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

August 13, 2018

Mr. Steven Spielberg
Director of Development
EAH Housing
233 Wilshire Blvd., Suite 400
Santa Monica, CA 90401

RE: 1445-1453 10th Street Commitment to Provide Acquisition and Predevelopment Financing

Dear Mr. Spielberg:

We are pleased to inform you that the City of Santa Monica (City) has preliminarily approved an acquisition and predevelopment loan request from EAH, Inc. (Borrower) in the amount of $6,585,000 for the acquisition and predevelopment of 1445 and 1453 10th Street (Property) for the purpose of developing affordable housing targeting low-income senior households (Project). This loan will be funded from the Low-Moderate Income Housing Trust Fund (LMIHATF). The City loan is subject to the Borrower's execution of final documents to be approved by the City Attorney's Office (Counsel) and prepared under the following general terms and conditions:

LOAN AMOUNTS:	$6,585,000 of which $5,250,000 is for acquisition of the site commonly known as 1445 and 1453 10th Street, and $1,335,000 is for closing and predevelopment costs.
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 (which loan term includes any extension) (the "Loan Term").
SECURITY:	City First Trust Deed
DISBURSEMENT:	Acquisition loan proceeds shall be disbursed in a lump sum at the acquisition closing. Pre-development loan proceeds shall be disbursed on a reimbursement basis, commencing at the closing of purchase escrow.
EFFECTIVE DATE:	This Commitment Letter is effective on the date of the Borrower signature.

CONDITIONS FOR ACQUISITION PORTION OF LOAN:

1. City review and approval of a fully executed purchase agreement, including all amendments, for the property located at 1445 and 1453 10th Street (received and approved).

2. City review and approval of a "as-is" appraisal of the land located at 1445-53 10th Street commissioned by the City (received and approved).

3. City receipt and approval of a Phase I Environmental Site Assessment for 1445-53 10th Street acceptable to the City in its sole discretion.

4. City receipt and approval of a preliminary Geotechnical Report for 1445-53 10th Street acceptable to the City in its sole discretion.

5. City receipt and approval of the Survey and any Borrower plans to address Survey issues.

6. Updated preliminary title report (no more than 30 days old) for 1445-53 10th Street. 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.

7. 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.

8. 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.

9. Evidence, in the form of a Board Resolution that the Borrower's Board of Directors has approved the proposed project

10. Evidence that the Project has cleared the Landmarks Commission review and is therefore eligible for a demolition permit for the existing 3 units, including the expiration of any and all Landmarks appeals and application period that would prevent the issuance of that demolition permit.

11. City receipt of a draft Relocation Plan that confirms vacancy of the three residential residences, identifies the number of potential eligible commercial tenant(s) and former tenants, estimates the cost of relocation provides a timeline for relocation and project development and describes Borrower's plan for the property's disposition from purchase through construction start. The Relocation Plan must reasonably estimate the range of relocation benefits that will be offered to tenants who voluntarily agree to relocate. The benefits must be offered at amounts comparable to or above the permanent relocation benefits amounts under State of California Relocation Law.

12. City receipt and approval of an exact duplicate set of general and tenant relocation files from Borrower's relocation consultant (including General Information Notices (GINs), Move-In Notices and Tenant Estoppels) and a letter stating that Borrower will provide monthly electronic copy updates for these files.
    a. Files are to be provided in legible electronic format.
    b. Correspondence must include proof that tenants were advised by Borrower in writing that tenants should not move nor are required to move during this time.

13. Escrow shall close no less than one day after eligibility for a demolition permit is approved by the City's Planning Division.

CONDITIONS FOR PREDEVELOPMENT PORTION OF LOAN:

1. Borrower shall close escrow and acquire the property located at 1445-1453 10th Street prior to disbursement of predevelopment funds not related to any acquisition costs.

2. City receipt and approval of draw requests.

3. Completion of the LBP/Asbestos Report.

CONDITIONS FOR CONSIDERATION FOR THE CONSTRUCTION/PERMANENT LOAN:

1. This Commitment Letter is for an acquisition and predevelopment loan. For this project to be considered for a construction/permanent loan commitment, Borrower is required to submit a Housing Trust Fund loan application.

