

MEMORANDUM

10

DATE: MAY 7, 2009 RP1090

TO: CRA/LA BOARD OF COMMISSIONERS

FROM: CECILIA V. ESTOLANO, CHIEF EXECUTIVE OFFICER

RESPONSIBLE PARTIES: W. JAY VIRATA, REGIONAL ADMINISTRATOR  
BRIAN PENDLETON, PROJECT MANAGER  
STEPHEN K. ANDERSON, SR. REAL ESTATE DEVELOPMENT AGENT

SUBJECT: APPROVE LOAN AGREEMENT IN A NOT TO EXCEED AMOUNT OF \$4,400,000 FOR THE ACQUISITION AND CONSTRUCTION AND PERMANENT FINANCING OF AN APPROXIMATELY 73 UNIT AFFORDABLE FAMILY HOUSING PROJECT AT 18900 SHERMAN WAY IN THE EARTHQUAKE DISASTER ASSISTANCE PROJECT FOR PORTIONS OF COUNCIL DISTRICT 3 PROJECT AREA WEST VALLEY REGION (CD 3)

LOAN COMMITTEE: RECOMMENDED BY LOAN COMMITTEE ON MARCH 25, 2009

RECOMMENDATIONS

That the CRA/LA Board of Commissioners:

1. Approve the Concept Plans for the Project.

That the CRA/LA Board of Commissioners, subject to City Council review and approval:

2. Authorize the Chief Executive Officer, or designee, to execute a Loan Agreement (the "Agreement ") with Sherman Village Apartments, L.P. (Meta Housing) to fund a not to exceed amount of \$4,400,000 (\$60,274 per unit) for the development of 73 affordable family residential rental unit; known as Sherman Village (the "Project") at 18900 Sherman Way; and
3. Adopt a Subordination Resolution to allow the CRA/LA to subordinate the CRA/LA's Deed(s) of Trust and use restrictions to approved construction and permanent loans funded for the project.

## SUMMARY

The recommended actions are to execute a Loan Agreement in a not to exceed amount of \$4,400,000 with Meta Housing Corporation to finance the acquisition, and construction costs for the proposed Project at 18900 Sherman Way. The Project will be a newly constructed affordable rental apartment building with 72 one, two and three -bedroom units plus one management unit on a 54,000 square foot lot in the Reseda neighborhood of Los Angeles. Twenty of the units will be one-bedroom units of approximately 600 square feet, 28 of the units will be two-bedroom units of approximately 800 square feet, and the remaining 25 units will have three-bedrooms and be approximately 1,100 square feet.

Upon execution of the Agreement, \$2,590,000 will be available for acquisition reimbursement. The initial Acquisition Loan will carry a 2 year term and an interest rate accruing annually at 3% that will require a first deed of trust. Once the project closes its construction loan, the Loan will convert to a 55 year residual receipts loan with a 3% interest rate. Upon conversion, an additional \$1,810,000 will be available to reimburse construction costs. The construction draws will fund in two equal amounts of \$905,000. The first draw will be made available once the project has achieved 25% construction completion and the second draw funding after the project has achieved 75% construction completion.

## RE

Initial Action.

## SOURCE OF FUNDS

Earthquake Disaster Assistance Project for Portions of Council District 3 Redevelopment Project Area's Low and Moderate Income Housing Fund.

## PROGRAM AND BUDGET IMPACT

The recommended actions are consistent with the FY09 Budget.

## ENVIRONMENTAL REVIEW

The proposed Project is exempt from the provisions of the California Environmental Quality Act ("CEQA") pursuant to Section 15194 (Affordable Housing Exemption) of the CRA/LA CEQA Guidelines.

## BACKGROUND

The Project site consists of 54,000 square feet of land at the southwest corner of Sherman Way and Wilbur Avenue (APN #: 2129-035-013, 014 & 015). Currently the majority of the site is a vacant lot. The northwest corner of the Site that fronts onto Sherman Way is currently a used car dealership (20,000 square feet). The project is walking distance to MTA bus lines along Sherman Way, an elementary school, and two local markets making the site a highly desirable location for families.

