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

December 9, 2019

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

RE: 2033-2101 Virginia Avenue Commitment to Provide Acquisition and Predevelopment Financing

Dear Ms. Barauskas:

We are pleased to inform you that the City of Santa Monica ("City") has preliminarily approved an acquisition and predevelopment loan request from Community Corporation of Santa Monica ("Borrower") in the amount of $15,183,670 for the acquisition and predevelopment of the 40-unit property located at 2033-2101 Virginia Avenue, Assessor Parcel Numbers 4274-021-014, 4274-021-15, and 4274-020-007 ("Property"), for the purpose of rehabilitating and maintaining 40 affordable housing residences with income and rent restrictions ranging between 30 percent Area Median Income ("AMI") and 80 percent AMI. This loan will be funded from a Housing Trust Fund ("HTF"). 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: $15,183,670 of which $13,717,125 is for land acquisition and closing costs associated with the Property and $1,466,545 is budgeted for predevelopment costs.

LOAN RATE: 0%

LOAN TERM: 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) ("Loan Term").

SECURITY: City First Trust Deed

OCCUPANCY RESTRICTIONS: In conjunction with the rehabilitation of the buildings, current tenants shall be accommodated during the Loan Term with temporary relocation assistance, preferably to other units within the Property. Temporary relocation shall not affect tenants' benefits under the City's Rent Control Law. Prior to the completion of the rehabilitation, should a tenant leave the Property, any replacement tenant shall be restricted to an income level

between 30% and 80% of area median income, as specified by the City, along with corresponding affordable rent.

RENT RESTRICTIONS: For new tenants moving into the Property subsequent to acquisition, the rent shall be affordable to the income-targeted households as set forth above (see Occupancy Restrictions). The rent limits shall be based on all households between 30% and 80% of area median income, as specified by the City, adjusted for number of bedrooms, and minus a utility allowance for any tenant-paid utilities unless further defined by the City.

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. Borrower provision of, and City review and approval of, the following items:
   a. Evidence, in the form of a Board Resolution that the Borrower's Board of Directors has approved the proposed rehabilitation of the Property ("Proposed Development") [PENDING].
   b. Borrower's assurances, in the form of a certified statement provided to Title and Escrow from Borrower's authorized signatory five working days prior to the acquisition closing date, that the property condition and Borrower financing conditions remain substantially the same as represented at the time of commitment [PENDING].

2. City review and approval of the following due diligence:
   a. City review and approval of a financial pro forma for the Proposed Development [PENDING].
   b. City review and approval of an "as-is" appraisal of the Property commissioned by the City [APPROVED].
   c. City review and approval of a Phase I Environmental Site Assessment for the Property is acceptable to the City in its sole discretion [PENDING].
   d. City receipt and approval of a preliminary Geotechnical Report for the Property is acceptable to the City in its sole discretion [PENDING].
   e. City receipt and approval of the Land Survey and any Borrower plans to address Survey issues [PENDING].

3. City review and approval of title conditions as follows:
   a. Borrower must provide the City with an updated preliminary title report (no more than 30 days old) for all properties associated with the Proposed Development [PENDING].
   b. Title must be free and clear of all exceptions and monetary liens, subject only to exceptions approved by the City in its sole discretion [PENDING].

c. City receipt of an ALTA Lender's Title Insurance Policy in the amount of the City loan [PENDING].

4. Evidence that Borrower has obtained insurance as required by the City's Risk Manager, including, but not limited to, the following insurance coverages: [PENDING]

   a. *Liability insurance* of at least $1,000,000. The insurance certificate must indicate the City of Santa Monica as an additional insured; and

   b. *All risk property insurance* in an amount equal to 100% replacement value. The insurance certificate must indicate the City of Santa Monica as additional insured and the Lender as loss payee.

5. Borrower's execution and delivery of City standard loan documents ("Loan Documents"), including: 1) Acquisition and Predevelopment Loan Agreement; 2) Promissory Note secured by a Deed of Trust; 3) Option and Purchase Agreement; 4) Memorandum of Agreement; and 5) 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 [PENDING].

CONDITIONS FOR RELEASE OF PREDEVELOPMENT PORTION OF LOAN:

1. Borrower shall close escrow and acquire the Property prior to disbursement of predevelopment funds not related to any acquisition costs.

