



AGENDA AND NOTICE OF THE SPECIAL MEETING OF THE
SAN GABRIEL VALLEY REGIONAL HOUSING TRUST FUND BOARD OF
DIRECTORS

TUESDAY OCTOBER 17, 2023 – 1:00 P.M.

SGVCOG Office

1333 S. Mayflower Avenue, Suite 360 Monrovia, CA 91016

SGVRHT Officers

Chair

Jed Leano

Vice-Chair

Becky Shevlin

**Jurisdictional
Representatives**

Northeast Representative
Gary Boyer, Glendora

Northwest Representative
Becky Shevlin, Monrovia

Central Representative
Emmanuel Estrada,
Baldwin Park

Southeast Representative
Patty Cortez, Covina

Southwest District
Adele Andrade-Stadler,
Alhambra

At-Large Representatives
Margaret Finlay, Duarte
Jed Leano, Claremont

Housing/Homeless Experts
Carol Averell (Delegate)
Benita DeFrank (Delegate)
Alma Martinez (Alternate)

Members

- Alhambra
- Arcadia
- Azusa
- Baldwin Park
- Claremont
- Covina
- Diamond Bar
- Duarte
- El Monte
- Glendora
- Industry
- Irwindale
- La Cañada Flintridge
- La Verne
- Monrovia
- Montebello
- Monterey Park
- Pasadena
- Pomona
- San Gabriel
- South El Monte
- South Pasadena
- Temple City
- West Covina

Thank you for participating in today’s meeting. The Board of Directors encourages public participation and invites you to share your views on agenda items.

MEETINGS: The agenda packet is available at the San Gabriel Valley Council of Government’s (SGVCOG) Monrovia Office, 1333 S. Mayflower Avenue, Suite 360, Monrovia, CA, and on the website, www.sgvcog.org. Copies are available via email upon request (sgv@sgvcog.org). A copy of the agenda is also posted for public viewing at the entrance of the SGVCOG Monrovia Office Building. Any additional agenda documents that are distributed to a majority of the Board after the posting of the agenda will be available for review in the SGVCOG office during normal business hours and on the SGVCOG website noted above.

PUBLIC PARTICIPATION: Your participation is welcomed and invited at all Board of Directors meetings. Time is reserved at each regular meeting for those who wish to address the Board. SGVRHT requests that persons addressing the meeting refrain from making personal, slanderous, profane or disruptive remarks. A person who continues to disrupt the orderly conduct of the meeting, after being warned by the Board Chair or designee to cease the disruption, may be precluded from further participation in the meeting.

TO ADDRESS THE GOVERNING BOARD: At a regular meeting, the public may comment: (i) on any matter within the jurisdiction of the Board of Directors that is not on the agenda during the public comment period at the beginning of the agenda; (ii) on any item(s) that is on the Consent Calendar prior to action taken on the Consent Calendar; and (iii) on any other agenda item prior to the time it is considered by the Board. during the public comment period and may also comment on any agenda item at the time it is discussed. At a special meeting, the public may only comment on items that are on the agenda. Members of the public are requested to state their name prior to speaking. Comments are limited to a maximum of three minutes per person. The Board President may impose additional time limits if comments become repetitious, an individual member of the public seeks to speak on numerous items, or a large number of members of the public seek to speak on an item. Except in limited situations, the Board may not take action on items not appearing on the agenda and/or discuss them at length.

If you would like to provide a public comment during a Board meeting, please see “Instructions for Public Comments” below.

AGENDA ITEMS: The Agenda contains the regular order of business of the Board of Directors. Items on the Agenda have generally been reviewed and investigated by the staff in advance of the meeting so that the Board of Directors can be fully informed about a matter before making its decision.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SGVCOG office at (626) 457-1800. Notification 48 hours prior to the meeting will enable the SGVCOG to make reasonable arrangement to ensure accessibility to this meeting.



CONSENT CALENDAR: Items listed on the Consent Calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion on these items unless a Board member or citizen so requests. In this event, the item will be removed from the Consent Calendar and considered after the Consent Calendar. If you would like an item on the Consent Calendar discussed, simply tell Staff or a member of the Board of Directors.

TELECONFERENCE LOCATIONS: State law allows Board Representatives to teleconference from remote locations as long as certain conditions are met, including listing the teleconference locations in the agenda.

Instructions for Public Comments: For those wishing to make public comments on agenda and non-agenda items, but within the SGVCOG's subject matter jurisdiction, you may submit written comments via email or provide a verbal comment by participating through Zoom.

- Written Comments (Email): If you wish to submit written public comments to be distributed to the committee members prior to or during the meeting, please submit these materials via email to Brielle Salazar at bsalazar@sgvrht.org at least 1 hour prior to the scheduled meeting time. Please indicate in the Subject Line of the email "FOR PUBLIC COMMENT." Emailed public comments will be read into the record and will be part of the recorded meeting minutes. Written public comments may include, but are not limited to letters, reports, and presentations.
- Verbal Comments (In Person): If you would like to make a public comment at the Governing Board meeting location, please fill out a public comment card. Comment cards will be made available to you by staff at the entrance to the meeting room. If you are attending the meeting at a noticed teleconference location and would like to make a public comment, please raise your hand when the item upon which you wish to speak comes up on the agenda.
- Verbal Comments (Zoom): If you would like to participate by teleconference from a private location, please email Brielle Salazar (bsalazar@sgvrht.org) to request an attendee Zoom link at least 24 hours before the meeting. Through Zoom, you may provide a verbal comment by using the web interface "Raise Hand" feature when the agenda item upon which you wish to speak is to be considered. You will then be called upon to provide your verbal comments.

Any member of the public requiring a reasonable accommodation to participate in this meeting should contact Brielle Salazar at least 48 hours prior to the meeting at (626) 457-1800 or at bsalazar@sgvrht.org.

PRELIMINARY BUSINESS

5 MINUTES

1. Call to Order
2. Roll Call
3. Public Comment (*If necessary, the President may place reasonable time limits on all comments*)
4. Changes to Agenda Order: Identify emergency items arising after agenda posting and requiring action prior to next regular meeting.

CONSENT CALENDAR

5 MINUTES

5. Board of Directors Minutes- August 24, 2023 Meeting- Page 1
Recommended Action: Adopt Board of Directors minutes for the August 24, 2023 meeting.
6. Revolving Loan Fund Guidelines Update- Page 3
Recommended Action: Adopt Resolution 23-11 Approving Revolving Loan Fund Guidelines.

ACTION ITEMS

15 MINUTES

7. 405 S. Del Mar Option to Ground Lease- Page 25
Recommended Action: Authorize the Executive Director to negotiate and execute a Letter of Intent for an Option to Ground Lease with Related for the property located at 405 S. Del Mar Avenue, San Gabriel.
8. Project Pipeline Funding Allocation- Page 31
Recommended Action: Adopt Resolution 23-12 Authorizing the Executive Director to execute a Letter of Commitment in the amount of \$1,000,223 to Baseline Road, Claremont.

UPDATE ITEMS

5 MINUTES

9. Chair's Report
10. Executive Director's Report
11. General Counsel's Report

ADJOURN

SGVRHT Board of Directors Unapproved Minutes

Date: August 24, 2023

Time: 1:00 PM

Location: SGVRHT Office in Monrovia and Virtual Meeting

PRELIMINARY BUSINESS

1. Call to Order

Chair Leano called the meeting to order at 1:00 PM.