Entitlements for 18900 Sherman Way was completed on November 22, 2005 for 54 residential condominiums, and included CEQA approval and a Mitigated Negative Declaration for the project. Sherman Village will utilize the City of Los Angeles' density bonus policy (the "Density Policy") to add additional units to the existing entitlements. The Density Policy does not require any further discretionary actions, and can be processed administratively.

Sherman Village will be designed to complement the historical architecture of the neighborhood while providing a high-quality and safe environment for its residents. The community will have several small and medium-sized courtyards with a large community room, a computer and multi-media room, a communal kitchen, library, laundry room, mail room, full landscaping, managers' unit, and a very large enclosed yard area with play equipment and outdoor barbeques and tables.

#### *Proposed CRA/LA Loan*

The total proposed loan for the Project is \$4,400,000 or \$60,274 per unit. The Project's total development cost is estimated to be \$27,747,041 or \$380,096 per unit. The development consists of new construction and demolition of a used automobile sales lot occupying a portion of the site. The purpose of the Agreement is to enable the development of affordable housing to low- and very low-income households. The Agreement will be used to fund acquisition and construction costs. It will also serve as permanent financing for the project. Staff proposes structuring the Acquisition and Construction Loan with an initial 3% interest rate Loan with a two year term that converts into a 55-year residual receipts Permanent Loan with a 3% interest rate upon commencement of construction.

Housing Policy's Section 8.04 recommends the total amount of acquisition and predevelopment loans made to a for-profit developer shall generally not exceed seventy percent (70%) of the appraised value of the development site. As proposed, the Loan Agreement provides funding equal to 70% of the purchase of the development site as a 2-year Acquisition Loan and is in compliance with the policy. The acquisition component of the Loan (\$2,590,000) reimburses Meta Housing for 70% of the direct land cost (\$3,700,000). Construction assistance in the amount of \$1,810,000 is also recommended for Meta Housing. Predevelopment expenses will be eligible for reimbursement out of the Construction Loan. The construction draws will fund in two equal amounts of \$905,000. The first draw will be made available once the project has achieved 25% construction completion and the second draw funding after the project has achieved 75% construction completion.

*Development Cost Summary*

<b>DEVELOPMENT COST SUMMARY</b>			
Project Name: <b>Sherman Village</b>		Developer: <b>Meta Housing</b>	
	<b>TOTAL COST</b>	<b>AVERAGE PER UNIT 73</b>	<b>AVERAGE PER SQUARE FOOT 70,800</b>
Land Cost	\$3,700,000	\$50,685	\$52.26
Fees, Permits and Studies	\$1,064,094	\$14,577	\$15.03
Architectural & Engineering	\$1,375,000	\$18,836	\$19.42
Construction Costs	\$16,929,562	\$231,912	\$239.12
Indirect Costs	1,039,045	\$14,233	\$14.68
Developer Fee/Costs	\$2,000,000	\$27,397	\$28.25
Reserves and Marketing	\$194,398	\$2,663	\$2.75
Financing and Legal	\$1,444,942	\$19,794	\$20.41
<b>TOTAL</b>	<b>\$27,747,041</b>	<b>\$380,096</b>	<b>\$392</b>

*Sources and Uses of Funds*

<b>Construction Sources</b>	<b>Amount</b>	<b>Construction Uses</b>	<b>Amount</b>
Construction Lender	\$ 15,000,000	Land Cost	\$3,700,000
CRA/LA	\$ 4,400,000	Fees, Permits and Studies	\$1,064,094
LAHD	\$ 1,800,000	Architectural & Engineering	\$1,375,000
Tax Credit Equity	\$ 3,424,158	Construction Costs	\$16,929,562
Def. Fee and Costs	\$ 1,622,884	Indirect Costs	1,039,045
AHP	\$ 1,500,000	Developer Fee/Costs	\$2,000,000
		Reserves and Marketing	\$194,398
		Financing and Legal	1,444,942
<b>Total Funds for Construction</b>	<b>\$ 27,747,041</b>	<b>TOTAL</b>	<b>\$27,747,041</b>