2. City receipt and approval of a draw spreadsheet template.

3. Borrower submittal of draw spreadsheets and backup documentation that the City deems complete and accurate.

4. Compliance with all applicable property standards.

5. City review and approval of the LBP/Asbestos Report and any associated remediation plan.

CONDITIONS FOR CONSIDERATION FOR THE CONSTRUCTION/PERMANENT LOAN:

1. This Commitment Letter is for an acquisition and predevelopment loan. For this Proposed Development's consideration for a construction/permanent loan commitment, City will use as a basis Borrower's application submitted on October 22, 2019, as amended and updated from time to time.

OTHER CONDITIONS ASSOCIATED WITH THIS LOAN:

1. 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, subject to any California Tax Credit

Allocation Committee regulations or any applicable Federal or State of California fair housing laws or regulations that prohibit such transfer.

2. 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 Proposed Development to meet City's underwriting standards; and

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

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

4. If Borrower is unable to satisfy the terms and conditions of the Loan Documents or if any unanticipated circumstances occur which make the Proposed Development 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:

   a. Review an alternative development scenario proposed by the Borrower. 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.

   b. Exercise of City's foreclosure rights in accordance with the Deed of Trust.

   c. Exercise of the City of Santa Monica's option to purchase the Property during the predevelopment period for $1.00 in accordance with the conditions outlined in the Option and Purchase Agreement. 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.

   d. Require Borrower's sale or transfer of the Property in accordance with the conditions outlined in the Option and Purchase Agreement. 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.

e. Any other rights and/or remedies as outlined in the Loan Documents.

5. Community Meetings.
The City anticipates that the Proposed Development will require that the Borrower participate in several types of community meetings, including but not limited to: a) Loan Commitment Meeting; and b) Community Design 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 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 Development is located; and

iii. Publish 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 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.

At these workshops, the Borrower will describe the extent and nature of planned rehabilitation of the Property; present one or more schematic design options for the Proposed Development; and elicit public input on the design options. To the extent feasible, Borrower shall incorporate comments from these workshops into the Proposed 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.

6. City Review of Community Meeting Documents.
A minimum of 14 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 days prior to the proposed meeting.

7. Subject to fair housing laws and the requirements of Section 42 of the Internal Revenue Code, tenants for the Proposed Development must be selected from a City-established or City-approved wait list.

8. One hundred percent (100%) of the income generated from the Property net of operational expenses, from acquisition until a new Certificate of Occupancy, shall be paid to the City or can be utilized to repay predevelopment costs if the Proposed Development is infeasible or, upon approved request at the end of the construction period, may be allocated to Proposed Development costs.

9. Borrower shall explore service models that include leveraging local resources to the highest degree. Specifically, the City requests that Borrower investigate how partnerships and referrals with local agencies could meet the service needs at the property. Additionally, City will require approval of any social service provided for the proposed development.

10. Borrower shall use reasonable efforts to obtain estoppel certificates from each of the tenants regarding household incomes and rents.

11. In conjunction with the rehabilitation of the buildings, current tenants shall be accommodated during the Loan Term with temporary relocation assistance, preferably to other units within the Property. Temporary relocation shall not affect tenants' benefits under the City's Rent Control Law. Prior to the completion of the rehabilitation, should a tenant leave the Property, any replacement tenant shall be restricted to an income level between 30% and 80% of area median income, as specified by the City, along with corresponding affordable rent.

For new tenants moving into the Property subsequent to acquisition, the rent shall be affordable to the income-targeted households as set forth above. The rent limit shall be based on all households at 80% of area median income or the lower income specified by the City, adjusted for number of bedrooms, and minus a utility allowance for any tenant-paid utilities unless further defined by the City. Nothing in this condition or this letter shall be construed to supersede or contradict the provisions of the City's Rent Control Law.

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 April 30, 2020 or at the close of escrow, whichever occurs first. Please sign the attached copy of this letter and return it to us by as soon as possible, to acknowledge acceptance of the terms and conditions contained in this letter.

Please call Dima Galkin, Senior Development Analyst, at 310-458-2201 x. 5010 with any questions or comments. We look forward to assisting you with this affordable housing development.

Sincerely,

Rick Cole
City Manager

December 9, 2019

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:

Community Corporation of Santa Monica:

Tara Barauskas, Executive Director

1-7-2020

Date