



City of
**Santa
Monica**

Community Services Department
Housing and Human Services Division
1685 Main Street, Mail Stop 19
Santa Monica, CA 90401
Phone: (310) 458-8702

July 23, 2021

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

RE: 2033 Virginia Avenue, Santa Monica, California
Construction and Permanent Loan Commitment

Dear Ms. Barauskas:

We are pleased to inform you that the City of Santa Monica ("City") has approved a Construction and Permanent Loan Commitment ("Commitment") to Community Corporation of Santa Monica ("Borrower") for the proposed rehabilitation of forty (40) rent-controlled residences to be located at 2033 Virginia Avenue, Santa Monica, California ("Development").

As noted below, this Commitment is contingent on the Development being awarded other funding to close the gap between the total development cost and the City loan, and is subject to the terms and conditions set forth in this Commitment. Once executed, this Commitment shall replace and supersede the previously executed Acquisition and Predevelopment Loan Commitment Letter dated January 7, 2020, which will become null and void.

LOAN AMOUNT: Construction and Permanent Loan - \$20,560,000
Includes existing \$15,183,670 Acquisition/Predevelopment Loan

OF UNITS: Forty (40) residences, including one manager's unit.
24 one-bedroom and 16 two-bedrooms

RATE: Not to exceed three percent (3%)

TERM OF LOAN: Three (3) 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 (which shall be defined in the Financing Documents), fifty percent (50%) of which shall be used for loan repayment and the other fifty percent (50%) may be retained by Borrower; provided, however, that Borrower's share of residual receipts shall be deposited into Borrower's fund for the Development and such funds are utilized in accordance with the Financing Documents; if there exists other public lenders also requiring loan repayment through residual receipts, the City and such other public residual receipts lenders shall share fifty percent (50%) of any residual receipts on a pro-rata basis.

SECURITY: City Trust Deed and Option Agreement, which may be subordinated to other lenders with City approval.

REGULATORY AGREEMENT: A Regulatory Agreement with a ninety-nine (99) year term 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's written approval.

OCCUPANCY RESTRICTIONS: All units shall be occupied by households earning no greater than eighty percent (80%) of Los Angeles County median income, adjusted for household size, and as determined by the U.S. Department of Housing & Urban Development (HUD).

City acknowledges that tenants occupying units within the Development at the time of Borrower's acquisition of the Property ("Existing Tenants") may have incomes that exceed Occupancy Restrictions above and that the rents for these Existing Tenants may not be altered or Existing Tenants evicted due to the City's rent control laws in effect at the time of Borrower's acquisition. Upon vacancy of any such unit subsequent to Borrower's acquisition of the Project, such residence shall be rented only to and occupied by eligible households as set forth in Occupancy Restrictions above.

RENT

RESTRICTIONS: All rents for the units regarding income targeted households shall be based on no greater than eighty percent (80%) of area median income (AMI) as adjusted for number of bedrooms, and minus an utility allowance for any tenant-paid utilities unless further defined by the City, 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), then the rent limits shall be established pursuant to those federal rent requirements. One manager’s unit shall be restricted to eighty percent (80%) of AMI.

FEES: None

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

CITY

OPTION: City shall have an option to purchase the property upon the sooner to occur of (i) an event of default or (ii) within 90 days of the end of the affordability regulatory period in exchange for the lowest price permitted by any other funding program.

CITY RIGHT OF FIRST REFUSAL:

City shall have a right of first refusal option to purchase the property upon the end of the 15- year tax credit period through the 99- year Regulatory Agreement in exchange for the lowest price permitted by the LIHTC Program.

SOURCE OF	State LHTF:	\$1,250,000
CITY LOAN	City Match - Local Tax (GSH):	\$ 4,126,330
FUNDS:	City Initial Acquisition Loan:	\$15,183,670

GENERAL CONDITIONS OF THE LOAN:

1. City review and approval of an appraisal of the as-is value of the property at acquisition. (City acknowledges receipt and approval.)

2. City receipt and approval of a Phase I and II Environmental Site Assessment acceptable to the City in its sole discretion.
3. City receipt and approval of an updated Geotechnical Report and soils report, taking into consideration building design, acceptable to the City in its sole discretion.
4. City receipt and approval of the Land Survey and any Borrower plans to address Survey issues.
5. City 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, 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 and HUD. Commencement of physical activity shall cancel this commitment.
6. City receipt of an ALTA Lender's Title Insurance Policy in the amount of the total City loan.
7. Evidence that Borrower has obtained insurance as required by the City's Risk Manager
8. Evidence, in the form of a Board Resolution, Staff Report and Board Meeting Minutes that the Borrower's Board of Directors has approved the proposed development.

