



City of Culver City

Staff Report

File #: 22-1119, **Version:** 1

Item #: A-2.

CC/HA: ACTION ITEM - Discussion and (if Desired) Approval of a Request by Community Corporation of Santa Monica (Community Corp) to Increase a Loan Commitment and Modify the Project Description for a Proposed 100% Affordable Housing Project to be Developed in Partnership with Culver Palms United Methodist Church at 4464 Sepulveda Boulevard, Culver City

Meeting Date: June 13, 2022

Contact Person/Dept.: Tevis Barnes/CDD - Housing,
Sol Blumenfeld/CDD

Phone Number: (310) 253-5700

Fiscal Impact: Yes ☒ No ☐ **General Fund:** Yes ☐ No ☒

Attachments: Yes ☒ No ☐

Commission Action Required: Yes ☐ No ☒

Public Notification: (E-Mail) Meetings and Agendas - City Council (06/08/2022); Community Corporation of Santa Monica (05/26/2022); Culver Palms United Methodist Church (05/26/2022); Advisory Committee on Housing and Homelessness (05/31/2022); and Landlord Tenant Mediation Board (06/09/2022)

Department Approval: Sol Blumenfeld, Community Development Department (06/07/2022)

RECOMMENDATION

Staff recommends the City Council and the Housing Authority (Authority) Board discuss and, if desired, approve the request by Community Corporation of Santa Monica (Community Corp.) to modify the original Loan Commitment Letter to increase the number of units from 75 to 95 and increase the Loan Commitment amount from \$2 million to \$4 million for a proposed 100% affordable housing project to be developed in partnership with Culver Palms United Methodist Church at 4464 Sepulveda Boulevard (Project).

BACKGROUND

Regional Housing Needs Assessment

The Project is to be developed in partnership with property owner Culver Palms United Methodist Church and will include a mixed-use project on the church property. The City would obtain 95 affordable housing units that would help address its Southern California Association of Governments (SCAG) Regional Housing Needs Assessment (RHNA) goals. In the current RHNA housing cycle (October 2021 - 2029), the City must produce 3,341 units of housing.

These units are broken into the following income categories:

- Extremely Low- 554
- Very Low Income - 554
- Low Income - 604
- Moderate Income - 560
- Above Moderate Income - 1,069

Project Description

If approved and developed, the Project will be the City's second 100% affordable mixed-used project (the first is Tilden Terrace located on Washington Boulevard). At its Special Meeting held on May 3, 2022 to discuss Homeless Policies and Programming which included the subject Project, both the City Council and the community attending and participating in the meeting supported the need to increase affordable housing units.

The Project development program involves:

- Demolition of an existing ±14,000 square-foot religious facility and pre-school building;
- A new ±161,900 square-foot, six-story, 95-unit residential building over grade-level parking spaces and parking spaces located one level below grade for a total of 127 parking spaces (this is an increase from the originally proposed 75-unit, 5-story project);
- A new ±6,628 square-foot, one-story religious facility building; and
- A new ±7,269 square-foot, two-story pre-school building.
- The project proposes to reserve 100% percent of all units for households meeting income levels as established by the State of California and the County of Los Angeles, with rent levels complying with Federal, State, County, and Culver City affordable housing criteria for low-income households, exclusive of one market rate manager's unit.

Since the Project proposed a pre-school on the ground floor, in order to implement the Project, in 2021, staff prepared a Mixed-Use Zoning Code Amendment to allow other than retail uses in ground floor of mixed-use developments. This Code Amendment was unanimously approved by the Planning Commission and the City Council and day care facilities and pre-schools are now a permissible on the ground floor of mixed-use projects.

It is also important to note that the State adopted SB 35 to streamline new housing development, and the Project was the City's first mixed use development to be ministerially approved pursuant to the requirements of SB 35. (See Attachment No. 1).