OTHER CONDITIONS:

1. Borrower's execution and delivery of City standard loan documents (Loan Documents), including, an Acquisition and Predevelopment Loan Agreement, Promissory Note secured by a Deed of Trust, Option and Purchase Agreement, Memorandum of Agreement, and Assignment of Contracts, 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 and monetary liens, 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. If Borrower is unable to satisfy the terms and conditions of the Loan Documents or if any unanticipated circumstances occur which make the proposed affordable housing project infeasible (including, without limitation, the failure to obtain tax credits), City will have the right, in its sole and absolute discretion, to exercise any of the following rights and/or remedies:

   (i) Exercise of the City of Santa Monica's option to purchase the Property for $1.00 under the Option and Purchase Agreement in accordance with the conditions outlined under Section 7(a), below;
   (ii) Exercise of City's foreclosure rights under the Deed of Trust;
   (iii) Borrower's sale of the Property in accordance with the conditions outlined under Section 7(b), below;
   (iv) Any other rights and/or remedies under the Loan Documents;

   a. Upon the City's purchase of the Property under the Option, all of Borrower's obligations (including, without limitation, Borrower's obligation to repay the Acquisition and Predevelopment Loan) under the Acquisition and Predevelopment Loan documents shall be deemed satisfied.

   b. Repayment of the Loan in full may be achieved by Borrower's sale or transfer of the Property.

      (i) If the net proceeds from the sale of the property plus any net income Borrower receives from rents, from the period starting with acquisition and ending with sale, exceeds the acquisition and predevelopment loan amount ("Net Proceeds Differential"), Borrower may recover City approved predevelopment costs such as due diligence and project management, in an amount up to but not to exceed the total Net Proceeds Differential. The

City will not provide any additional resources from other funds or sources to pay for predevelopment expenses incurred.

(ii) Prior to entering into a Purchase and Sale Agreement to sell the property, Borrower must submit a request and verification of approved costs to the City before City approves payment of the Net Proceeds Differential. The City must also approve all terms and conditions of a Purchase and Sale Agreement.

c. In the event of the occurrence of unanticipated circumstance that triggers infeasibility, Borrower may submit a new Housing Trust Fund application to the City requesting an alternative development scenario that complies with the Housing Trust Fund Guidelines within 30 days of the event that triggers infeasibility.

8. Community Meetings. The City anticipates that the proposed development will require that the Borrower participate in a minimum of four types of community meetings: a) Loan Commitment Meeting; b) Community Design Meetings; and c) Commission and Council Meetings.

a. Loan Commitment Meeting. The Borrower shall conduct one (1) 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 Housing Division staff will:

i. Post the notice publicly on the Housing Division's website.

ii. Provide the written notice to the neighborhood association(s) in which the proposed project is located; and

iii. Public notice in a newspaper of general circulation. This publication may be combined with the notice of issuance of the commitment.

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 with 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.

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.

Upon approval of the Housing Division, the Borrower may opt to combine one of the Community Design Meetings with the Loan Commitment Meeting. Noticing requirements for both types of meetings will apply.

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.

9. City Review of Community Meeting Documents. A minimum of 15 working days prior to all proposed community meetings related to 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.

10. This proposed affordable housing development must follow the City's local preference guidelines in accordance with the revised Housing Trust Fund Guidelines, subject to any California Tax Credit Allocation Committee regulations or any applicable federal or California fair housing laws or regulations.

11. One hundred percent (100%) of the income generated from the properties located at 1445-1453 10th Street, from acquisition until Certificate of Occupancy, shall be paid to the Low-Moderate Income Housing Asset Trust Fund or can be utilized to repay predevelopment costs if the project is infeasible or, upon approved request at the end of the construction period, may be allocated to development costs.

12. Borrower shall explore service models that include leveraging local resources to the highest degree. Specifically, the City requests that Borrower look into how partnerships and referrals with local agencies could meet the service needs at the property.

13. Evidence that Borrower has obtained a Removal Permit from the Rent Control Board.

14. Evidence that Borrower has submitted a completed application to the California Tax Credit Allocation Committee for 9% tax credits as a source of financing for the Project no later than the second round for LIHTC applications in 2019.

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 January 31, 2019 or at the close of escrow, whichever occurs first.** Please sign below and return this

letter to us as soon as possible, to acknowledge acceptance of the terms and conditions contained in this letter. The effective date of this Commitment Letter is the date the Borrower signs the letter.

Sincerely,

Rick Cole
City Manager

8.9.18

ATTEST:

Denise Anderson-Warren
City Clerk

Approved as to form:

Lane Dilg
City Attorney

Approved by:

Andy Agle
Director of Housing and Economic Development

Barbara Collins
Housing Manager

ACKNOWLEDGED AND ACCEPTED:

EAH, Inc:

Welton Jordan, Vice President

8-15-2018
Date