY RESTRICTIONS:** All units shall be occupied by low-income households earning no more than 80 percent of Los Angeles County median income, adjusted for household size, and as determined by the U.S. Department of Housing & Urban Development (HUD).

**RENT RESTRICTIONS:** All rents for the units regarding income targeted households shall be based on no more than 80% area median income adjusted for number of bedrooms, and minus a utility allowance for any tenant-paid utilities unless further defined by the Lender, except to the extent that such targeted households are subject to restriction pursuant to any applicable federal rent requirements (including, without limitation, any federal low income housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended), then the rent limits shall be established pursuant to those federal rent requirements. One manager's unit shall be restricted to 80% of the area median income.

**FEES:** None.

**DISBURSEMENT:** City shall disburse construction loan funds as the Development is built and in amounts appropriate to the percentage of construction completed.

**CITY**

**OPTION:**

City shall have an option to purchase the property upon the sooner to occur of (i) an event of default or (ii) within 90 days of the end of the affordability regulatory period in exchange for the lowest price permitted by the Low Income Tax Credit Program.

**GENERAL CONDITIONS OF THE LOAN:**

1. City review and approval of an appraisal of the as-is value of the site at acquisition. (City acknowledges receipt and approval.)
2. City receipt and approval of a Phase I Environmental Site Assessment acceptable to the City in its sole discretion. (City acknowledges receipt and approval.)
3. City receipt and approval of an updated Geotechnical Report and soils report, taking into consideration building design, acceptable to the City in its sole discretion. (City acknowledges receipt and approval.)
4. City commitment is contingent upon compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), if applicable, and all applicable historical analysis to the satisfaction of the City, the federal Department of Housing and Urban Development (HUD) and the California State Historic Preservation Office (SHPO). If NEPA is applicable, no physical activity shall have occurred on the site until all public notice procedures concerning the release of HUD funds have been completed to the satisfaction of the City and HUD. Commencement of physical activity shall cancel this commitment.
5. City receipt of an ALTA Lender's Title Insurance Policy in the amount of the total City loan.
6. Evidence that Borrower has obtained insurance as required by the City's Risk Manager
7. Evidence, in the form of a Board Resolution, Staff Report and Board Meeting Minutes that the Borrower's Board of Directors has approved the proposed development.
8. Evidence that the Project has cleared the Landmarks Commission review and is therefore eligible for a demolition permit for the existing buildings, including the expiration of any and all Landmarks appeals and application period that would prevent the issuance of that demolition permit. (City acknowledges receipt and approval.)

**CONDITIONS FOR CONSTRUCTION PORTION OF LOAN:**

1. Borrower's receipt of all necessary planning approvals and issuance of a building permit for the Development from the City.
2. City's receipt and approval of all draw requests.

3. City's receipt and approval of a list of all contractors, subcontractors, consultants and material suppliers to be employed on the Development. Borrower will require performance bonds and payment bonds on all contracts and subcontracts, in form and substance acceptable to the City.

OTHER CONDITIONS:

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

|                   |              |
|-------------------|--------------|
| Tax Credit Equity | \$2,424,758  |
| Bank Loan         | \$26,361,522 |

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

|                   |              |
|-------------------|--------------|
| Tax Credit Equity | \$24,247,575 |
| Bank Loan         | \$5,380,342  |

3. City's receipt and approval of final plans and specifications for the construction of the development. City will require an assignment of any such plans, subject to priority assignment, of Borrower's ownership interest in and to the plans and specifications as security for the loan.
4. City's receipt and approval of all entitlements necessary to construct the Development.
5. City's receipt and approval of a final construction budget and a final financial feasibility analysis, which will specify the manner in which loan proceeds will be disbursed.
6. City's receipt and approval of any construction contracts. Construction contracts must specify that the payment of (State) prevailing wages will be required for this Development. City will require an assignment, subject to priority assignment, of Borrower's interest in and to any such construction contracts as security for the loan, and Borrower shall obtain contractor consent to said assignment. Contractor(s) must be acceptable to City in its sole discretion. Contractor must provide a performance bond and a payment bond in form and substance acceptable to City.
7. City will require an assignment, subject to priority assignment, of Borrower's interest in and to the architect's/engineer's agreement, if any, as security for the loan.
8. Borrower shall establish initial operating reserve account(s) in the amount of at least three months of operating expenses as a requirement of the Regulatory Agreement. Borrower shall make annual contributions in the amount of at least \$300 per unit per year into the replacement reserve account. Borrower's withdrawals from these accounts will require the City's written approval, which will not be unreasonably

withheld. Any remaining funds in the Replacement Reserve account shall remain with the borrower at the end of the loan term.