DISCUSSION

In late 2019, Community Development Department (CDD) staff was approached by Community Corp. and the Culver Palms United Methodist Church to explore financial and technical assistance in connection with the proposed Project. The Ad Hoc Council Subcommittee on Housing and Homeless discussed technical and financial assistance to the proposed Project at its meeting on March 10, 2021 (Attachment 2) and supported it. On July 22, 2021, a Commitment Letter was executed by staff based upon prior Authority/City Council review and support of the Project during two Housing Division budget work plan presentations in 2019/2020 and 2020/2021, the support of the City Council Housing and Homeless Subcommittee as part of a review of homeless and affordable housing programs, and the general support noted from all City Council/Authority Board Members regarding the City's participation in the Project. The Commitment Letter supports the Project with \$2 million construction and permanent loan with a 3% simple interest rate over 3 years during construction and after construction the conversion of the loan to a 55-year permanent loan term. The Commitment is contingent on the Project being awarded Low Income Housing Tax Credits (LIHTC) and other items specified in the Commitment Letter which include, among other things, CEQA/NEPA compliance, lender's title insurance, insurance requirements, property owner consent, formal Authority Board approval, building permits, payment/performance bonds, and Housing Authority approval of budgets, contracts, contractors, and loan documents (See Attachment No. 3).

In January 2022, Community Corp. was notified that it was not awarded Los Angeles County Development Authority (LACDA) NOFA Round 27 funds because the Project did not meet funding threshold requirements. The disapproval significantly undermined the financial viability of the Project.

On May 26, 2022, CDD staff received a follow-up letter from Community Corp. requesting the following revisions to the Authority Loan Commitment Letter executed on July 22, 2021.

1. Modification of the original Authority Loan Commitment Letter to increase the number of Project housing units from 75 to 95
2. Modification of the Loan Commitment amount from \$2 million to \$4 million

By increasing the number of Project units to 95 and obtaining an Authority loan increase to \$4 million, Community Corp. believes that it will be able to secure additional funding from other State and local resources to complete the development. (See Attachment No. 4).

Subsequently, on June 6, 2022, staff received new correspondence from Community Corp. requesting modification of the Culver City Housing Authority Construction and Perm Loan Commitment letter to include a General Partner Equity Contribution component for a Developer Fee in excess of \$2,500,000. The purpose of the proposed modification is to allow more tax credits to be obtained for the Project and it does not increase the amount of the proposed Housing Authority financial contribution. (See Attachment No. 5).

FISCAL ANALYSIS

In order to address the Community Corp request, staff researched the fund balance in the Authority Low Moderate Income Housing Asset Fund (LMIHAF) and found that after factoring in the Project

Homekey funding commitment of \$7.3 million for the acquisition and rehabilitation of 76 units (including two manager units) for interim and permanent supportive housing, there were sufficient funds to support the latest \$4 million request. Please note that the LMIHAF is generally limited by Health Safety Code regulations to use for permanent housing and is otherwise restricted to no more than \$1 million expenditures per year for emergency shelter housing in collaboration with Successor Agencies in the region. Therefore, funding non-permanent housing with the LMIHAF is limited. (Please see Attachment No. 6).

ATTACHMENTS

1. SMC City Decision Memo
2. Housing and Homeless Subcommittee Agenda
3. Commitment Letters (Existing and Revised)
4. Community Corp correspondence Los Angeles County Development Authority (LACDA)
5. Community Corp. Correspondence May 23 and June 6, 2022
6. Restrictions on Use of LMIHAF

MOTIONS

That the City Council and Housing Authority Board:

1. Approve the request by Community Corporation of Santa Monica (Community Corp.) to modify the original Loan Commitment Letter to increase the number units from 75 to 95 and increase the Loan Commitment amount from \$2 million to \$4 million to make their application more competitive for state and local funding and amend related ministerial approval documents; and
2. Authorize the City Attorney/Housing Authority General Counsel and Special Counsel to review/prepare the necessary documents; and
3. Authorize the City Manager/Executive Director to execute such documents on behalf of the City and Housing Authority Board; or
4. Disapprove the request by SMC for additional funding; or
5. Provide other direction as deemed appropriate.