

TO: James App, City Manager

FROM: Ron Whisenand, Community Development Director

SUBJECT: Hidden Creek Village: Request for a Reservation of Low and Moderate Income Housing Funds to Assist This Project

DATE: November 17, 2009

Needs: For the Redevelopment Agency to consider a request filed by the Housing Authority of the City of San Luis Obispo (HASLO) for a time extension for a reservation of Low and Moderate Income Housing (LMIH) Funds to assist the Development of Hidden Creek Village.

- Facts:
1. At its meeting of May 19, 2009, the Redevelopment Agency adopted Resolution RA 09-002, which reserved up to \$1 million in LMIH funds to assist the Development of Hidden Creek Village. This resolution included a provision that the reservation would expire within six months. The resolution also provided that the applications could request a time extension. A copy of Resolution RA 09-002 is attached.
 2. Hidden Creek Village is a proposed 81 unit apartment complex for low income households to be built at 80 S. River Road. A development plan for this project was approved by the City Council on January 6, 2009.
 3. In September 2009, the State Tax Credit Allocation Committee awarded Federal Tax Credits to Hidden Creek Village. A condition of this award is that the applicants (Conner LLC and HASLO) must obtain a building permit for this project by February 2010.
 4. On October 29, 2009, HASLO filed a letter requesting that the Redevelopment Agency grant a time extension for the LMIH Reservation. A copy of this letter is attached.
 5. On October 29, 2009, the applicants filed an application for a building permit for Hidden Creek Village.

Analysis and Conclusion: The purpose of the original six month expiration date was two-fold: (a) to hold the applicants accountable for proceeding diligently toward obtaining the necessary financing and (b) to enable the Redevelopment Agency to consider other requests for using LMIH funds to assist low income housing developments should the applicants fail to receive tax credit funding. During the past six months, the applicants have obtained tax credit financing and have filed an application for a building permit, which could be considered evidence that the project is progressing toward construction.

In their letter of October 29, HASLO also reports that they have applied for additional sources of financing, which could lower the amount of LMIH funds that they would actually use (i.e., below \$1 million). Awards of funds from the other sources, HOME and Affordable Housing Program (AHP) funds (from the Federal Home Loan Bank) are scheduled to be made in April 2010.

California Redevelopment Law requires that a Participation Agreement be executed to secure LMIH assistance. Resolution 09-002 provides that the applicant must demonstrate that all financing is in place prior to execution of a Participation Agreement. Inasmuch as tax credits, AHP and HOME funds have not yet been awarded, approval of a Participation Agreement would be premature.

Given the progress made to date, the State's condition that a building permit be issued by February 2010 in order to retain the tax credits, and the schedule for awarding HOME and AHP funds, an additional six month time extension would appear to be appropriate.

Reference: California Redevelopment Law; 1987 Redevelopment Plan; 2004 Redevelopment Implementation Plan; 2004 Housing Element; 2006 Economic Strategy

Fiscal Impact: HASLO's request would have no effect on the General fund.

Options: That the Redevelopment Agency take one of the following options:

- a. Adopt the attached resolution extending Resolution RA 09-002 for an additional 6 months
- b. Amend, modify, or reject the above options.

Prepared By: Ed Gallagher, City Planner

ATTACHMENTS:

1. Resolution Granting a Six Month Time Extension for Resolution RA 09-002
2. Resolution RA 09-002 Reserving LMIH Funds
3. Letter from Carol Hatley, dated October 29, 2009

RESOLUTION NO. RA 09-XX

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF PASO ROBLES
GRANTING A SIX MONTH EXTENSION OF TIME FOR THE EXPIRATION OF
RESOLUTION RA 09-002 WHICH RESERVED REDEVELOPMENT LOW AND MODERATE INCOME
HOUSING FUNDS TO ASSIST THE DEVELOPMENT OF LOW INCOME HOUSING
AT 80 S. RIVER ROAD (HIDDEN CREEK VILLAGE)

WHEREAS, at its meeting of May 19, 2009, the Redevelopment Agency of the City of Paso Robles (the "Agency") adopted Resolution RA 09-002 to reserve \$1.0 million in future Redevelopment Low and Moderate Income Housing (LMIH) Funds to be a loan to Conner LLC and the Housing Authority of the City of San Luis Obispo, co-applicants for the development of Hidden Creek Village, an 81 unit apartment complex for low income households; said loan being for the purpose of offsetting City building permit and development impact fees for the Project, subject to the following conditions; and

WHEREAS, Resolution RA 09-002 contained a provision that the reservation of LMIH funds would expire in six months unless the reservation period is extended by resolution of the Agency following a submittal of a written request by the Applicants; and

WHEREAS, In September 2009, the California Tax Credit Allocation Committee awarded Federal Tax Credits to Hidden Creek Village; a condition of this award is that the applicants must obtain a building permit for this project by February 2010; and

WHEREAS, On October 29, 2009, the applicants filed an application for a building permit for Hidden Creek Village; and

WHEREAS, the applicants have filed a letter requesting that the Agency grant a six month time extension for the reservation of LMIH Funds;

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1. The Agency finds that the award of Federal Tax Credits to Hidden Creek Village is evidence of substantial progress toward the development of Hidden Creek Village and hereby grants a six month extension to the expiration of the reservation of LMIH funds granted under Resolution RA 09-002 until May 19, 2010. All conditions specified in Resolution RA 09-002 shall remain in effect through this period.

