

3. 24-51812 Recommendation to approve the acquisition of the property located at 1131 E. Wardlow Road for a purchase price of \$5,475,000 using PLHA funds; and

Authorize the President or designee to execute any and all documents necessary to initiate and complete the acquisition of this property.

Suggested Action: Approve recommendation.

MEMORANDUM

DATE: January 17, 2024

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Christopher Koontz, President *CK*

SUBJECT: Acquisition of Property Located at 1131 E. Wardlow Road (District 5)

RECOMMENDATION:

Recommendation to approve the acquisition of the property located at 1131 E. Wardlow Road for a purchase price of \$5,475,000 using PLHA funds; and

Authorize the President or designee to execute any and all documents necessary to initiate and complete the acquisition of this property.

DISCUSSION

The property at 1131 E. Wardlow Road consists of two adjacent parcels totaling 28,431 square feet and is improved with a vacant 17,625 square feet commercial building that previously served as a grocery store, and a surface parking lot. The property is located at the northwestern corner of E. Wardlow Road and Cerritos Avenue in the California Heights neighborhood. The property is in a “High Resource” region on the Tax Credit Allocation Committee Opportunity Map, meaning it has been identified as an area most likely to support positive economic, education, and health outcomes for low-income families. A site map is attached for reference (Attachment A). The property owner has entered into a Purchase and Sale Agreement (PSA) with West Hollywood Community Housing Corporation (WHCHC) in the amount of \$5,475,000.

On November 15, 2023, the Long Beach Community Investment Company (LBCIC) approved a funding award of up to \$7,000,000 and authorized an Agreement to Negotiate Exclusively (ENA) with WHCHC for the development of an affordable rental housing project on the property (Project) (Attachment B). The purpose of the ENA was to give the LBCIC and WHCHC time to work exclusively to determine whether the Project is physically and financially feasible. Initial discussions between City staff and WHCHC have identified an urgent need to complete the site acquisition to keep the Project moving forward.

The PSA between the owner and WHCHC will expire on April 5, 2024, and the owner has indicated that they are not amenable to extending the term of the agreement. If the acquisition does not close by the expiration date, the Project does not move forward and the rare opportunity to develop affordable housing in this High Resource area is missed. Building affordable housing in a High Resource area is essential to increasing access to

high opportunity areas for families with children. High Resource areas have characteristics that have been shown by research to have a positive long-term effect on children, such as the quality of local public schools. The property owner is amenable to transferring its PSA from WHCHC to the LBCIC and City staff is recommending that the LBCIC acquire the property now, using Permanent Local Housing Allocation (PLHA) funds, then transfer ownership to WHCHC after the remaining funding sources have been secured. This approach (1) makes the Project more competitive in its funding applications; and (2) helps the LBCIC meet a critical funding deadline as described below:

1. Federal and State funding programs for affordable housing development are extremely competitive. Applications for projects that are developed on property that has been declared exempt surplus land by the local jurisdiction score more points on their applications. This declaration can be achieved as a routine matter if the LBCIC acquires the property directly.
2. In 2017 Senate Bill 2 (SB 2), created a dedicated revenue source and directs the California Department of Housing and Community Development (HCD) to use revenue from SB 2 to provide financial assistance to local governments for eligible housing-related projects. PLHA program funds are awarded annually over a five-year period. The first award to the City of Long Beach (City) was for \$2,900,000 in 2019, with a deadline to expend these funds by March 1, 2024. As expenditure deadlines are statutory, HCD is not able to extend the deadline and if the PLHA funds are not expended by the deadline, the \$2,900,000 will have to be returned to HCD. The LBCIC previously committed the 2019 funds to an unrelated project, The Armory Arts Collective, which failed to secure sufficient development funds in time to meet our expenditure deadline. To avoid having to return these PLHA funds to HCD, the LBCIC will need to expend these funds by March 1, 2024, and the proposed WHCHC Project is the only project in our pipeline that is able to accomplish this. The remaining \$2,575,000 needed to complete the acquisition will be funded with PLHA funds awarded in 2020 that that have not yet been committed to a specific project.