<b>Perm Sources</b>	<b>Amount</b>	<b>Perm Uses</b>	<b>Amount</b>
1st Mortgage Provider	\$ 2,264,080	Land Cost	\$3,700,000
CRA/LA	\$ 4,400,000	Fees, Permits and Studies	\$1,064,094
LAHD	\$ 1,800,000	Architectural & Engineering	\$1,375,000
Deferred Developer Fee/Costs	\$ 662,173	Construction Costs	\$16,929,562
Tax Credit Equity	\$ 17,120,788	Indirect Costs	1,039,045
AHP	\$ 1,500,000	Developer Fee/Costs	\$2,000,000
		Reserves and Marketing	\$194,398
		Financing and Legal	\$1,444,942
<b>Total Funds for Construction</b>	<b>\$ 27,747,041</b>	<b>TOTAL</b>	<b>\$27,747,041</b>

*Subordination of CRA/LA Covenants*

The State Redevelopment Law was amended in 1989 (Section 33334.14) to permit subordination of income and use restrictions. The subordination is permitted when the CRA/LA makes a finding that an economically feasible alternative method of financing or refinancing without subordination is not reasonably available and when the CRA/LA obtains written commitments reasonably designed to protect the CRA/LA’s investment in the event of default. Currently, there are no domestic lending institutions willing to provide conventional financing without subordination of the covenants, as well as CRA/LA loans and ground leases. Such well-margined low-risk loans are still eligible for credit under the Community Reinvestment Act. The current lender has indicated that they will require subordination of the CRA/LA’s covenants.

*Affordability*

The Project’s unit mix include 1-, 2-, and 3- bedroom units with 1 unrestricted unit 2-bedroom unit for the resident manager. The following table illustrates the Project’s proposed unit affordability mix based upon the Tax Credit Allocation Committee (“TCAC”).

<b>Unit Type</b>	<b>TCAC 35%</b>	<b>TCAC 40%</b>	<b>TCAC 50%</b>	<b>TCAC 60%</b>	<b>Other</b>	<b>TOTAL</b>
<i>Studio</i>	-		-	-	-	-
<i>1-Bdrm</i>	2		-	18	-	20
<i>2-Bdrm</i>	6	7	14	-	-	27
<i>3-Bdrm</i>	3	15	7	-	-	25
<i>Mgr.</i>						1
<b>Total</b>	11	22	21	18	0	73

The following table indicates the Household Income Mix for the proposed Sherman Village.

<b>HOUSEHOLD INCOME MIX (CRA/LA Housing Policy)</b>			
<b>Income Category</b>	<b># of Units</b>	<b>Sherman Village Project % of Total</b>	<b>CRA Housing Policy</b>
Extremely Low (<30% AMI)	0		15% min.
Very Low (31% - 50% AMI)	54	74%	15% min.
Low (51% - 80% AMI)	18	25%	
Moderate (81% - 120% AMI)	0		30% max.
Unrestricted	1	1%	
	73	100%	

The CRA/LA Housing Policy requires that not less than 30% of the units shall be Extremely Low and Very Low Income and the goal is that not less than 50% of those units shall be affordable at Extremely Low Income level whenever feasible. The proposed Project complies with this requirement in regards to the combined Extremely Low and Very Low Income categories.

The following table indicates the itemization of units that CRA/LA is credited under California Redevelopment Law ("CRAL") for inclusionary purposes.

Income Category	INCLUSIONARY PRODUCTION UNITS		HOUSING FUNDS ALLOCATION	
	# of Units	% of Total	Funds	% of Total
Very-Low Income	33	46%	\$2,024,000	46%
Low Income	39	54%	\$2,376,000	54%
Moderate Income	0	0%	\$0	0%
TOTAL	72	100%	\$4,400,000	100%

The CRL's 15% Inclusionary Housing requirement on residential development within a redevelopment project area applies "in aggregate and not to each individual case (of residential development)." The development of this Project will contribute 100% toward the Project Area's inclusionary housing requirement for the CRA/LA of Low Income unit requirements, and 33 units toward the Very Low Income and 39 units towards the Low Income requirements mandated by Health and Safety Code Section 33413(b). Based upon the CRA/LA's past housing production as reflected in the FY 2004 – FY 2009 Earthquake Disaster Assistance Project for Portions of Council District 3 Redevelopment Project Area's Implementation Plan even with this development's additional inclusionary housing obligation, the Earthquake Disaster Assistance Project for Portions of Council District 3 Redevelopment Project Area will have exceeded its inclusionary housing requirements. With the proposed Project, CRA/LA will remain on track to assure compliance with the proportionality requirements of the CRL.