PASSED AND ADOPTED by the Paso Robles Redevelopment Agency on this 17th day of November, 2009 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

John Hamon, Chairman

ATTEST:

Lonnie Dolan, Deputy City Clerk

RESOLUTION NO. RA 09-002

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF PASO ROBLES
RESERVING REDEVELOPMENT LOW AND MODERATE INCOME HOUSING FUNDS TO ASSIST THE
DEVELOPMENT OF LOW INCOME HOUSING
AT 80 S. RIVER ROAD (HIDDEN CREEK VILLAGE)

WHEREAS, at its meeting of January 6, 2009, the City Council of the City of El Paso de Robles (the “City Council”) approved Planned Development (PD) 08-010 authorizing the development of Hidden Creek Village, consisting of 84 apartment units for low income families at 80 S. River Road (the “Project”); and

WHEREAS, Conner LLC and the Housing Authority of the City of San Luis Obispo, who are co-applicants (the “Applicants”) for the Project have indicated an intent, both verbally and in writing, to seek Federal Tax Credit financing for the project, which will require that occupancy of all 84 units be restricted to households earning 60 percent or less of the Area (County) Median Income; and

WHEREAS, in October 2008, the City of Paso Robles estimated that the cost of building permit and development impact fees for the Project would be about \$2.7 million; and

WHEREAS, the Applicants have filed a letter requesting that the Redevelopment Agency of the City of Paso Robles (the “Agency”) grant up to \$1.0 million in Redevelopment Low and Moderate Income Housing (LMIH) Funds for the purpose of offsetting a portion of the City building permit and development impact fees for the Project; and said request proposes that the Agency disburse the grant in annual increments of \$100,000 over 10 years, and that the City Council allow for payments of the \$1.0 million portion of said building permit and development impact fees to be deferred over a 10 year period; and

WHEREAS, the Applicants have communicated, both verbally and in writing, a willingness to consider provisions to reduce the amount of requested LMIH assistance in proportion to any other sources of financing for the Project they may be able to acquire such as an Affordable Housing Program (AHP) grant from the Federal Home Loan Bank and/or federal HOME funds; and

WHEREAS, the Agency has provided grants of LMIH Funds to other low income senior housing projects, to wit, Los Robles Terrace (\$120,000 to offset City fees), Creekside Gardens (\$635,000 for land acquisition and project development costs), Canyon Creek Apartments (\$559,000 for development costs), and Chet Dotter Senior Housing (\$1.745 million for development costs, offsetting city building permit and development impact fees, and costs for pre-development design and environmental studies); and

WHEREAS, the Project would help the City meet its low-income housing needs, as set forth in the 2004 Housing Element of the General Plan and the City’s objective of housing its workforce as stated in the 2006 Economic Strategy; and

WHEREAS, the Project would further the Agency’s goals and objectives set forth in the 1987 Redevelopment Plan for the Paso Robles Redevelopment Project and the 2004 Redevelopment Implementation Plan for the use of LMIH Funds; and

WHEREAS, the 2004 Redevelopment Implementation Plan provides that the Agency may consider requests to use LMIH Funds to assist large-scale multi-family projects (those with more than 12 dwelling units); and

WHEREAS, Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.) provides that the Agency may enter into Participation Agreements and may provide financial assistance for development of affordable housing opportunities within the community; and

WHEREAS, Community Redevelopment Law (Health and Safety Code Section 33334.3[f]) requires that any multi-family rental housing units assisted with LMIH Funds shall remain available at affordable housing costs to persons

and families of low and moderate income and lower income households for the longest feasible time, but not less than fifty-five (55) years; and

WHEREAS, award of a grant of LMIH Funds needs to be addressed by a Participation Agreement which sets forth the terms and conditions relating to the LMIH grant, including without limitation an Affordable Housing Covenant (the “Affordability Covenant”) to be executed by both parties and recorded against the Project; and

WHEREAS, as of the date of the Applicant’s request, the Applicants have not yet applied for Federal Tax Credit Financing, nor have they submitted evidence of other pre-approved financing for the Project;

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1. Notwithstanding any and all prior Agency commitments of LMIH Funds to other housing projects and programs and annual allocations of LMIH Funds for administration of City housing programs, the Agency hereby reserves \$1.0 million in future LMIH Funds to be a loan to the Applicants for the purpose of offsetting City building permit and development impact fees for the Project, subject to the following conditions:

1. This reservation shall expire six (6) months from the date of this resolution, unless the reservation period is extended by resolution of the Agency following a submittal of a written request by the Applicants.
2. The form of financial assistance to the Project will be a loan, which may be structured as follows:
 - a. The principal amount shall be \$1.0 million, but the Applicants shall agree to apply for supplemental sources of financing, to include an Affordable Housing Program (AHP) grant from the Federal Home Loan Bank and federal HOME funds, with the understanding that the principal amount shall be reduced in direct proportion to the amount of supplemental funds awarded to the Project;
 - b. The loan shall accrue interest at the rate of zero percent;
 - c. Payments on the loan shall be deferred for a period of 55 years; if at the end of 55 years, the Project has continually been operated to restrict rent levels for all units to those affordable to lower income households, as defined by Health and Safety Code Section 50053, the principal amount of the loan shall be forgiven;
 - d. The principal amount of the loan shall be disbursed in ten annual increments of \$100,000.00 to reimburse the City for building permit and development impact fees; if supplemental sources of financing are awarded to the Project, thereby reducing the principal amount, the disbursement schedule shall be shortened on a pro rata basis;
3. The City Council shall agree to authorize payment of building permit and development impact fees to be deferred over a period of up to 10 years, allowing dwelling units in the Project to be occupied prior to full payment of said fees.
4. Prior to distribution of any grant funds, the Applicants shall enter into a Participation Agreement (PA) with the Agency, which shall set forth the terms and conditions for the loan.
5. As a prerequisite to obtaining the loan, Applicants shall submit to City evidence that full financing for the Project has been approved by the appropriate authorities for each source of financing.
6. The PA shall provide that the residents of the Project qualify as “Lower Income Households”, as defined by Health and Safety Code Section 50079.5.
7. As required by Health and Safety Code Section 33334.3(f), affordability covenants or restrictions shall be recorded against the subject property. These covenants or restrictions shall serve to limit rent prices of the Project to levels affordable to “Lower Income Households”, as set forth in Health and Safety Code Section 50052.5, for a period of at least 55 years.

PASSED AND ADOPTED by the Paso Robles Redevelopment Agency on this 19th day of May, 2009 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

John Hamon, Chairman

ATTEST:

Cathy David, Deputy City Clerk

NOV 02 2009

San Luis Obispo
Non-Profit Housing Corporation

Engineering Division

October 29, 2009

City of Paso Robles
Attn: Ed Gallagher
1000 Spring Street
Paso Robles, CA 93446

Re: Hidden Creek Village

Dear Ed,

This is to update you and the City Council regarding the status of the above project and to request an extension of the commitment of Redevelopment Low and Moderate Income Housing Funds. The Resolution adopted in May of this year indicated the reservation would expire in six months. In support of this extension request, please consider the following:

- The California Tax Credit Allocation Committee moved the award of tax credits to September 10, 2009, which was a significantly delayed timeframe, as this was anticipated to be announced in June. **Fortunately, the Hidden Creek Village project scored well enough to be awarded tax credits!** The delayed award caused a set-back on the progress until this award was made. However, since we were notified of the award, the Architect and Engineer and other team members have been working diligently on the Construction Documents to prepare for submittal to the City. In fact, the plans were submitted for plan check this morning, October 29th.
- In the interim, an application for HOME funds was submitted to the County of San Luis Obispo in the amount of \$500,000. If this or some other amount is awarded, it would reduce the amount of Redevelopment funds needed for the project.
- In order to meet the readiness-to-proceed criteria of the tax credit application, we are required to obtain issuance of a building permit by February 10, 2010.
- Other efforts underway include the selection of the construction lender and the tax credit investor. Our target date to complete this process is the first of January, but at the latest must meet the February 10th deadline as well.
- The delay in tax credit award caused the application for AHP funds to be delayed, as the project would not have met the readiness-to-proceed criteria for that program. Thus, we will be ready to apply for funding in April of 2010, in conjunction with the

construction lender. The amount of this application will be contingent on the amount of any HOME funds awarded.

- Lastly, due to new criteria for the tax credits, the project was required to be reduced from 84 units to 81 units. This is a new requirement and unfortunately required the reduction of 3 units. The reduction is not detrimental overall to the project, either on a fiscal basis or physical lay-out. The plans that were submitted for plan check reflect the reduction.

Thus, please consider a six month extension to the commitment of these funds. As noted above, we do not feel a full six months will be necessary. However, this would ensure adequate time for processing on behalf of all parties.

In summary, we would appreciate your consideration of this extension and will be available for questions if necessary. We look forward to working with your staff on this project. It is a beautiful project and one that will provide additional affordable housing to the residents of your community. If you have any questions on the above, please contact me at 594-5303 or via e-mail at chatley@haslo.org

Respectfully,



Carol Hatley
Executive Director for the Managing Agent of
San Luis Obispo Nonprofit Housing Corporation