2. Roll Call

A quorum was in attendance.

Members Present

Jed Leano, At-Large Member
Becky Shevlin, City of Monrovia
Adele Andrade-Stadler, City of Alhambra –
joined after Consent Calendar vote
Carol Averell, Housing/Homeless Expert
Gary Boyer, City of Glendora
Margaret Finlay, City of Duarte

Members Absent

Patty Cortez, City of Covina
Benita DeFrank,
Housing/Homeless Expert
Emmanuel Estrada, City of Baldwin
Park

Staff

M. Creter, Executive Director, SGVRHT
B. Salazar, SGVRHT
C. Trapesonian, Assistant General Counsel
M. Sharkey

3. Public Comment

A written public comment was received ahead of the meeting and was included in the agenda. A member of the public made a comment during the meeting regarding the structure of affordable housing financing and income levels for units.

4. Changes to Agenda Order

There were no changes to the agenda order.

CONSENT CALENDAR

5. Board of Directors Minutes- July 18, 2023 Meeting

Recommended Action: Adopt Board of Directors minutes for the July 18, 2023 meeting.

6. Technical Advisory Services Contract Extension

Recommended Action: Authorize the Executive Director to Execute Amendment 5 to Agreement 20-06.

7. Assignment of Contract for Operation Stay Safe

Recommended Action: 1.) Authorize the Executive Director to assign the Agreement with Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA) for Operation Stay Safe (OSS) site operation to the San Gabriel Valley Council of Governments (SGVCOG); and 2.) Authorize the Executive Director to execute an Agreement with the SGVCOG for an amount not to exceed \$517,000 for the previously-approved Homeless Housing Pilot Program funds for Site Operation

Agreement expenses.

8. SGVRHT Annual Report

Recommended Action: For information only.

There was a motion to approve Consent Calendar Item 5, 6, 7, and 8. (M/S: Finlay/Shevlin).

[Motion Passed]

AYES:	Leano, Shevlin, Averell, Boyer, Finlay
NOES:	
ABSTAIN:	
ABSENT:	Andrade-Stadler, Cortez, DeFrank, Estrada

UPDATE ITEMS

There were no update items.

GENERAL COUNSEL’S REPORT

There was no General Counsel’s Report.

EXECUTIVE DIRECTOR’S REPORT

M. Creter shared highlights from the FY 2022-2023 Annual Report. The Board was also invited to the upcoming grand opening of the Villa Esperanza affordable housing project in Pomona and the Habitat Civic Leader Build that will be held in October. The next Regional Housing Trust meeting will be held October 17th at 1 PM at the office in Monrovia.

CHAIR’S REPORT

There was no Chair’s Report.

ADJOURN

Chair Leano adjourned the meeting at 1:20 PM.

REPORT

DATE: October 17, 2023

TO: Board of Directors

FROM: Marisa Creter, Executive Director

RE: **REVOLVING LOAN FUND GUIDELINES UPDATE**

RECOMMENDED ACTION

Adopt Resolution 23-11 Approving Revolving Loan Fund Guidelines.

BACKGROUND

At its June 28, 2022 meeting, the Board of Directors adopted Guidelines for the Revolving Loan Fund (RLF) which provides acquisition, predevelopment, and construction funding for affordable housing projects. The Board allocated an initial \$7.8M in capital to the RLF. To date the SGVRHT has awarded funding to 5 projects to support the development of 192 units.

With data from a full year of operations, some patterns emerged that can be addressed through updates to the RLF Guidelines. These include requests for changes to loan terms after award approval, applications that do not demonstrate sufficient developer experience to complete the project, and uncertainty around member city support for predevelopment projects. Staff researched other RLF programs and found that comparable programs tend to charge an application fee of \$500-\$5,000 to help offset review costs, including additional fees for changes to loan documents or program guidelines. Some programs include a specific threshold to demonstrate sufficient experience, while others rely on the threshold the SGVRHT currently has in place, demonstrated ability to complete the project.

Housing Trust	Application Fee		Experience Requirement		Notes
	Yes	No	Yes	No	
Housing Trust Fund Ventura County	X		X		\$500 application fee; minimum of 3 completed projects
Housing Trust Silicon Valley	X		X		\$5,000 application fee; established track record
Housing Trust Fund of Santa Barbara County	X		X		\$500 application fee; additional \$500 loan documentation fee

Based on these findings, staff recommends the following updates to the RLF Guidelines:

1. \$500 application fee due with application.
2. Requests for exceptions to the guidelines must be submitted with the application.

REPORT

3. Requests for changes after award are subject to a \$500 review fee.
4. Applications must demonstrate member city support.

Additional changes include the addition of two eligible cities that have joined the SGVRHT, updates to staff contact information, and deletion of references only applicable to the first year of the RLF program.

NEXT STEPS

All applications received to date have been reviewed. Applications that do not meet eligibility criteria at this time will be notified and are welcome to update their applications to meet deficiencies and reapply. The updated application will be subject to the \$500 application fee. New applications as of the date of this approval will be subject to the updated RLF guidelines. The SGVRHT website will be updated to include the amended guidelines and information on awards to date.

Prepared by: *Brielle Salazar*
Brielle Salazar
Regional Housing Trust Manager

Approved by: *Marisa Creter*
Marisa Creter
Executive Director

Attachment A: Resolution 23-11 Approving Revolving Loan Fund Guidelines

RESOLUTION NO. 23-11

RESOLUTION OF THE SAN GABRIEL VALLEY REGIONAL HOUSING TRUST (SGVRHT) APPROVING REVOLVING LOAN FUND GUIDELINES

WHEREAS, on September 8, 2021, the San Gabriel Valley Regional Housing Trust (SGVRHT) Board of Directors approved \$8 million in State Budget Earmark Funds to develop a Revolving Loan Fund (RLF) Program; and

WHEREAS, the RLF will provide predevelopment and construction capital to affordable housing projects in the San Gabriel Valley; and

WHEREAS, the Guidelines define project and borrower eligibility, establish recommended per-project and per-unit award amounts, define eligible expenses, and define loan terms; and

WHEREAS, SGVRHT desires to update the Guidelines to include a \$500 application fee, clarify city support requirements, and include the process for requesting exceptions.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the SGVRHT approve the updated RLF Guidelines incorporated herein as Exhibit A.

PASSED AND ADOPTED by the Board of Directors of the San Gabriel Valley Regional Housing Trust, in the County of Los Angeles, State of California, on the 17th day of October 2023.