#### *Proportionality Tests*

CRA/LA must expend Low and Moderate Income Housing Funds in proportion to the housing needs that have been determined for the community pursuant to Section 65584 of the Government Code. The proportionality test used is based on information contained within the City of Los Angeles' General Plan ("General Plan"). The Project area has been tasked with an investment proportionality that allocates at least 45% of funds to Very Low Income, at least 26% to Low Income and no more than 29% Moderate Income units.

The proposed affordability mix has significant impact on the required proportionality level for the the Earthquake Disaster Assistance Project for Portions of Council District 3 Redevelopment Project Area's Low and Moderate Income Housing Trust Fund ("LMIHTF"). The Project's affordability levels (46% for very low income, 54% for low income, and 0% for moderate income) have assisted in progressing towards meeting the LMIHTF requirements as stated above.

After incorporating the Project units, the total proportionality ratios are trending upward for Low Income category and downward for the Moderate income category as reflected in the table below.

		LMIHTF Expenditures 2002-present		META Sherman Village			
Income Level	Proportionality Requirements	\$	%	\$	%	TOTAL \$	TOTAL %
<b>V. Low</b>	at least 45%	\$5,390,000	55.1%	\$2,024,000	46	\$7,414,000	52.3%
<b>Low</b>	at least 26%	\$450,000	4.6%	\$2,376,000	54	\$2,826,000	19.9%
<b>Moderate</b>	at most 29%	\$3,943,584	40.3%	\$0	0	\$3,943,584	27.8%
<b>Total</b>		<b>\$9,783,584</b>	<b>100</b>	<b>\$4,400,000</b>	<b>100</b>	<b>\$14,183,584</b>	<b>100</b>

The Earthquake Disaster Assistance Project for Portions of Council District 3 Redevelopment Project Area projects those additional affordable housing developments will be funded to achieve CRL proportionality requirements over the next 5 years. With the proposed Project, CRA/LA will remain on track to assure compliance with the proportionality requirements of the CRL.

#### *Relocation*

The Project will relocate an existing used car dealership to a comparable location. Meta Housing Corporation has allocated approximately \$30,000 in its project budget to cover 100% of business's relocation expenses. CRA/LA relocation staff has reviewed and approved the relocation plan.

#### *Sustainability*

The Developer, Meta Housing, will certify the Sherman Village project to LEED Silver Certification standards.

#### *Development Timeline*

The project is proposed to begin construction in November 2009. Construction is anticipated to take 16 months, with an opening date in March 2011.

#### *Developer Experience*

Meta Housing Corporation is an experienced Southern California developer of affordable and market-rate apartment communities for families and seniors. Since 1969, Meta has built more than 10,000 single-family and multifamily residential units. Meta Housing recently received CRA/LA Board approval for the partial financing of \$1,000,000 the Andalucia Senior Apartments in Panorama City. In addition, the CRA/LA Board recently approved partial financing of \$2,000,000 for the La Coruna Senior Apartments in Panorama City. Sherman Village LP is a single-purpose entity formed of an administrative general partner, a managing general partner, and a limited partner. The AGP is Sherman Village Apartments, LLC, which is a single-purpose entity with John M. Huskey as the Sole Member. The MGP is Western Community Housing, Inc., a non-profit organization, and the limited partner currently is John M. Huskey.

Councilman Dennis P. Zine of Council District 3 has expressed written support for the Project.

Cecilia V. Estolano  
Chief Executive Officer

By:

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Glenn F. Wasserman  
Chief Operating Officer

There is no conflict of interest known to me to exist with regard to any CRA/LA officer or Employee concerning these actions.