CONDITIONS FOR CONSTRUCTION PORTION OF LOAN:

1. Borrower's receipt of all applicable regulatory approvals and issuance of a building permit for the Development from the City.
2. City's receipt and approval of all draw requests.
3. City'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.

OTHER CONDITIONS:

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

Equity/Bank Loan	\$8,825,379
------------------	-------------

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

Equity/Soft Loan	\$11,494,641
------------------	--------------

3. City's receipt and approval of final plans and specifications for the rehabilitation of the Development. City 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's receipt and approval of all entitlements necessary to rehabilitate the Development.
5. City's receipt and approval of a final pro forma with calculations, construction budget and a final financial feasibility analysis, which will specify the manner in which loan proceeds will be disbursed.
6. Borrower shall procure a minimum of three bids from general contractors with a track record of completing rehabilitation developments involving occupied apartments.
7. City'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 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 in its sole discretion. Contractor must provide a performance bond and a payment bond in form and substance acceptable to City.
8. City 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.

9. Borrower shall make annual contributions in the amount of at least \$400 per unit per year into the replacement reserve account. Borrower's withdrawals from this account will require the City's written approval, which will not be unreasonably withheld.
10. City 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 (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.
11. City receipt and approval of a construction management contract, if applicable.
12. Confirmation satisfactory to the City, at the point the City approves the final pro forma in conjunction with City approval of permanent loan documents, in its sole discretion, that annual gross potential revenue for the Development is at least \$385,000.
13. Borrower's execution and delivery of City's standard loan documents, and compliance with all covenants and conditions set forth in said loan documents or as City or their counsel may determine based on a review of Borrower's submissions as required by this Commitment.
14. Community Meetings. The City acknowledges that that the Borrower has participated and completed the following community meeting requirements for the Development in compliance with the Housing Trust Fund Guidelines: a) Loan Commitment Meeting.
 - 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 to the public meeting date.

The Borrower met the requirement of conducting a Loan Commitment Meeting, which was held on January 28, 2020. The notice was (1) posted publicly on the Housing Division's website; (2) provided to the neighborhood association(s) in which the proposed development is located; and (3) published in a newspaper of general circulation.

15. Borrower's provision of a Management Plan subject to review and approval by the City. Tenants for the Development must be selected from the City established waiting list.
16. Borrower's provision of a Relocation Plan subject to review and approval by the City.
17. All revenues generated from the property from the date of acquisition to the start of construction shall be remitted to the City.
18. 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, in a timely fashion.
19. City liens shall be recorded subject only to exceptions approved by City in its sole discretion.
20. 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.
21. 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.
22. 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; which failure continues for a period of thirty days after written notice to Borrower;
 - 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 which is not dismissed within 60 days, 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 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.

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

This Commitment is not intended to describe all of the requirements, terms, conditions and documents necessary for the loans. A loan agreement, including the promissory note, deed of trust and related documents, will be prepared for approval by City legal counsel and shall include all provisions and attachments customarily included in City affordable housing loan agreements.

City and Borrower intend for this letter to be a legally binding and enforceable agreement. Therefore, the parties agree to proceed in good faith to prepare the required documents and satisfy the other conditions to the commitment.


This commitment expires June 30, 2022 or at start of construction, whichever occurs first. Please sign and return this letter to acknowledge acceptance of the terms and conditions contained herein.

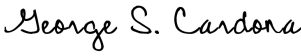
Please contact Jim Kemper, Housing Program Manager, at james.kemper@santamonica.gov or 310.434.2647 with questions or comments. We look forward to partnering with you on this affordable housing development.


Sincerely,

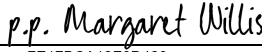
DocuSigned by:

8A5E6A6B26694D5...
John Jalili
Interim City Manager
7/27/2021

ATTEST:
DocuSigned by:

E2F85B056A714C3...
Denise Anderson-Warren
City Clerk
7/28/2021


APPROVED AS TO FORM:
DocuSigned by:

ECB444B01A56432...
George S. Cardona
Interim City Attorney
7/25/2021

APPROVED BY:
DocuSigned by:

ADBEEF04A73F74ED...
Andy Agle
Director of Community Services
7/23/2021

DocuSigned by:

7E17BCA13F6D429...
Setareh Yavari
Housing and Human Services
Manager
7/23/2021

ACKNOWLEDGED AND ACCEPTED:

Community Corporation of Santa Monica:

DocuSigned by:

43E8389C01794FA...
Tara Barauskas
Executive Director

7/28/2021

Date