City staff recommends approval of the acquisition of the property. If approved, City staff will complete the purchase of the property and begin the process of declaring the property to be exempt excess surplus land. Should WHCHC not be able to satisfy the terms of the ENA, the LBCIC will solicit a new developer partner to develop the Project. The proposed acquisition supports the implementation of Housing Element Program 1.6 (Affordable Housing Development Assistance) and is therefore supported by City staff.

SUGGESTED ACTION:

Approve recommendations.

CK:MS:SM:ks

Attachment:

Attachment A – Site Map

Attachment B – November 15, 2023 Staff Report

M E M O R A N D U M

DATE: November 15, 2023

TO: Board of Directors
The Long Beach Community Investment Company

FROM: Christopher Koontz, President *CK*

SUBJECT: **Award of up to \$7 Million in Funding and Authorization to Execute an Agreement to Negotiate Exclusively with West Hollywood Community Housing Corporation for New Construction of Affordable Housing Units (District 5)**

RECOMMENDATION:

Recommendation to approve the selection of West Hollywood Community Housing Corporation (WHCHC) for an award of up to \$7 Million in Permanent Local Housing Allocation (PLHA) and/or Community Development Block Grant (CDBG) funds; and

Authorize the President or designee to enter into an Agreement to Negotiate Exclusively with West Hollywood Community Housing Corporation for the development of new affordable rental housing units.

DISCUSSION

The Permanent Local Housing Allocation (PLHA) program was created in 2017 by Senate Bill 2 (SB 2), part of a 15-bill housing package aimed at addressing the state's housing shortage by establishing a permanent source of funding intended to increase the affordable housing stock in California. SB 2 created a dedicated revenue source and directs the California Department of Housing and Community Development to use revenue from SB 2 to provide financial assistance to local governments for eligible housing-related projects. Eligible activities include development of new multifamily rental housing, or substantial rehabilitation of multifamily rental housing serving households at or below 80 percent of Area Median Income (AMI).

The Community Development Block Grant (CDBG) is a flexible program that was created by the U.S. Department of Housing and Urban Development (HUD) to provide communities with resources to address a wide range of unique community development needs. It is one of the longest continuously run programs that works to ensure decent affordable housing, a suitable living environment, creates jobs through the expansion and retention of businesses and provides services to the most vulnerable in our communities, primarily for low-and moderate- income persons.

On July 17, 2023, City staff published a Notice of Funding Availability (NOFA) announcing the availability of \$12.7 million in funds (\$10 million in PLHA, \$2 million in CDBG, and \$700 thousand in Community Housing Development Organization funds). Eligible uses of these funds include the construction of new affordable housing units,

acquisition, and/or the rehabilitation of previously unrestricted units by qualified housing development companies (Attachment A – Notice of Funding Availability). Six proposals were received by the September 18, 2023 deadline:

1. *West Hollywood Community Housing Corporation*
 - Proposal for 100 affordable family units at 1131 E. Wardlow Road
2. *New Philly Family Housing*
 - Proposal for rehab/adaptive reuse of a vacant church building at 6380 Orange Avenue into 9 affordable units
3. *Second Samoan Congregational Church*
 - Proposal for acquisition/conversion of Travelodge Motel at 80 Atlantic Avenue into 64 units
4. *Innovative Housing Opportunities, Inc., Community Economic Development Corporation, and Clearinghouse CDFI*
 - Proposal for 70 affordable family units at 737 Pine Avenue
5. *Century Affordable Development, Inc.*
 - Proposal for 109 units affordable to families and persons experiencing homelessness at 6801 Atlantic Avenue
6. *Century Affordable Development, Inc.*
 - Proposal for 153 affordable family units at 1401 Long Beach Boulevard

A selection committee (Committee) was formed to review and evaluate the proposals in accordance with the criteria detailed in the NOFA. The Committee was comprised of four key City staff members from the Economic Development Department's Real Estate Development Bureau and the Community Development Department's Planning and Housing and Neighborhood Services Bureaus. The proposals were reviewed, discussed, and ranked by the Committee. The proposals were consistently evaluated based upon the following criteria:

- Experience and Qualifications (maximum 20 points)
- Project Budget (maximum 10 points)
- Sources and Uses of Funds (maximum 20 points)
- High Resource Area and/or Family Project (maximum 15 points)
- Project Readiness (maximum 15 points)
- Scope of Development (maximum 20 points)

The proposal submitted by West Hollywood Community Housing Corporation (WHCHC) is for the development of a 100-unit project (Project) at 1131 E. Wardlow Road (Site) (Attachment B – Site Map). The Project will be 100 percent affordable, serving families earning between 30 percent and 80 percent of AMI. As currently proposed, it will provide a combination of one-bedroom (42 total), two-bedroom (30 total), and three-bedroom (28 total) apartment homes, inclusive of two manager's units. The development will also include a fitness studio, community room, tot lot, and sixty parking stalls.

The Project is in a "High Resource" region on the Tax Credit Allocation Committee Opportunity Map, meaning it has been identified as an area most likely to support positive economic, educational, and health outcomes for low-income families. If constructed, this Project will bring the California Heights community its first Low Income

Housing Tax Credit development. Although this would be their first project in Long Beach, WHCHC has over 37 years of experience developing affordable rental projects throughout the greater Los Angeles area. WHCHC focuses on affordable family projects and will provide residential services to all households via their Family Programs Initiative (FPI). The FPI program empowers limited income working families to help maintain stable housing and access essential resources, paving the way to greater self-sufficiency.

The Project received high scores as creating new affordable family units in high resource areas meets City goals found in the Consolidated Plan, Housing Element and other regulatory documents. The Committee also recognized the very long positive track record of WHCHC, the cost effective nature of the proposal, the leverage of other non-City funds, the ability to execute the project in a time-effective manner and the overall size and impact of the project.

Staff recommends that the Long Beach Community Investment Company (LBCIC) enter into a six-month Exclusive Negotiating Agreement (ENA) with WHCHC to allow the LBCIC and developer time to work exclusively to determine whether the project is physically and financially feasible. If approved, the ENA will allow the President to extend the term for two additional 90-day periods, if necessary, to allow the developer to obtain entitlements and assemble financing. The exact allocation of specific funding sources will be determined upon further consideration of the Project timeline and funding regulations.

The proposed project supports the implementation of the City's Certified Housing Element Program 1.6 (Affordable Housing Development Assistance); therefore, City staff supports the approval of an award of PLHA and/or CDBG funds of up to \$7 million and an ENA with WHCHC.

SUGGESTED ACTION:

Approve Recommendations.

CK:MS:SM:ks

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Attachment: A – Notice of Funding Availability
B – Site Map



Approve the Acquisition of the Property Located at 1131 East Wardlow Road for a Purchase Price of \$5,475,000 using PLHA funds.

Long Beach Community Investment Company - January 17, 2024

Background Information

On Nov 15, 2023, the Long Beach Community Investment Company (LBCIC) authorized the execution of an Agreement to Negotiate Exclusively with West Hollywood Community Housing Corporation (WHCHC) for an award of up to \$7,000,000 in Permanent Local Housing Allocation (PLHA) funds for new construction of affordable rental housing at 1131 East Wardlow Road.

Site Acquisition and PLHA Expenditure Deadlines

Purchase and Sale Agreement Termination Date

- WHCHC is currently in escrow with the seller of 1131 East Wardlow Road (Project Site).
- The Purchase and Sale Agreement (PSA) will terminate on April 5, 2024, with no extensions available.

PLHA Expenditure Deadline

- PLHA funds (2019 allocation) must be spent by March 1, 2024, or \$2.9M in funds must be returned to the State.
- These 2019 funds were previously committed to The Armory Arts Collective Project which has been delayed and will not close in time to meet our expenditure deadline. The deadline can not be extended.

Acquisition by LBCIC

To increase competitiveness of future funding applications for this property, staff is recommending that the LBCIC purchase the site, then pursue an exempt excess surplus land declaration with the California State Department of Housing and Community Development (HCD).

LBCIC acquisition also provides a pathway to expend 2019 PLHA funds by the statutory deadline and avoid having to return the funds to HCD.

Recommendation

Approve the acquisition of property located at 1131 East Wardlow Road using \$5,475,000 in PLHA funds.



Thank you

Kjell Stava

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