Attachments:

Please provide accurate titles for each Attachment

- Attachment A – Subordination Resolution
- Attachment B – Site Map
- Attachment C – Concept Plans
- Attachment D – Preliminary Development Proforma



**ATTACHMENT A  
SUBORDINATION RESOLUTION**

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA REGARDING THE SUBORDINATION OF ITS USE RESTRICTIONS AND DEED OF TRUST PURSUANT TO SECTION 33334.14 OF THE COMMUNITY REDEVELOPMENT LAW FOR THE SHERMAN VILLAGE APARTMENTS PROJECT.**

**WHEREAS**, the Community Redevelopment Agency of the City of Los Angeles, California (“CRA/LA”) proposes to enter into a Predevelopment Loan Agreement with Meta Housing Corporation, to which the CRA/LA will provide financial assistance to the Developer for the purposes of developing housing that is affordable to extremely-low, very low-income and low-income persons or families or households (the “Rental Project”); and

**WHEREAS**, the Loan Agreement requires covenants to be recorded against the Rental Project restricting the use of the Project by placing certain limits on the maximum rents that can be charged, and the maximum income that can be earned by tenants qualified to rent such housing (the “Income and Rent Restrictions”); and

**WHEREAS**, the Loan Agreement requires that a Deed of Trust be recorded against the Rental Project which is to protect the CRA/LA Loan

**WHEREAS**, the Developer has obtained commitments of financing from a lender conditioned upon the subordination of the CRA/LA’s Income and Rent Restrictions and Deed of Trust; and

**WHEREAS**, there has been presented to the CRA/LA evidence sufficient on which to find an economically feasible alternative method of financing the Rental Project on substantially comparable terms and conditions, but without subordination, is not reasonably available.

**NOW, THEREFORE, THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA, AND THE CITY COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA DO HEREBY RESOLVE AS FOLLOWS:**

1. The CRA/LA hereby finds that an economically feasible alternative method of financing the Rental Project on substantially comparable terms and conditions, but without subordination, is not reasonably available.
2. The CRA/LA hereby authorizes the Chief Executive Officer (“CEO”) of the CRA/LA, or designee, to take such actions as may be necessary in order to subordinate the CRA/LA’s Income and Rent Restrictions and Deed of Trust to the liens of the lenders providing financing for the Rental Project, but only upon receipt by the CEO or designee of written

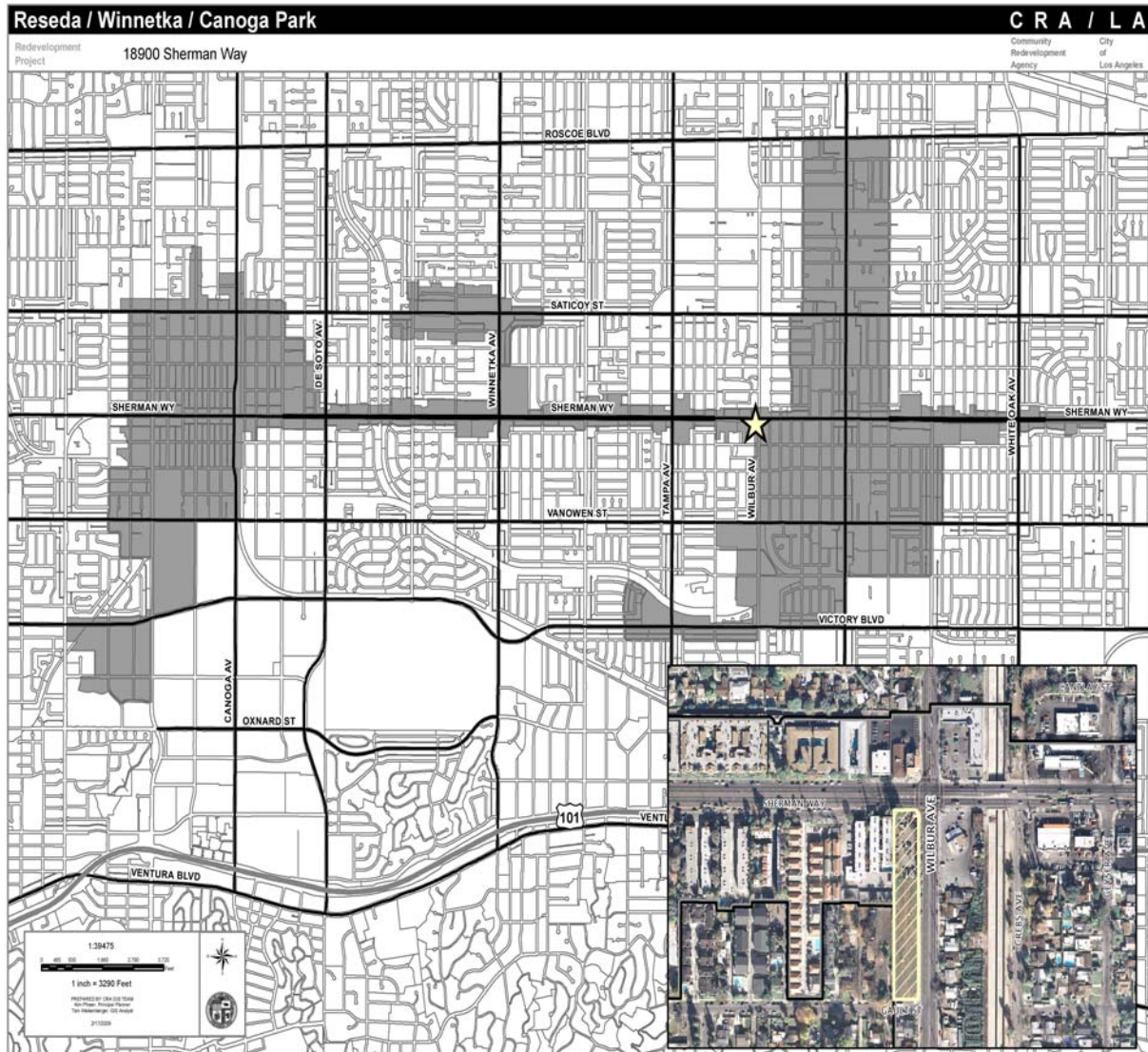
THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