San Gabriel Valley Regional Housing Trust

Jed Leano, Chair

Attest:

I, Marisa Creter, Executive Director and Secretary of the Board of Directors of the San Gabriel Valley Regional Housing Trust, do hereby certify that Resolution 23-11 was adopted at a regular meeting of the Governing Board held on the 17th day of October 2023, by the following roll call vote:

AYES:	
NOES:	
ABSTAIN:	
ABSENT:	

Marisa Creter, Secretary



Revolving Loan Fund
Guidelines

Marisa Creter, Executive Director

Rey Alimoren, Director of Finance

Brielle Salazar, Regional Housing Trust Manager



Board of Directors 202~~3~~2

Officers:

Chair: Jed Leano, City of Claremont

Vice Chair: Becky Shevlin, City of Monrovia

Jurisdictional Representatives:

Gary Boyer (City of Glendora) – Northeast District

Becky Shevlin (City of Monrovia) – Northwest District

Emmanuel Estrada (City of Baldwin Park) – Central District Delegate

Patricia Cortez (City of Covina) – Southeast District

Adele Andrade-Stadler (City of Alhambra) – Southwest District

Jed Leano (City of Claremont) – At-Large Member

Margaret Finley (City of Duarte) – At-Large Member

Housing/Homeless Experts:

Seat 1 Delegate: Carol Averell, Housing/Homeless Director, City of Baldwin Park

Seat 1 Alternate: Vacant

Seat 2 Delegate: Benita DeFrank, Neighborhood Services Director, City of Pomona

Seat 2 Alternate: Alma Martinez, City Manager, City of El Monte



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**Revolving Loan Fund Program – SGVRHT
Guidelines**



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Introduction and Background

Background

The San Gabriel Valley Regional Housing Trust (“SGVRHT”) is a joint powers authority formed in February 2020 for the purposes of funding and financing the planning and construction of affordable housing serving extremely low, very low-, and low-income households and homeless housing (e.g., emergency shelters, permanent supportive housing, and transitional housing) in the San Gabriel Valley. Any city in the San Gabriel Valley can join the SGVRHT. At this time, there are ~~18-20~~ full member jurisdictions and four Affiliate Member jurisdictions, ~~as illustrated on Figure 1.~~

The SGVRHT is governed by a Board of Directors made up of elected officials from seven cities that are members of the SGVRHT and two members that are housing or homeless experts (“Board of Directors”). The Board of Directors is responsible for overseeing the activities of the SGVRHT and administering the SGVRHT’s funds. The SGVRHT’s operations are managed by its Executive Director and the Housing Trust Administrator (“Administrator”).

The SGVRHT receives public and private financing and funds to support affordable housing and homeless housing projects in the San Gabriel Valley (“SGVRHT Fund”). ~~In August 2021, the SGVRHT received a \$20 million earmark from the State budget, of which the The SGVRHT allocated an initial \$8 million in State funds to form and fund a create the Revolving Loan Fund (“RLF”). Additional funds may be added to the RLF as grants are received and loan repayments are made.~~

Program Purpose

~~In June 2021, based on the recommendations from a Strategic Plan Study, the Board of Directors adopted eight strategic priorities. One of the priorities was the creation of an RLF to support projects in earlier stages with predevelopment loans. The stated purpose was to provide first-in financing for projects that need it and to support more projects as loan proceeds and repayments are realized and can be reinvested into new projects.~~

In June 2022, the SGVRHT established the RLF to provide financial assistance to preserve and increase affordable housing opportunities. The RLF is primarily designed to fill funding gaps and to provide predevelopment loans (i.e., early stage loans that make it easier for affordable housing developers to overcome initial hurdles while they determine the details of a project and secure permanent financing). More specifically, loan funds can be used for land acquisition, predevelopment expenses, construction loans, bridge loans, acquisition and rehabilitation expenses, and mini permanent loans. Loans provided by the RLF will typically be structured as short-term, below market loans to be repaid from construction or permanent financing. Once repaid, the loans and their accrued interest will revolve back into the RLF.



About the Guidelines

The purpose of the Revolving Loan Fund Guidelines (“Guidelines”) is to inform potential Applicants of how to apply for funding successfully by describing and describe the criteria and process the SGVRHT will use to evaluate applications for funding and to provide transparency in the RLF operations. The Guidelines include an overview of threshold criteria, application submittal and review procedures, potential funding priorities, underwriting criteria, and general loan terms and conditions.

Generally, proposed projects must meet five requirements to be considered eligible for funding (“Threshold Criteria”):

1. Applicant qualifications
2. Geographic eligibility
3. Project eligibility
4. Expenditure eligibility
5. Affordability requirements

For the first year of the RLF, applications that meet the Threshold Criteria will be evaluated and awarded funding on a first come, first served basis until current funding is exhausted. However, the Board of Directors reserve the right to prioritize select applications depending on one or multiple of the Program’s funding priorities identified in these Guidelines. In following years, the Board of Directors may adopt ranking criteria.

These Guidelines should be interpreted in conjunction with Federal, State, and local statutes and regulations governing use of RLF funds; in the event of a conflict between these Guidelines and such statutes and regulations, the requirements of those statutes and regulations shall prevail.

Threshold Criteria

Applicant Qualifications

Eligible Borrowers include qualified:

- Nonprofit, private developers
- Other nonprofit organizations
- For-profit affordable housing developers
- Public entities
- Social service agencies
- Faith-based and other community groups

RLF loans may be issued for projects sponsored by nonprofits, for-profit affordable housing developers, public agencies, social service agencies, or community groups or to a partnership between two or more of these entities.

Applicants must demonstrate the capacity to develop the proposed project successfully. The SGVRHT shall evaluate capacity based on the Applicant’s experience in developing and managing affordable housing or inclusion of development team members with a successful record in developing such housing. In addition, Applicants must demonstrate the financial and legal capacity to undertake the proposed project. Applicants without experience developing affordable housing may be required to partner with experienced affordable housing developer.



Geographic Eligibility

The RLF will only fund projects located within its full member jurisdictions (“Members”). Projects located in “Affiliate Member” or non-member jurisdictions within the San Gabriel Valley can become eligible for funding if the jurisdiction becomes a member during the application review period. ~~Figure 1 illustrates Members and Affiliate Members as of June 2022.~~ As of this time, Full Members include:

- Alhambra
- Arcadia
- Azusa
- Baldwin Park
- Claremont
- Covina
- Diamond Bar
- Duarte
- El Monte
- Glendora
- Irwindale
- La Verne
- Monrovia
- Montebello
- Monterey Park
- Pomona
- San Gabriel
- South El Monte
- South Pasadena
- West Covina

The SGVRHT’s intention is to support developments within all Members and throughout the San Gabriel Valley. For the latest list of Members, please contact the Administrator at bsalazar@sgvrht.org.

Project Eligibility

Housing types may include but are not limited to the following:

- New construction of affordable rental housing
- Conversion of non-residential buildings to affordable rental housing
- Acquisition and rehabilitation of existing rental housing that:
 - Introduces affordability to previously market-rate housing through the use of executed legal contracts, deed restrictions, Covenants, certifications, or other legally binding means
 - Extends expiring affordability restrictions through the aforementioned means
 - Further subsidizes existing affordable housing to serve households with lower income levels (e.g., units that formerly served households with incomes between 50% and 80% of County Area Median Income (“AMI”) made to serve households with incomes between 30% and 50% of AMI)
- New construction of ownership housing, including condominiums, for first-time homebuyers
- An affordable housing component of a mixed-use development
- A program to subsidize and restrict accessory dwelling units to income-eligible households¹
- Single room occupancy (“SRO”) developments
- Permanent supportive housing
- ~~Homeless facilities (shelters, transitional housing, and safe havens)~~

Housing tenure may be rental or ownership, including cooperative ownership.

Expenditure Eligibility

Generally, the RLF will be used to issue short-term loans that shall be due and payable upon the earlier of conversion to construction/permanent financing or loan maturity after no more than 36 months. Loans may be extended by the Executive Director (or designee) for up to two 6-month extension options or longer if approved by the SGVRHT Board. When necessary in order to meet

¹ [ADU applications must demonstrate site control, ability to deed restrict units, and a process to identify clients and provide scattered site services.](#)



the requirements for other project funding or to enhance project feasibility, the Board of Directors may approve a different loan term. Requests for exceptions to loan terms must be identified at the time of application. Requests for amendments to terms after an application has been reviewed will be subject to an additional \$500 review fee and Board of Directors approval.

