



City of Santa Monica
Housing & Economic Development Department
Production & Preservation / Housing Division
1901 Main Street, Suite B
Santa Monica, CA 90405
Phone #: (310) 458-8702
FAX #: (310) 998-3298

October 9, 2017

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

RE: 419 & 1616 Ocean Avenue Commitment to Provide Additional Permanent Financing

Dear Ms. Barauskas:

We are pleased to inform you that the City of Santa Monica (Lender) has preliminarily approved an additional funding request from Community Corporation of Santa Monica (Borrower) in the amount of \$428,225 for the 7-unit property located at 419 Ocean Avenue and 19-unit property located at 1616 Ocean Avenue (Project). This loan will be funded from the TORCA Housing Trust Fund (THTF). The Lender's funding is subject to the Borrower's execution of final documents to be approved by the Lender's Counsel and prepared under the following general terms and conditions:

LOAN AMOUNT: \$428,225 increase total acquisition and rehabilitation funding of \$3,426,059

NUMBER OF UNITS: Thirteen (13) 0-bedroom, twelve (12) 1-bedroom, and one (1) 2-bedroom units

LOAN TERMS: 55 years; 3.84% interest rate, compounded annually; payments deferred for two years or the completion of rehabilitation, whichever is earlier, subject to a one-year extension of the deferral period solely at the discretion of the Lender; during the deferral period, Borrower shall pay to Lender all of the net operating income from the Project, unless otherwise agreed upon; thereafter Borrower shall make payments from residual receipts, 50 percent of which shall be used for loan repayment and 50 percent of which may be retained by Borrower, with the exception that Borrower shall pay 100 percent of the first \$427,530 of residual receipts, minus any net operating income paid to Lender during the deferral period; provided however, that Borrower's share of residual receipts shall be deposited into Borrower's operating fund for the Project.

REGULATORY AGREEMENT: An Amended and Restated Regulatory Agreement with an initial term of 55 years from the execution date, detailing, among other requirements, eligible

occupancy standards, maximum affordable rents, and minimum operating and replacement reserves.

OCCUPANCY

RESTRICTIONS: Five (5) units shall be rented to households at 30% of area median income, sixteen (16) units shall be rented to households at 60% of area median income, and five (5) units shall be rented to households at 80% of area median income.

RENT

RESTRICTIONS: Upon the vacancy of any unit, the rent shall be affordable to the income-targeted households as set forth above (see Occupancy Restrictions). The rent limit shall be based on five (5) units shall be rented to households at 30% of area median income, sixteen (16) units shall be rented to households at 60% of area median income, and five (5) units shall be rented to households at 80% of area median income, adjusted for number of bedrooms, and minus a utility allowance for any tenant-paid utilities unless further defined by the Lender.

DISBURSEMENT: As applicable, the Lender shall disburse rehabilitation proceeds on a percentage completed basis and Lender shall retain 10% of the construction contract amount of each construction contract draw. Funds from such account will be disbursed according to the disbursement procedures set forth in the Program Loan.

LENDER OPTION: Upon the expiration of the Amended and Restated Regulatory Agreement, the Lender will have the option to take title to the property in accordance with the terms of an option agreement.

CONDITIONS FOR DISBURSEMENT OF REHABILITATION FUNDING:

1. Lender receipt of an ALTA Lender's Title Insurance Policy in the amount of the Lender funding.
2. Lender receipt and approval of draw requests.
3. Compliance with all applicable property standards.
4. Lender receipt and approval of a list of all contractors, subcontractors, consultants and material suppliers to be employed on the Project. Borrower will require performance bonds and payment bonds on all contracts and subcontracts, in form and substance acceptable to the Lender unless otherwise waived by the Lender in its sole discretion. On projects involving construction contracts of \$150,000 or less, in lieu of requiring that the General Contractor furnish Payment and Performance Bonds, Borrower may instead elect among the following three options: a) Borrower shall refrain from drawing down any of the Borrower developer fee until a Certificate of Occupancy is issued or final City of Santa Monica Building and Safety sign-off is received for the project and evidence of lien free completion is provided to the Lender showing that the property is free from liens by the Contractor or any subcontractors; or b) Borrower shall agree to a 20 percent retention on all draws excluding the final retention draw; or c) Borrower shall provide Lender with a Letter of Credit in an

in an amount equal to the value of the construction contract. If Borrower elects any of these three options, Borrower shall provide a brief letter to Lender justifying the selection of the Contractor.