commitments from such lenders, reasonably designated to protect the CRA/LA's investment in the event of default, including but not limited to the following:

- a) A right of the CRA/LA to cure a default on the loan;
- b) A right of the CRA/LA to negotiate with the lender after the notice of default from the lender;
- c) An agreement that if prior to foreclosure of the loan, the CRA/LA takes title to the property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of transfer of title to the CRA/LA;
- d) A right of the CRA/LA to purchase the property from the Developer at any time after default on the loan.

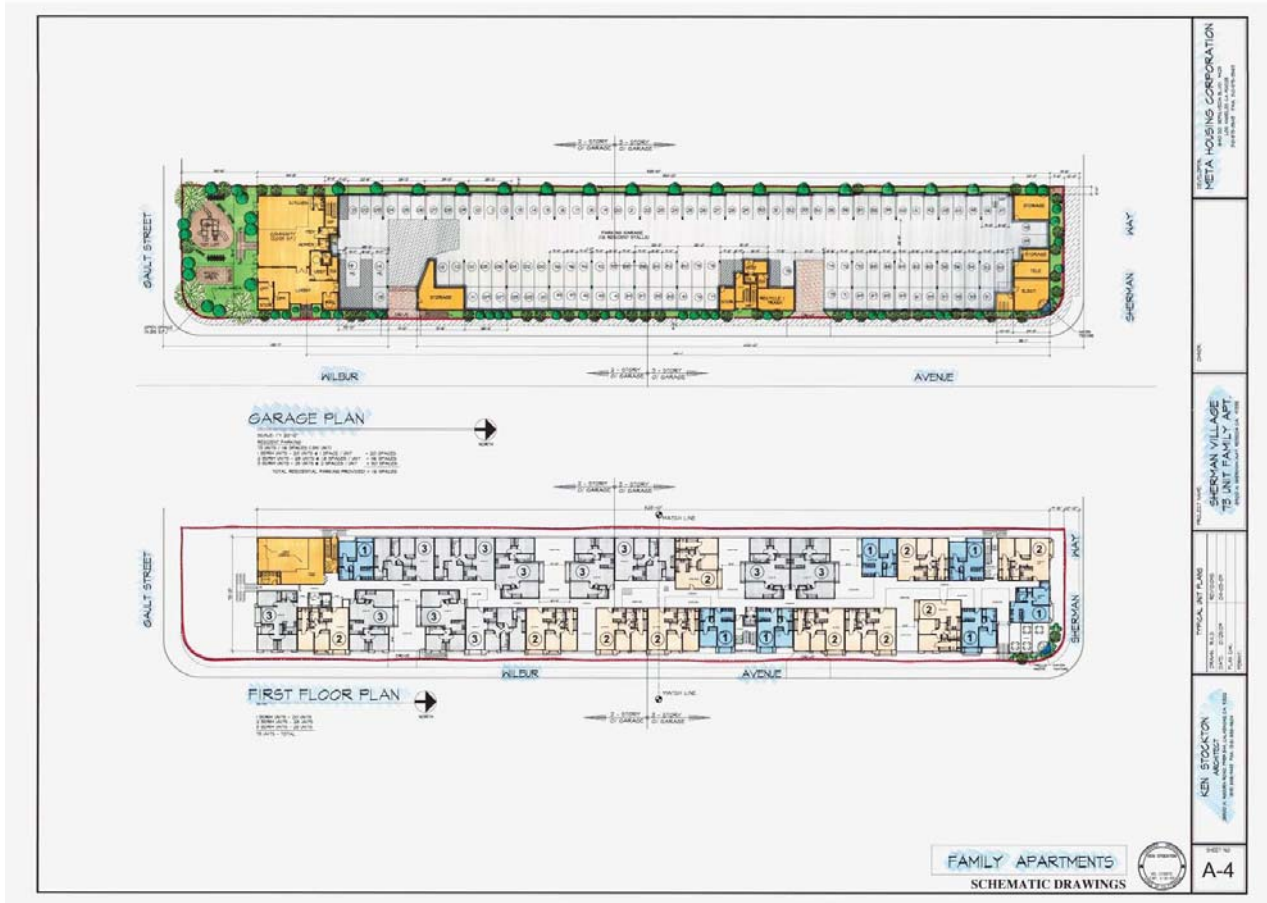
ADOPTED: \_\_\_\_\_

**ATTACHMENT B**  
**SITE MAP**



THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

**ATTACHMENT C**  
**CONCEPT PLANS**



THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA



THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

MILBURN AVE ELEVATION

MILBURN AVE ELEVATION

SHERMAN WAY ELEVATION

**FAMILY APARTMENTS**  
NOT FOR CONSTRUCTION

<b>STOCKTON</b> ARCHITECTS 1000 N. GARDEN STREET, SUITE 100 STOCKTON, CA 95210 TEL: (209) 944-1111 FAX: (209) 944-1112	