RLF loans may be used for the following eligible purposes:

- Site acquisition and preparation
- Predevelopment expenses, including but not limited to:
 - Carrying charges and financing fees
 - Preliminary title reports
 - Architectural design and engineering/soils work
 - Environmental analysis and reports
 - Legal and financial consultants
 - Planning and permitting fees
 - Appraisal costs
 - Application and consultant fees used to secure additional project funding
 - A developer fee, subject to the limitations of the Developer Fees section of these Guidelines
- Community engagement and outreach
- Short-term construction loans for ownership housing, when RLF loan repayment can be reasonably expected within 3 years, following home sales and issuance of income-restricted homeowner loans

RLF loans will not be made for agency operating expenses, social services, or development reserves.

Affordability Requirements

Eligible rental housing projects—including SRO developments, permanent supportive housing, and homeless facilities—shall be limited to those that serve households with incomes up to 80% of AMI, adjusted for household size. Eligible ownership housing projects shall be limited to those that serve households with incomes up to 80% of AMI, adjusted for household size. Income levels are further defined in Table 1.

Table 1. Housing Affordability Levels

Housing Affordability Levels	
Extremely Low-Income	0–30% of AMI
Very Low-Income	30–50% of AMI
Low-Income	50–80% of AMI

Eligible projects are not required to have all project details determined at the time of application, but Applicants should plan to initiate the development of a site or the redevelopment of a property within 3 years of receiving RLF funding and should plan for the following long-term affordability provisions:

- Rental housing, including SRO developments and permanent supportive housing, shall be income and rent restricted for not less than 55 years.
- Homeless facilities shall have a required minimum term of 5 years.
- Ownership housing shall comply with California Health and Safety Code, Section 50843.5(d)(3).



Application Submittal and Review Procedures

~~For the first year of the RLF, the~~The SGVRHT ~~has \$7.8 million available for RLF loans and~~ will accept and approve RLF applications on a rolling basis until ~~current~~ funding is exhausted. SGVRHT is seeking additional private and government capital for the RLF and will maintain a pipeline of eligible projects. The Board of Directors may provide timeframes for future rounds of applications, subject to available funding. Applicants are encouraged to visit the SGVRHT's website for the latest information regarding available funds.

Initial Project Review

Applicants should first contact the Administrator to discuss the eligibility of the development for RLF loan funding, the development need, and the current availability of funding by emailing bsalazar@sgvrht.org with the subject line "RLF Initial Application." Following the discussion, Applicants should submit a Preliminary Application form (see Exhibit A, Revolving Loan Fund Preliminary Application), along with a cover letter. The Administrator will review the Preliminary Application and follow up with the Applicant to clarify details, request additional documentation, and provide the full application, if applicable. The Administrator may discuss prospective applications with the Board of Directors for policy guidance and/or to discuss priorities for the use of available funds.

Development Application

Following the Administrator's review of the Preliminary Application, the Applicant should submit a completed full application with supporting documents. Supporting documents include but are not limited to:

- Site/project documents
 - Legal description of the property
 - Project cost estimates
 - Schematic designs, if available
 - Current photographs of the site
 - Preliminary title report, if available
 - Appraisal, if available
 - Contracts
 - Income/expense estimates
 - Budgets
 - Current rent roll for existing tenants of acquisition and rehabilitation projects and estoppel certificates when available
 - Environmental reports, if available
 - Proposed project schedule
 - Marketing/management plan
 - Tenant relocation plan, if applicable
- Organizational documents
 - Project team resumes
 - For nonprofit developers, list of Board of Directors, organizational chart, and 501(c)(3) exemption determination letter from the IRS
 - By-laws, articles of incorporation, and partnership agreements
 - Tax returns
 - Current financial statements

~~4000-1333 S. Fremont~~Mayflower Avenue, Unit 36042, Building A-10N |
Alhambra~~Monrovia~~, CA 91803-91016 | www.sgvrht.org



SGVRHT funding requires support from the member city where the project is located. Applicants are encouraged, but not required, to include letters of support from the local jurisdiction, local community groups, or other local stakeholders. If a letter of support from the member city is not included, the Administrator will contact the local jurisdiction to confirm support or identify what milestoneschanges are desired-required to achieve the local jurisdiction's support.

Once the Administrator determines that the full application is complete, the Administrator shall review, analyze, and underwrite the application and supporting documents within 60 calendar days and determine whether the application is approvable for commitment, with or without conditions. If the application has deficiencies, the Administrator shall notify the Applicant of how to address them. If the Administrator determines, working with the Loan Committee and at their discretion, that the application is approvable for commitment, the Administrator shall recommend on behalf of the Loan Committee that the Board of Directors issue a commitment letter. The Board of Directors may concur with the Loan Committee's recommendations, deny applications, or approve them with different terms or conditions.

Application Review

In reviewing applications, the Administrator and the Loan Committee shall consider the following factors, including but not limited to:

1. Threshold Criteria
2. Project budgets and financing
3. Site control
4. Development approvals
5. Environmental assessment
6. Sources of repayment
7. Loan collateral
8. Appraisals or indicators of value
9. Letters of support

The SGVRHT recognizes that some of these factors may not be fully known at the time of the application, may consider these factors at their level of certainty, and will coordinate with the Applicant to achieve greater clarification as needed.

For more detailed information regarding evaluation criteria, please refer to the Underwriting Criteria and General Loan Terms and Conditions section of these Guidelines.

Funding Priorities

~~For the first year of the RLF, a~~ Applications that meet the Threshold Criteria will be evaluated and awarded funding on a first come, first served basis until current funding is exhausted. However, the Board of Directors and the Executive Director (or designee) reserve the right to prioritize select applications depending on one or multiple of the Program's funding priorities, as identified in Table 2. In future rounds, the Board of Directors may adopt ranking criteria based on these funding priorities, the Underwriting Criteria, or other factors.


Table 2. Funding Priorities

RLF Program Funding Priorities	
Sub-Regional Equity	The SGVRHT intends to support developments within all Member jurisdictions and throughout the San Gabriel Valley. The SGVRHT may consider Members' housing needs, as well as the distribution of past awards, when reviewing proposed projects.
Affordability Levels	The SGVRHT seeks to provide affordable housing to households at all lower income levels (i.e., Extremely low-income, very low-income, and low-income) and may prioritize a project or group of projects that include a balance of units at the lower income levels. To determine an appropriate balance, the SGVRHT may refer to the estimate of lower-income housing need by detailed income level as identified in the Strategic Planning Study (see Table 3) or similar estimates.
Populations Served	The SGVRHT may consider how or whether projects serve the specific needs of the Member jurisdictions in which they are located. This may include an evaluation of the proposed housing type and the populations served (including, but not limited to, people experiencing homelessness, large families, people with disabilities, seniors, veterans, transitional aged youth, and farmworkers).
Cost Effectiveness	The SGVRHT may prioritize projects that are most cost effective or achieve the lowest possible subsidy per unit for SGVRHT resources.
Readiness and Risk	The SGVRHT may prioritize projects that can reasonably close financing and begin construction sooner than other projects. This may be measured by the proposed project schedule, the security/collateral, the Applicant's record, and other relevant factors.
Loan Repayment	The SGVRHT may prioritize projects that realistically propose accelerated loan repayment.

