



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

July 14, 2010

Joan Ling, Executive Director
Community Corporation of Santa Monica
1423 Second Street, Suite B
Santa Monica, California 90401

RE: High Place West
1942, 1946, 1948, 1950 & 1954 High Place and 2345 & 2349 Virginia Avenue
Construction and Permanent Loan Commitment

Dear Ms Ling:

We are pleased to inform you that the City of Santa Monica (City) and the Redevelopment Agency of the City of Santa Monica (Agency) have preliminarily approved a construction and permanent loan to Community Corporation of Santa Monica (Borrower) for the proposed development of forty-seven (47) units (Development) to be located at 1942, 1946, 1948, 1950 & 1954 High Place and 2345 & 2349 Virginia Avenue, Santa Monica, CA 90404 (High Place West). The source of these loan funds shall be the Community Development Block Grant Housing Trust Fund, TORCA Housing Trust Fund, and Redevelopment Housing Trust Fund. The funding of the loan is subject to the Borrower's execution of final loan documents to be approved by the City Attorney and Agency Counsel and prepared under the following general terms and conditions:

LOAN AMOUNT: Construction and Permanent - \$12,020,481 (includes existing loan of \$4,938,111)

OF UNITS: Forty-seven (47) (32 2-bedroom, 15 3-bedrooms)

RATE: Zero to Three percent (0 – 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, 50 percent of which shall be used for

loan repayment and 50 percent of which may be retained by Borrower.

SECURITY: Trust deed, which may be subordinated to other lenders with City / Agency 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 / Agency approval.

OCCUPANCY RESTRICTIONS: All units shall be occupied by 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 (see Occupancy Restrictions) shall be those established by Health and Safety Code section 50053(b), 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) for projects that (i) receive federal assistance and (ii) such assistance is conditioned upon compliance with federal rent requirements.

FEES: None. Failure to comply with reporting requirements could result in a monitoring fee.

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

CITY / AGENCY OPTION: City / Agency shall have an option to take title to the property at 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 / Agency review and approval of an appraisal of the as-is value of the site at acquisition. (City / Agency acknowledges receipt and approval.)
2. City / Agency receipt and approval of a Phase I Environmental Site Assessment acceptable to the City / Agency in its sole discretion. (City / Agency acknowledges receipt and approval.)
3. City / Agency receipt and approval of a soils report acceptable to the City / Agency in its sole discretion. (City / Agency acknowledges receipt and approval.)
4. City / Agency 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 / Agency, 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 / Agency and HUD. Commencement of physical activity shall cancel this commitment. (City / Agency acknowledges that all applicable environmental reviews have been completed and approved.)
5. City / Agency receipt of an ALTA Lender's Title Insurance Policy in the amount of the total City / Agency loan.
6. Evidence that Borrower has obtained the following insurance coverages:
 - 6.1. *Liability insurance* of at least \$3,000,000 in a form and manner approved by the City's Risk Manager. The insurance certificate must indicate City and Agency as an additional insured; and
 - 6.2. *All Risk property insurance* in an amount equal to 100 percent replacement value in a form and manner approved by the City's Risk Manager. The insurance certificate must indicate City and Agency as additional insured and loss payee.

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 / Agency's receipt and approval of all draw requests.

3. City / Agency'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 / Agency.

OTHER CONDITIONS:

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

Bond Financing	\$11,500,000
Tax Credit Equity	\$ 940,042

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

Bond Financing	\$ 1,296,236
MHP Loan	\$ 3,667,537
Tax Credit Equity	\$ 6,266,946

3. City / Agency's receipt and approval of final plans and specifications for the construction of the development. City / Agency 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 / Agency's receipt and approval of all entitlements necessary to construct the Development.
5. City / Agency'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 / Agency'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 / Agency 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 / Agency in its sole discretion. Contractor must provide a performance bond and a payment bond in form and substance acceptable to City / Agency.
7. City / Agency 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 \$600 /unit/year into the replacement reserve account. Borrower's withdrawals from this account will require the City / Agency's written approval in advance, which will not be unreasonably withheld.
9. City / Agency 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 / Agency (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 / Agency receipt and approval of a construction management contract, if applicable.
11. Confirmation satisfactory to the City / Agency in its sole discretion that annual gross potential revenue for the Development is at least \$504,276.
12. Borrower's execution and delivery of City / Agency's standard loan documents, and compliance with all covenants and conditions set forth in said loan documents or as City / Agency or their counsel may determine based on a review of Borrower's submissions as required by this commitment letter.
13. Borrower's provision of a Management Plan subject to review and approval by the City / Agency.
14. The Project shall implement a local priority as required by the Housing Trust Fund Guidelines.
15. 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 / Agency, in a timely fashion.
16. Please note that the City / Agency liens shall be recorded subject only to exceptions approved by City / Agency in its sole discretion.
17. City / Agency 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.
18. Borrower's assurances, as City / Agency deems necessary, that the property condition and Borrower financing condition remain substantially the same as represented at the time of commitment.

19. City / Agency 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 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 / Agency would 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 / Agency's underwriting standards; or
 - d. The failure of Borrower to disclose to City / Agency 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 and Agency.

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 / Agency 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 / Agency loan amount may be reduced accordingly so that the minimum necessary public subsidy is provided to the Development.

This commitment expires December 31, 2011 or at start of construction, whichever occurs first. Please sign below and return this letter to us by July 26, 2010 to acknowledge acceptance of the terms and conditions contained herein.

Please call Ava Lee, Housing Division Project Manager at 310.458.4938 with any questions or comments. We look forward to assisting you with this important Development.

Sincerely,

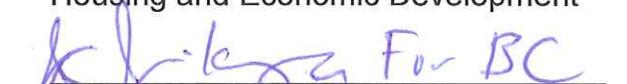


Rod Gould
City Manager
Executive Director

APPROVED AS TO FORM:

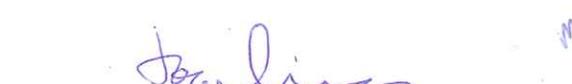

Marsha Jones Moutrie
City Attorney
Agency Counsel

APPROVED BY:


Andy Agle
Director
Housing and Economic Development

Barbara Collins
Housing Manager

ACKNOWLEDGED AND ACCEPTED:

Community Corporation of Santa Monica:


Joan Ling, Executive Director

7/15/2010
Date