PROJECT: 15 UNIT APARTMENT SHERMAN & MILBURN SHEPHERD, STOCKTON, CA 95210	
CLIENT: META HOUSING CORPORATION 1000 N. GARDEN STREET, SUITE 100 STOCKTON, CA 95210 TEL: (209) 944-1111 FAX: (209) 944-1112	
DRAWING NO.: 15-01 DATE: 01/15/10 SCALE: AS SHOWN SHEET NO.: A-5	SHEET NO.: A-5



THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

REAR ELEVATION

REAR ELEVATION

SALT STREET ELEVATION

**FAMILY APARTMENTS**  
NOT FOR CONSTRUCTION

<b>CLIENT</b> META HOUSING CORPORATION 1000 W. 10TH STREET, SUITE 1000 LOS ANGELES, CA 90057	
<b>ARCHITECT</b> TRINITY APARTMENTS SHERMAN & PALER 1000 W. 10TH STREET, SUITE 1000 LOS ANGELES, CA 90057	
<b>EXHIBIT ELEVATIONS</b> DRAWING NO. 201703 DATE: 03/2017 SHEET NO. A-6 PROJECT NO. 17-000-000	
<b>KEN STOCKTON</b> ARCHITECT 1000 W. 10TH STREET, SUITE 1000 LOS ANGELES, CA 90057	
SHEET NO. <b>A-6</b>	



THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA

**ATTACHMENT D**

**PRELIMINARY DEVELOPMENT PROFORMA**

**INCOME AND RENT LIMITS**

**OPERATING EXPENSE**

**SOURCES AND USES OF FUNDS**

**PROJECT FIFTEEN (15) YEAR CASH FLOW**