Table 3. Lower-Income Housing Need by Detailed Income Level, San Gabriel Valley, 2021–2029

AMI Level	Lower-Income Housing Need	
	Units	Percent
Extremely Low-Income (Less than 30% AMI)	17,984	35.1%
Very Low-Income (30–50% AMI)	15,502	30.2%
Low-Income (50–80% AMI)	17,819	34.7%
Total, Lower-Income Housing	51,306	100.0%

Sources: Southern California Association of Governments; U.S. Department of Housing and Urban Development Comprehensive Housing Affordability Strategy Database; Bay Area Economics 2021.

Underwriting Criteria and General Loan Terms and Conditions

The general loan terms for RLF loans are outlined below. The Executive Director (or designee) and Board of Directors reserve the right to amend these terms on a project-by-project basis.

Loan Term

Generally, the RLF will be used to issue short-term loans that shall be due and payable upon the earlier of conversion to permanent financing or loan maturity after no more than 36 months. Loans may be extended for two 6-month extension options or longer if approved by the SGVRHT Board. When necessary in order to meet the requirements for other project funding or to enhance project feasibility, the Board of Directors may approve a different loan term.

**4000-1333 S. Fremont-Mayflower Avenue, Unit 36042, Building A-10N |
AlhambraMonrovia, CA 91803-91016 | www.sgvrht.org**



Loan Amount

The maximum loan amount shall initially be set at \$4 million per project. Furthermore, RLF loans shall not exceed the following (Table 4):

Table 4. Maximum Per-Unit Loan Amounts, Fiscal Year 2022-2023

	New Construction	Acquisition and Rehabilitation
0 and 1-bedroom units	\$80,000	\$100,000
2- or more bedroom units	\$84,000	\$105,000

Maximum per-unit loan amounts to be adjusted in July of each year using the annual Consumer Price Index for All Urban Consumers, West Region, All Items, as published by the Bureau of Labor Statistics, U.S. Department of Labor.

The Board of Directors may approve loan amounts exceeding these limits with justification.

Loan to Value Ratio

The SGVRHT will issue RLF loans of up to 100% of the appraised property value, plus predevelopment and/or site improvements costs. All budgeted expenses are subject to review and approval by the SGVRHT. The maximum allowable purchase price shall not exceed the appraised value as evidenced by an appraisal prepared by a California State Certified General Appraiser and approved by the Administrator that is dated no more than 6 months prior to the date of the application. The appraisal may not determine property value based solely on sales of properties financed by public agencies.

Interest Rate

The interest rate may be determined at either:

1. The rate established by the Federal Home Loan Mortgage Corporation for the average conventional commitment of a fixed-rate, 30-year mortgage, compounded annually; or
2. When necessary to secure investor equity or other funding sources, interest rates of affordable housing projects that include tax credits or conventional lenders, at 3% simple interest; or
3. As otherwise determined by the Executive Director (or designee) or the Board of Directors to ensure the feasibility of a project or to reflect the level of risk involved in the project.

Loan Repayment

A take-out source must be identified for predevelopment loans. Under some circumstances, the SGVRHT may rely on a Loan Guaranty from an Applicant that can demonstrate significant financial strength in lieu of an identified take-out source.

Loan payments shall be made as follows:

1. Loans generally will have monthly payments of interest only. Payment of principal is deferred until conversion to construction/permanent financing or maturity. If a loan interest payment is more than 10 days late, Borrowers must pay a 5% penalty of the loan interest payment. If there is not sufficient cash flow to make regular payments, an interest reserve may be considered.
2. The Borrower may elect to prepay the loan or any part thereof prior to the end of the term. However, the Memorandum of Agreement or recorded Covenants shall remain in full force and effect for its term regardless of any prepayment.



3. If the Borrower violates the terms of the Memorandum of Agreement or recorded Covenants such that the SGVRHT declares the loan in default, the entire amount of unpaid principal plus accrued interest at the rate established at the time of closing shall be due.

Developer Fees

The total budgeted developer fee shall not exceed the following:

- a) For projects not utilizing low-income housing tax credits, the developer fee shall not exceed the amount calculated in accordance with subsections (1), (2), or (3) below. The per-unit amounts will be adjusted in thousand dollar increments in accordance with changes in the Consumer Price Index (“CPI”) when, following the year 2016, the CPI has indicated the next full thousand dollar increment has been reached.
 - (1) For new construction projects and projects where the contract for the rehabilitation work equals or exceeds \$35,000 per unit:
 - A. For the first 30 units, \$26,000 per unit.
 - B. For each unit in excess of 30, \$10,500 per unit.
 - (2) For other projects involving acquisition and rehabilitation where the contract amount for the rehabilitation work, excluding contractor profit and overhead, equals or exceeds \$10,500 per unit and is less than \$35,000 per unit:
 - A. For the first 30 units, \$12,000 per unit.
 - B. For each unit in excess of 30, \$5,500 per unit.
 - (3) For all other projects, \$2,000 per unit.
- b) For projects utilizing 9% competitive low-income housing tax credits, the developer fee shall not exceed the amount that may be included in project costs pursuant to California Code of Regulations, Title 4, Section 10327.
- c) For projects utilizing 4% tax credits, the developer fee shall not exceed the lesser of \$3.5 million or the sum of:
 - (1) The amount that could be included in project costs pursuant to California Code of Regulations, Title 4, Section 10327, if the project was receiving 9% competitive tax credits; plus
 - (2) Any remaining deferred developer fee (payable exclusively from operating income) that is allowed in eligible basis under California Code of Regulations, Title 4, Section 10327, of the California Tax Credit Allocation Committee (“CTCAC”) regulations.
 (Subsection (c) limits the developer fee paid from development funding sources.)

The Board of Directors may use different limits on Developer Fees, to the extent it deems the different limits necessary to attract sufficient applications to utilize available funding.

For new construction projects, the developer fee will be released in three stages, as applicable:

1. One-third upon issuance of the necessary building permits
2. One-third upon the conversion to construction/permanent financing (for rental housing) or issuance of the certificate of occupancy (for ownership housing)
3. One-third upon full sale of the project units (for ownership housing) (For rental housing, one-third will remain unreleased during the RLF loan term, to be released during the construction/permanent financing phase.)

For projects involving acquisition and rehabilitation, the developer fee will be released in three stages, as applicable:

1. 25% upon issuance of the necessary building permits



2. 25% upon the conversion to construction/permanent financing
3. 50% to remain unreleased during the RLF loan term, to be released during the construction/permanent financing phase

Predevelopment and Development Budgets

The SGVRHT will evaluate the predevelopment and development budgets in comparison to construction cost estimates; costs for other, similar projects; costs for other projects with adjustments for differences; industry resources such as Marshall & Swift building cost data; and other resources available to the SGVRHT.

Cash Flow and Debt Coverage Ratio

The Applicant shall submit a cash flow for the longer of the affordability term (see Affordability Requirements section) or 30 years. The cash flow should show a Year 1 debt service coverage ratio of 1.1 or higher and positive net cash flow through at least Year 15.

Operating Expenses

Total operating expenses shall not be less than those specifically listed in California Code of Regulations, Title 4, Section 10327, as minimum operating expenses unless the Applicant can provide sufficient evidence that lower expenses will be sufficient. Projects that will use tax credits must satisfy the operating cost minimums published by the CTCAC for Los Angeles County and the applicable project type and year. The Board of Directors may require higher operating expenses where warranted by the experience of comparable properties and particular building characteristics, such as the nature of the tenant population or the level of rehabilitation. The Board of Directors may approve total operating expenses that are less than those specified in Section 10327 if the project has an extraordinary design feature that results in a quantifiable operating cost savings or if the Board of Directors determines that lesser total operating expenses are sufficient for the effective operation of the project.

