

Pooled Money Investment Board (PMIB) -- Stalled Funds

Development Name: Step Up on Fifth Apartments

Location: 1548 5th Street, Santa Monica, CA 90401

Type of homes: The Development consists of 46 Studio Apartments

Status of the development: Fully completed and occupied.

What types of people/families would live there: Homeless and mentally ill adults who can live independently, with on-site supportive services

Development needs \$ 2,143,000 MHP Permanent financing by May 15th 2009

What will happen if the funds aren't received on time?



If our development does not receive funding on time, the project will experience a series of events that will result in significant financial impacts to the development, harm to the residents and damage to our organization.

The development's construction lender expects our loan to be repaid on May 15th 2009. Without the funds committed by the State MHP program, our organization will be forced to request an extension and, if our construction lender approves, the development will be charged additional legal and administrative fees to modify the loan documents. By extending the loan term, the development will also be responsible for paying monthly interest on the outstanding loan balance until the required funds are released for repayment. Monthly interest will be approximately \$11,000. These funds could better be used to benefit the project, such as to add amenities or to fund a reserve in case there are future operating deficits, rather than paying interest to the bank because the state is delayed in closing our permanent loan.

If our construction lender denies the request for an extension, the lender has the right to foreclose on the development which will have a negative impact on our organization as well as on the residents of the project. Residents could face eviction from the building, should the project be foreclosed upon. The residents of this building have moved into their new homes in the last few weeks. They are receiving supportive services from our development partner, Step Up on Second. The housing and services that

they receive are critical to their stability. Prior to that, they were homeless. Were they evicted, these residents, who have little or no income, would again be homeless.

Our organization's reputation would also suffer, were the project to be foreclosed upon. Because we are required to disclose all foreclosure actions against our projects, we would likely be hindered or completely precluded from obtaining bank or governmental loans for other projects in our pipeline. We would thus not be able to continue to fulfill our mission, which is to end homelessness through the provision of quality permanent supportive housing for people who are homeless and mentally ill.