



City of
Santa MonicaSM

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

3/12/2023

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

RE: 1342 Berkeley Street, 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 purpose of developing thirteen (13) affordable residences targeting young adults (ages 18-24) and low-income households, to be located at 1342 Berkeley Street, Santa Monica, California ("Development"). The priority population for the Development is young adults that live or work in Santa Monica and that have been identified by the City's Youth and Families programs as being unstably housed. The goal for the Development is to remove housing insecurity as a barrier to the young adults' professional and/or educational success. The services available to the young adults at the Development will support their transition to completely independent living.

As noted below, this Commitment is subject to the Borrower's execution of final documents and is subject to the terms and conditions set forth in this letter. Once executed, this Commitment shall replace and supersede the previously executed Construction and Permanent Loan Commitment Letter dated June 9, 2022, which will become null and void.

LOAN AMOUNT: Construction Loan - \$9,703,769
Permanent Loan - \$8,376,553
Includes existing \$467,735 Predevelopment Loan
\$1,327,216 of the Construction Loan to be repaid once
development is complete and long-term bank loan provided to
CCSM.

OF UNITS: Thirteen (13) one-bedroom residences

RATE: Six and 65/100 percent (6.65%) compounded annually

TERM OF LOAN: Two (2) 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.

At the fifty-five-year maturity date of the Permanent Loan, provided that Borrower is in compliance with the terms of the City loan documents, the Permanent Loan shall be extended for an additional twenty-five (25) years. At the expiration of the extended term of the Permanent Loan, provided that Borrower is in compliance with the City loan documents, the City shall forgive the payment of all outstanding Principal and accrued interest.

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, social services requirements, and minimum operating and replacement reserves.

OCCUPANCY RESTRICTIONS: Ten (10) units shall be occupied by households earning no greater than fifty percent (50%) of Los Angeles County area median income ("LA County AMI"), and the remaining three (3) units shall be occupied by a household earning no greater than thirty percent (30%) of LA County AMI, adjusted for household size, and as determined by the U.S. Department of Housing & Urban Development (HUD). Eight units shall be targeted for young adults aged 18-24.

RENT RESTRICTIONS: Rent for ten (10) units shall be based on no greater than fifty percent

(50%) of LA County AMI, and the rent for the remaining three (3) units shall be no greater than thirty percent (30%) of LA County AMI as adjusted for number of bedrooms, and minus a 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 or State 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, and the California Multifamily Housing Program), then the rent limits shall be established pursuant to those federal and State rent requirements. Notwithstanding the above, this development is anticipated to receive an allocation of Section 8 Project-Based Vouchers from the Santa Monica Housing Authority, and therefore the amount of rent received by CCSM for each unit with a Project-Based Voucher will be no greater than the payment standard.

FEES: None

DISBURSEMENT: City shall disburse construction loan funds as the Development is built 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) commencing upon the end of 55 years, through the 99-year Regulatory Agreement Term, for a price to be described in the Option Agreement.

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| SOURCE OF CITY LOAN FUNDS: | State 2021 LHTF Program Funds: | \$3,954,409 |
| | City 2021 LHTF Match – Local Tax (GSH): | \$3,954,409 |
| | Low-Moderate Income Housing Asset Trust Fund: | \$1,327,216 |
| | (For construction phase only, includes existing \$467,735 Predevelopment Loan.) | |

GENERAL CONDITIONS OF THE LOAN:

1. City receipt and approval of a Phase I and II Environmental Site Assessment acceptable to the City in its sole discretion. (City acknowledges receipt and approval of Phase I assessment, which recommended no further investigations.)
2. 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.
3. City Commitment is contingent upon compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), if applicable. 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.

- 4. City receipt of an ALTA Lender's Title Insurance Policy in the amount of the total City loan.
- 5. Evidence that Borrower has obtained insurance as required by the City's Risk Manager.
- 6. 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 predevelopment 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 permanent financing commitments from the following funding sources and in the following estimated amounts:

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| Permanent Loan (CCRC) | \$1,577,579 |
| CCF Grant | \$1,313,071 |

- 2. City's receipt and approval of final plans and specifications for the construction 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.
- 3. City's receipt and approval of all entitlements necessary to construct the Development.
- 4. City'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.
- 5. 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.

6. 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.
7. Borrower shall establish an 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 \$350 per unit per year into a replacement reserve account. Borrower's withdrawals from this account will require the City's written approval, which will not be unreasonably withheld.
8. Upon conversion to permanent financing, Borrower shall capitalize a support services reserve account in the amount of at least \$75,000 to enhance supportive services for young adult residents. Borrower shall provide the City with a Supportive Services Enhancement Plan subject to review and approval by the City.
9. 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.
10. City receipt and approval of a construction management contract, if applicable.
11. 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 \$286,962.
12. 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.
13. Community Meetings. The City acknowledges that that the Borrower has completed or will complete the following community meeting requirements for the Development in compliance with the Housing Trust Fund Guidelines: a) Loan Commitment Meeting; b) Community Design Meetings; and c) Commission 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 to the public meeting date.

The Borrower met the requirement of conducting a Loan Commitment Meeting, which was held on December 13, 2017. 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.

- b. Community Design Meetings. Prior to finalizing design drawings for submittal to review by the Community Development Department, Borrower will conduct a minimum of two (2) public workshops with neighbors residing within 500 feet of the 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.

The Borrower met the requirement of conducting two Community Design Meetings, which were held on January 16, 2018 and April 7, 2018. An additional Community Design Meeting was held on April 7, 2021.

- 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.
14. City review of Community Meeting Documents. A minimum of 15 working days prior to all proposed community meetings related to the 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 and Human Services Division, a draft agenda, draft meeting goals, draft talking points, and draft materials. The Borrower must set a pre-meeting with the Housing and Human Services Division staff to discuss feedback on such documents no later than 10 working days prior to the proposed meeting. (See item #13 above, this condition has already been met.)
 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. All revenues generated from the property from the date of acquisition to the start of construction shall be remitted to the City.
 17. 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.
 18. City liens shall be recorded subject only to exceptions approved by City in its sole discretion.

19. 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.
20. 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.
21. 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 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 priority 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.

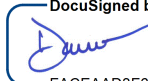
City and Borrower intend for this letter to be a legally binding and enforceable agreement. Therefore, the parties agree to proceed in good faith to prepare the required documents and satisfy the other conditions to the commitment.

This commitment expires June 30, 2024 or at start of construction, whichever occurs first. Please sign and return this letter to acknowledge acceptance of the terms and conditions contained herein.

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Please contact Ayala Scott, Senior Development Analyst, at ayala.scott@santamonica.gov or 310-458-2200 ext. 5116 with questions or comments. We look forward to assisting you with this affordable housing development.


Sincerely,

DocuSigned by:

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David White

City Manager

ATTEST:

DocuSigned by:

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Denise Anderson-Warren

city clerk


APPROVED AS TO FORM:

DocuSigned by:

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DOUGLAS SLOAN

City Attorney


APPROVED BY:

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Danielle Noble

Acting Director, Community Services Department

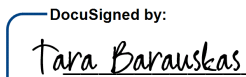
ACKNOWLEDGED AND ACCEPTED:

Community Corporation of Santa Monica:

DocuSigned by:

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Setareh Yavari

Housing & Human Services Manager

3/13/2023

DocuSigned by:

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Tara Barauskas

Executive Director