Reserves

The development budget should include the following reserves, to be funded in the permanent financing phase and/or from operating income:

1. Replacement Reserves – An account to fund new building materials and systems as older materials and systems wear out.
 - The minimum replacement reserve deposit for projects shall be \$300 per unit per year or, for new construction or senior projects, \$250 per unit per year.
2. Operating Reserves – An account to cover a deficit in the property's operation.
 - An operating reserve shall be funded in an amount at least equal to 3 months of estimated operating expenses, non-contingent (i.e., senior) debt service, and reserve deposits under stabilized occupancy.

Collateral/Security

The loan shall be secured by a Deed of Trust, secured by real property or other security as approved by the Board of Directors. The SGVRHT may consider a Loan Guaranty from an entity that can demonstrate significant financial strength. The SGVRHT may consider subordinating its lien position to other lenders.



Fees

A loan origination fee of 1% of the loan amount will be charged for all loans. ~~For the first year of the RLF, the SGVRHT is not charging application, underwriting, or other similar fees.~~ An application fee of \$500 is due with the application and may be paid by check to the San Gabriel Valley Regional Housing Trust. The Board of Directors may institute fees for future RLF funding. Borrowers are required to pay out-of-pocket expenses and legal costs associated with a loan.

Loan Documents

Prior to receiving funding, Applicants must execute the following “Loan Documents,” except SGVRHT may choose to exclude one or more of the documents:

- Loan Agreement
- Promissory Note
- Deed of Trust
- Assignment of Contracts and Plans
- Memorandum of Agreement
- Option and Purchase Agreement
- Loan Guaranty, if applicable
- Other documents as determined by the Executive Director (or designee) and Board of Directors

Fair Housing and Equal Opportunity

The SGVRHT is an equal opportunity lender. All projects receiving RLF funding must comply with applicable State and Federal fair housing and equal opportunity laws.

Prevailing Wages and Relocation

The SGVRHT will only make RLF loans to projects that are either exempt from State prevailing wages and Davis-Bacon requirements or where the Borrower has experience successfully developing projects that pay State prevailing wages or Davis-Bacon wages. Projects receiving RLF loans from revenue sources derived from local, State, or Federal sources will be subject to applicable State or Federal relocation laws.



Table 5 summarizes the underwriting standards and loan terms, as detailed above.

Table 5. Summary of Underwriting Criteria and Loan Terms

SGVRHT Loan Underwriting Standards	
Loan Term	36 months, with up to two 6-month extension options.
Loan Amount	The maximum loan amount is \$4 million per project, with the following per-unit limits, to be adjusted annually utilizing the CPI: <ul style="list-style-type: none"> • New Construction: \$80,000 for 0 and 1-bedroom units, \$84,000 for 2- or more bedroom units • Acquisition and Rehab: \$100,000 for 0 and 1-bedroom units, \$105,000 for 2- or more bedroom units
Loan to Value Ratio	Up to 100% of appraised property value, plus predevelopment and/or site improvements costs. Appraisal is required within the last 6 months.
Interest Rate	Either: <ul style="list-style-type: none"> • The rate established by the Federal Home Loan Mortgage Corporation for the average conventional commitment of a fixed-rate, 30-year mortgage, compounded annually • 3% simple interest • As otherwise determined by the Executive Director (or designee) or the Board of Directors
Loan Repayment	A take-out source must be identified. Under some circumstances, the SGVRHT may rely on a Loan Guaranty from an Applicant that can demonstrate significant financial strength in lieu of an identified take-out source. Interest only, paid monthly. Principal will be due at the earlier of conversion to construction/permanent financing or the maturity date. Borrowers must pay a 5% penalty of the loan interest payment if an interest payment is more than 10 days late. If there is not sufficient cash flow to make regular payments, an interest reserve may be considered.
Developer Fees	The total budgeted developer fee shall be limited based on the project type, scope of work, and/or whether the project will pursue tax credit financing. The developer fee will be released in stages, depending on the project type.
Predevelopment and Development Budgets	The SGVRHT will evaluate the predevelopment and development budgets in comparison to construction cost estimates; costs for other, similar projects; costs for other projects with adjustments for scope differences; industry resources such as Marshall & Swift building cost data; and other resources available to the SGVRHT.
Cash Flow and Debt Coverage Ratio	The Applicant shall submit a cash flow for the longer of the affordability term or 30 years. The cash flow should show a Year 1 debt service coverage ratio of 1.1 or higher and positive net cash flow through at least Year 15.
Operating Expenses	Total operating expenses shall not be less than those specifically listed in California Code of Regulations, Title 4, Section 10327, as minimum operating expenses. The Board of Directors may require higher operating expenses or approve lower operating expenses under certain circumstances.
Reserves	The development budget should include replacement reserves and operating reserves.
Collateral/Security	Loans will be secured by a Deed of Trust, secured by real property or other security as approved by the Board of Directors. The SGVRHT may consider a Loan Guaranty.
Fees	A loan origination fee of 1% of the loan amount will be charged for all loans. For the first year of the RLF, the SGVRHT is not charging application, underwriting, or other similar fees.



Table 5. Summary of Underwriting Criteria and Loan Terms

SGVRHT Loan Underwriting Standards	
Loan Documents	All loans will require a Loan Agreement, Promissory Note, Deed of Trust, Assignment of Contracts and Plans, Memorandum of Agreement, and other documents as determined by the Executive Director (or designee) and Board of Directors.
Fair Housing and Equal Housing Opportunity	The SGVRHT is an equal opportunity lender. All projects receiving RLF funding must comply with applicable State and Federal fair housing and equal housing opportunity laws.
Prevailing Wages and Relocation	The SGVRHT will only make RLF loans to projects that are either exempt from State prevailing wages and Davis-Bacon requirements or where the Borrower has experience successfully developing projects that pay State prevailing wages or Davis-Bacon wages. Projects receiving RLF loans from revenue sources derived from local, State, or Federal sources will be subject to applicable State or Federal relocation laws.



Exhibit A: Revolving Loan Fund Preliminary Application

~~4000-1333 S. Fremont-Mayflower Avenue, Unit 42360, Building A-10N |~~
~~Alhambra Monrovia, CA 91803-91016 | www.sgvrht.org~~

DATE: October 17, 2023

TO: Board of Directors

FROM: Marisa Creter, Executive Director

RE: OPTION TO GROUND LEASE LETTER OF INTENT

RECOMMENDED ACTION

1. Authorize the Executive Director to execute a Letter of Intent for an Option to Ground Lease for the SGVRHT owned property at 405 S. Del Mar to Related for the development of affordable housing.
2. Authorize the Executive Director to sign applications as the property owner to help facilitate development of the property as affordable housing.

BACKGROUND

At its February 29, 2023 meeting, the Board of Directors authorized the purchase of the real property located at 405 S. Del Mar Avenue, San Gabriel (Property). The Board action noted the SGVRHT's intention to develop the Property as affordable housing in partnership with Related, an affordable housing developer selected by the City of San Gabriel to develop the site. At its May 11, 2023 meeting, the Board approved the SGVRHT's Local Housing Trust Fund (LHTF) application, which leveraged the value of the Property as matching funds for the LHTF application.