OTHER CONDITIONS

1. Lender receipt and approval of final plans and specifications for the rehabilitation, if applicable. Lender 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 funding.
2. Lender receipt and approval of all entitlements necessary to rehabilitate the Project.
3. Lender receipt and approval of a final rehabilitation budget and a final financial feasibility analysis that will specify the manner in which funding proceeds will be disbursed.
4. Lender receipt and approval of any construction contracts. Lender will require an assignment, subject to priority assignment, of Borrower's interest in and to any such construction contracts as security for the funding, and Borrower shall obtain Contractor's consent to the assignment. Contractor(s) must be acceptable to Lender in its sole discretion. Borrower will require that Contractor provide a performance bond and a payment bond in form and substance acceptable to Lender unless otherwise waived by the Lender in its sole discretion. On projects involving construction contracts of \$150,000 or less, in lieu of requiring that the General Contractor furnish Payment and Performance Bonds, Borrower may instead elect among the following three options: a) Borrower shall refrain from drawing down any of the Borrower developer fee until a Certificate of Occupancy is issued for the project and evidence of lien free completion is provided to the Lender showing that the property is free from liens by the Contractor or any subcontractors; or b) Borrower shall agree to a 20 percent retention on all draws excluding the final retention draw; or c) Borrower shall provide Lender with a Letter of Credit in an amount equal to the value of the construction contract. If Borrower elects any of these three options, Borrower shall provide a brief letter to Lender justifying the selection of the Contractor.
5. Lender 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 funding.
6. Borrower shall make annual contributions in the amount of at least \$1,000 per unit into the replacement reserve account. Borrower's withdrawals from this account will require the Lender's written approval, which will not be unreasonably withheld. The amount of the annual contribution and limitations on the withdrawals may be modified as provided in the Regulatory Agreement.
7. Lender 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 Lender (a) funds sufficient to pay property taxes and insurance premiums owing with respect to the Project, and (b) funds designated and set aside as operating and replacement reserves for the Project.
8. Lender receipt and written approval of a construction management contract, if applicable, unless otherwise waived in writing by the Lender in its sole discretion.

9. Confirmation satisfactory to the Lender in its sole discretion that annual gross potential rent for the Project is at least \$251,490.
10. Borrower's execution and delivery of Lender's standard financing documents, and compliance with all covenants and conditions set forth in these documents or as Lender or its counsel may determine based on a review of Borrower's submissions as required by this commitment letter.
11. Borrower's provision of a Management Plan subject to review and approval by the Lender.
12. This funding will be monitored over its term, and this Project will be monitored over the term of the Regulatory Agreement. Borrower understands that it will be required to complete monitoring reports, as required by Lender, in a timely fashion.
13. Please note that the Lender liens shall be recorded, subject only to exceptions approved by the Lender in its sole discretion.
14. Lender reserves the right at any time during the term of this funding to sell, assign, or otherwise transfer its interest and rights in the promissory note.
15. Borrower's assurances, as Lender deems necessary, that the property condition and Borrower financing condition remain substantially the same as represented at the time of commitment.
16. Upon Borrower's completion of construction, Borrower shall pay to Lender any net cash proceeds generated from the operation of the Project (including proceeds refunded from the City's Solid Waste Management Department deposit) that remain at the time of completion of the rehabilitation.
17. Lender 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;
 - b. The filing by or against Borrower or any guarantor of a petition in bankruptcy or insolvency or for reorganization that is not dismissed within ninety (90) days from filing, 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 Lender would impair the ability of Borrower or any guarantor to perform under the terms of this commitment or the conditional grant or of the Project to meet Lender's underwriting standards; or
 - d. The failure of Borrower to disclose to Lender all information material to the grant or the Project and the improvements, or the misrepresentation by Borrower of any material fact relating to the loan, the Project, the improvements or the financial condition of Borrower or any guarantor.

- e. The failure of Borrower to secure \$50,000 from the City Council Discretionary fund, \$50,112 from Multifamily Affordable Solar Housing Program, \$51,927 from a CCSM developer loan, and \$50,000 from the Office of Sustainability and Environment or another funding source.

- 18. A local preference for new tenants will be given in accordance with the Housing Trust Fund Guidelines.

The Project 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 Project.

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 Lender's calculation of the projected financing amount has been based upon estimated total development costs submitted by Borrower as part of the funding request. To the extent that actual Project costs are lower, the Lender may reduce the funding amount accordingly to provide minimum public subsidy to the Project.

The City of Santa Monica's commitment contained herein expires on December 30, 2017. Please sign the attached copy of this letter and return it to us by October 12, 2017, to acknowledge acceptance of the terms and conditions contained in this letter.

Please call Ava Lee, Senior Development Analyst, at 310.458.8702 with any questions or comments. We look forward to assisting you with this affordable housing project.

Sincerely,

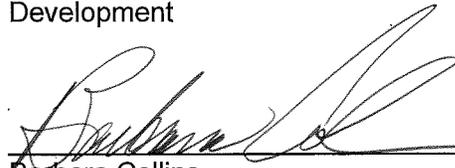

Rick Cole
City Manager

Approved by:


Andy Agle
Director of Housing and Economic
Development

Approved as to form:


Lane Dilg
City Attorney



Barbara Collins
Housing Manager *CM*

ACKNOWLEDGED AND ACCEPTED:

Community Corporation of Santa Monica:



Tara Barauskas
Executive Director



Date