9. City reserves the right to require at any time during the term of the Regulatory Agreement that Borrower maintain on deposit in one or more accounts designated or held by City (a) funds sufficient to pay property taxes and insurance premiums owing with respect to the Development and (b) funds designated and set aside as operating and replacement reserves for the Development.
10. City receipt and approval of a construction management contract, if applicable.
11. City receipt and approval of social services plan prior to start of construction.
12. Borrower shall reserve at least 15% of the units to be accessible.
13. Confirmation satisfactory to the City, at the point the City approves the final pro forma in conjunction with City approval of permanent loan documents, in its sole discretion, that annual gross potential revenue for the Development is at least \$940,000 and agreed upon developer fee amount no more than \$19,379 per unit, or a total developer fee of no more than \$1,414,667.
14. Borrower's execution and delivery of City's standard loan documents, and compliance with all covenants and conditions set forth in said loan documents or as City or their counsel may determine based on a review of Borrower's submissions as required by this commitment letter.
15. Community Meetings. The City acknowledges that the Borrower has participated and completed the following community meeting requirements for the proposed development in compliance with the Housing Trust Fund Guidelines: a) Loan Commitment Meeting; b) Community Design Meetings; and c) Commission Meetings.
  - a. Loan Commitment Meeting. The Borrower shall conduct one (1) public meeting for the proposed development within 30 days of the delivery of the loan commitment letter. The Borrower must provide a written notice which provides the date, time and location of the public meeting to the Housing Division at least 15 days prior to the public meeting date.

**The Borrower met the requirement of conducting a Loan Commitment Meeting, which was held on May 21, 2019. The notice was (1) posted publicly on the Housing Division's website; (2) provided to the neighborhood association(s) in which the proposed development is located; and (3) published in a newspaper of general circulation.**

- b. Community Design Meetings. Prior to finalizing design drawings for submittal to review by the Planning and Community Development Department, Borrower will conduct a minimum of two (2) public workshops with neighbors residing within 500 feet of the proposed development. Borrower is required to provide the City with an affidavit certifying that written notices were sent to all neighbors residing within 500 feet of the proposed development.

**The Borrower met the requirement of conducting three Community Design Meetings, which were held on May 21, 2019, July 16, 2019 and August 1, 2019.**

- c. Commission and Council Meetings may include but not be limited to Architecture Review Board, City Council, Housing Commission, Landmarks Commission, Planning Commission, and Rent Control Board. Borrower shall follow all rules and requirements of such commissions and any requirements established in the Housing Trust Fund Guidelines.
16. City Review of Community Meeting Documents. A minimum of 15 working days prior to all proposed community meetings related to the Housing Trust Fund loan properties, including meetings not listed above such as charrettes, the Borrower must provide the following items to the Housing Division: a written notice which provides the date, time and location of the public meeting to the Housing Division, a draft agenda, draft meeting goals, draft talking points and draft materials. The Borrower must set a pre-meeting with the Housing Division staff to discuss feedback on such documents no later than 10 working days prior to the proposed meeting.
17. Borrower's provision of a Management Plan subject to review and approval by the City. Tenants for the Proposed Development must be selected from the City established waiting list.
18. All revenues generated from the property from the date of acquisition to the start of construction shall be remitted to the City.
19. Borrower agrees to a capitalized lease payment for the utilization of the commercial space in the development based on market price.
20. This loan will be monitored over its term, and this Development will be monitored over the term of the Regulatory Agreement. Borrower understands that it will be required to complete monitoring reports, as required by City, in a timely fashion.
21. Please note that the City liens shall be recorded subject only to exceptions approved by City in its sole discretion.
22. 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.
23. 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.
24. City reserves the right to cancel this commitment and terminate its obligations hereunder, upon the occurrence of any of the following events:

- a. Borrower's failure or inability to comply with the terms of this commitment; which failure continues for a period of thirty days after written notice to Borrower;
- b. The filing by or against Borrower or any Guarantor of a petition in bankruptcy or insolvency or for reorganization or the appointment of a receiver or trustee which is not dismissed within 60 days, or the making by Borrower or any Guarantor of an assignment for the benefit of creditors, or the filing of a petition for arrangement by Borrower or Guarantor;
- c. The disclosure of any information which in the opinion of City would materially impair the ability of Borrower or any Guarantor to perform under the terms of this commitment or the loan or of the Development to meet City's underwriting standards; or
- d. The failure of Borrower to disclose to City all information material to the loan or the Development and the improvements, or the misrepresentation by Borrower of any material fact relating to the loan, the Development, the improvements or the financial condition of Borrower or any Guarantor.

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

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

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

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