In October, the SGVRHT was awarded just over \$2 million in LHTF funds. To utilize the land value as matching funds the SGVRHT must remain the owner of the Property. To develop an affordable housing project on the Property, Related must acquire sufficient funding sources to cover construction costs. These sources are anticipated to include tax credits and funding from the Los Angeles County Development Authority (LACDA). In order to apply for those funding sources, Related must be able to demonstrate site control. To meet both of these conditions, the SGVRHT intends to ground lease the Property to Related, which would be memorialized initially by an Option to Ground Lease (Option) and later by a Ground Lease. In addition to supporting the use of the LHTF funds, this deal structure ensures the long-term affordability of the Property.

The attached LOI includes the terms of the Option, summarized below:

1. Execution of the Option by June 30, 2026;
2. 99 year ground lease term;
3. SGVRHT to receive residual receipts payments for the appraised value¹ of the Property;

¹ The SGVRHT will receive a pro rata share of residual receipts, the operating revenue after debt service and eligible expenses are paid, based on the appraised land value of the Property.

REPORT

4. SGVRHT to assist Related with due diligence and approvals related to developing the Property as affordable housing;
5. SGVRHT will not market the site or accept offers on the Property during the term of the Option, provided it is executed prior to June 30, 2024;
6. Related will not leverage the Property as collateral for loans to finance the project.

Related is seeking environmental clearances for the site and has also begun the process to seek entitlements. As the Property owner, the SGVRHT will need to sign the entitlement application to the City of San Gabriel. It is anticipated that other applications or authorizations may be necessary to complete the project.

NEXT STEPS

If approved by the Board, staff and SGVRHT General Counsel will work with Related to develop the Option based on the terms identified in the LOI. The Executive Director will sign the City of San Gabriel Entitlements application and other applications or authorizations as required to advance the development of the site as affordable housing, consistent with the Board's approval.

Prepared by: Brielle Salazar
Brielle Salazar
Regional Housing Trust Manager

Approved by: Marisa Creter
Marisa Creter
Executive Director

Attachment A: Letter of Intent for Option to Ground Lease



October 12, 2023

Marisa Creter
Executive Director
San Gabriel Valley Regional Housing Trust
1333 S. Mayflower Ave., Ste. 360
Monrovia, CA 91016

Re: Letter of Intent – 405 S. Del Mar Ave., San Gabriel, CA 91776

Dear Marisa,

This Letter of Intent outlines the basic terms under which The Related Companies of California, LLC (“Related”) and the San Gabriel Valley Regional Housing Trust (SGVRHT) are prepared to move forward with the option to ground lease the above-referenced property (the “Property”) to include the terms and conditions set forth below.

Related is one of the leading privately-owned multifamily apartment developers and owners in the country. Related has been acquiring and developing apartment properties in California for over 30 years and has over 15,000 units of affordable housing completed or in construction under its ownership and management on the west coast. Related represents that it has a well-earned reputation for “follow through” and performance on its commitments. The SGVRHT is a joint powers authority whose mission includes the planning and construction of affordable housing. Related intends to construct an affordable housing development on the Property (the “Project”) and the SGVRHT desires to lease the Property to Related for the Project.

1. **Optionee/Lessee:** Related or a limited partnership in which a limited liability company, in which Related is a member, acts as a general partner.
2. **Lessor:** San Gabriel Valley Regional Housing Trust (“SGVRHT”) as owner of the Property.
3. **Property:** The property is located in Los Angeles County, State of California and is more particularly described as 405 S. Del Mar Ave., San Gabriel, CA 91776 (APN#5362-017-900) (the “Property”).
4. **Agreement:** Related agrees to work diligently with SGVRHT to negotiate an Option to Ground Lease (“Agreement”) incorporating the terms and conditions set forth herein and will provide a draft Agreement for SGVRHT’s review. Related shall pay SGVRHT One Hundred Dollars (\$100) as Option Consideration (“Option Consideration”). In the event that Related does not exercise the Option provided for therein, then the entire amount of the Option Consideration shall be retained by SGVRHT.

5. **Ground Lease:** The Agreement will document that SGVRHT will grant Optionee/Lessee the option to ground lease the Property pursuant to a 99-year ground lease on terms compliant with the underwriting requirements for a low-income housing tax credit structure (the “Ground Lease”) for the entire term of the Ground Lease. The Ground Lease will require that Optionee/Lessee make a capitalized ground lease payment upon execution of the Ground Lease in an amount equal to the as-is appraised value of the Property as determined by an appraiser selected by Optionee/Lessee and approved by SGVRHT during the Due Diligence Period (as defined in Section 6 below) (the “Capitalized Lease Payment”). Optionee/Lessee’s payment of the Capitalized Lease Payment shall be evidenced by Optionee/Lessee’s execution of a promissory note in the amount of the Capitalized Lease Payment (the “CLP Note”), which amount shall bear interest at the simple rate of 0% per annum and shall be payable from SGVRHT’s share (split pro rata among all soft lenders) of Project’s residual receipts (as further defined in the CLP Note). The CLP Note shall be secured by a leasehold deed of trust (the “CLP Deed of Trust”), which CLP Deed of Trust shall be subordinate to the liens of the conventional construction, permanent lenders as well as to any liens of the California Housing and Community Development Department and all other soft loans with outstanding loan balances in excess of the CLP Note for the Property. Optionee/Lessee shall not encumber the fee estate of the Property as collateral for Project financing.
6. **Due Diligence:** The Agreement will require SGVRHT to provide Related with copies of the following due diligence items, to the extent that these items are available to SGVRHT (“Due Diligence Materials”):
 - Property tax bills for the last two (2) years, if any.
 - ALTA boundary survey
 - Covenants, Conditions and Restrictions affecting the Property
 - Any soils, geotechnical, environmental, or engineering reports/studies conducted on the Property
 - Other documents, studies and reports as reasonably requested by Related

Upon providing notice to the SGVRHT, Related shall conduct investigations of the Property during the Option Term, as defined in Section 7 below, to evaluate the condition of the Property and the feasibility of the Project. During the Option Term, Related and its agents and contractors shall have the right to enter upon and inspect the Property to determine its suitability for Related’s purposes (the “Inspections”); provided that Related has provided insurance to the reasonable satisfaction of the SGVRHT and agrees to add the SGVRHT as additional insureds for any damages to person or property from such Inspections. The Inspections shall be conducted at Related’s sole cost, expense, and liability and may include, but not be limited to, geotechnical investigations, Phase I and II environmental assessment reports, and any investigation required by the Department of Toxic Substance Control (the “DTSC”). Related shall not allow any lien to be placed on the Property, and if a lien is filed, Related will have it removed within 15 business days or it will be considered a breach of the Agreement.

7. **Option Term:** Related’s right to exercise the Option shall commence on the execution date of the Agreement (the “Effective Date”) and shall terminate on December 31, 2026 (the “Option Deadline”), unless, on or prior to the Option Deadline, Related sends written notice to SGVRHT

RELATED

(the “Option Notice”), exercising or denying the exercise of the Option granted under the Agreement. Provided that Related is in compliance with the performance milestones set forth in the Agreement, Related shall have the right to extend the Option Deadline to December 31, 2029 by providing SGVRHT with written notice of such extension on or before November 30, 2026. The period of time between the Effective Date and the Option Deadline shall be referred to as the “Option Term.”

8. **Costs and Expenses:** Optionee/Lessee shall pay for the cost of a CLTA policy of title insurance, in the amount of the Capitalized Lease Payment and the cost of any endorsements reasonably required by Optionee/Lessee. Optionee/Lessee shall pay for the additional cost related to ALTA coverage. Optionee/Lessee shall pay for all documentary transfer taxes, all escrow charges, recording fees, and any possessory taxes. Any other costs shall be allocated as is customary in Los Angeles County.
9. **Right to Submit:** Related intends to develop the Property as an affordable housing development. During the Option Term, Related shall be permitted to apply for government funding sources necessary to develop the Property as an affordable housing development (the “Financing Applications”) and apply for entitlements consistent with such development (the “Entitlement Applications”). At Related’s request, SGVRHT shall execute all documents and assist Related in submittal of the Financing and Entitlement Applications provided that SGVRHT shall not be obligated to incur any cost, expense or liability in connection therewith. SGVRHT and Related shall cooperate to obtain support from the City of San Gabriel for the Entitlement Applications. In addition, SGVRHT authorizes Related to correspond with DTSC and make inquiries concerning a Voluntary Oversight Agreement with respect to the Property. At Related’s request, SGVRHT shall execute all documents and assist Related in submitting of an application to with respect to the Property and if approved by its Board of Directors, SGVRHT shall execute the Voluntary Oversight Agreement in the form required by DTSC. Notwithstanding Related’s submission of materials to DTSC and request for a Voluntary Oversight Agreement for the Property, Related shall assume no liability with respect to the environmental condition of the Property except as otherwise set forth in the Agreement and/or the Ground Lease.
10. **Marketing:** Provided the Agreement has been executed by both parties by June 1, 2024 and if executed, has not been terminated, SGVRHT will not solicit or accept any additional offers, binding or otherwise, after acceptance of this LOI nor during the Option Term.
11. **Brokerage Commission:** The parties represent and warrant that they have not used any brokers or finders in connection with the transaction contemplated hereby.
12. **Non-Binding Obligation:** With the exception of Paragraph 10 above, the transaction described in this LOI shall only be binding on the parties upon their execution and delivery of the Agreement. The parties agree to use diligent and good faith efforts to negotiate the terms and provisions of the Agreement.

If the foregoing business terms accurately set forth the terms relating to our negotiation of the proposed Agreement, please execute and return a copy to my office. Upon receipt of an executed copy of this letter, we will instruct our counsel to prepare a draft of the Agreement for your review.

We look forward to working with you. Please don't hesitate to call if you have any questions.

Sincerely,

Frank Cardone
President
The Related Companies of California, LLC

cc: Colby Northridge, Senior Vice President
Jennifer Ing-aram, Senior Project Manager

San Gabriel Valley Regional Housing Trust:

By: _____
Marisa Creter, Executive Director

Date: _____

Approved as to form:

By: _____
David DeBerry, General Counsel

DATE: October 17, 2023
TO: Board of Directors
FROM: Marisa Creter, Executive Director
RE: **Project Pipeline Funding Allocation**

RECOMMENDED ACTION

Recommended Action: Adopt Resolution 23-12 Authorizing the Executive Director to execute a Letter of Commitment in the amount of \$1,000,223 to Baseline Road, Claremont.

BACKGROUND

In July 2020, the SGVRHT Board of Directors allocated \$554,750 to Baseline Road in Claremont as part of its 2020 Local Housing Trust Fund (LHTF) application. The developer, RNLA, has requested an increase to the SGVRHT award due to increased development costs. The project was originally slated to close financing in 2021, but experienced a substantial project delay due to difficulty securing one of its financing sources, No Place Like Home (NPLH), a State program which funds the development of permanent supportive housing. Although the NPLH program was noncompetitive, HCD was unable to provide the required documentation to commit the funds to the project and meet the senior lender's closing requirements. The delay required RNLA to re-bid the project as the original construction estimate expired, and the new bids reflected increased costs due to inflation and supply chain issues.

The Baseline Road project is a 15-unit project and is not utilizing any tax credits, which means the project has less financing sources than other affordable housing projects and there is no equity investor. The increased development cost created an increased need for subordinate debt as the project has exhausted its ability to leverage conventional debt. The project cannot support additional hard debt payments and cannot exceed the maximum debt service coverage ratio. RNLA requested additional funding from the project's subordinate lenders, the City of Claremont and the SGVRHT. The City contributed \$1,750,000 to the project and could not increase its award. The developer is able to defer up to 50% of their developer fee, bringing the financing gap to \$445,473. The project is below the per unit lending maximum of \$50,000 for the SGVRHT. The developer's request of \$445,473, for a total award of \$1,000,223 would place the per unit cost slightly above this threshold¹. The board has the authority to exceed these recommended limits at its discretion. Due to the unique circumstances this project faced

¹ The LHTF program is a 1:1 matching source for funds the SGVRHT has on hand. If the matching LHTF funds in the amount of \$277,375 are excluded for the calculation, the SGVRHT funds awarded to the project are below the \$50,000 per unit threshold.

REPORT

as a result of State funding delays and resulting hard cost and lending cost increases, staff recommends approving an increased total loan amount of \$1,000,223.

The additional funding for this project, \$445,473, would be allocated from the \$3.8 million in unallocated State funding the SGVRHT currently has. Additional allocations from this source will be made after the SGVRHT receives determinations from its pending funding applications, including a Federal Earmark and an application to Southern California Association of Governments (SCAG), at which point funding priorities for the remaining funds, totaling \$3,354,427, will be identified.

NEXT STEPS

If the funding recommendation is approved, staff will issue an updated Letter of Commitment to the project and work with the developer to execute loan documents and close financing.

Prepared by: *Brielle Salazar*
Brielle Salazar
Regional Housing Trust Manager

Approved by: *Marisa Creter*
Marisa Creter
Executive Director

ATTACHMENTS

Attachment A –Resolution 23-12 Authorizing the Executive Director to execute a Letter of Commitment in the amount of \$1,000,223 to Baseline Road, Claremont.

RESOLUTION NO. 23-12

RESOLUTION OF THE SAN GABRIEL VALLEY REGIONAL HOUSING TRUST (TRUST) AUTHORIZING EXECUTIVE DIRECTOR TO ISSUE LETTERS OF INTENT FOR RECOMMENDED PROJECT

WHEREAS, the San Gabriel Valley Regional Housing Trust (SGVRHT) Board of Directors allocated funding to support projects on the San Gabriel Valley Project Pipeline; and

WHEREAS, funding awards for the recommended projects would be designated with a Letter of Intent (LOI).

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors authorizes the Executive Director to issue a Letter of Intent (LOI) to award in the amount of \$1,000,223 to Baseline Road (Claremont)

PASSED AND ADOPTED by the Board of Directors of the San Gabriel Valley Regional Housing Trust, in the County of Los Angeles, State of California, on the 17th day of October 2023.

San Gabriel Valley Regional Housing Trust

Jed Leano, Chair

Attest:

I, Marisa Creter, Executive Director and Secretary of the Board of Directors of the San Gabriel Valley Regional Housing Trust, do hereby certify that Resolution 23-12 was adopted at a regular meeting of the Board of Directors held on the 17th day of October 2023, by the following vote:

AYES:	
NOES:	
ABSTAIN:	
ABSENT:	

Marisa Creter, Secretary