

TO: James App, City Manager

FROM: Ron Whisenand, Community Development Director

SUBJECT: Oak Park Redevelopment: Request for a Reservation of Low and Moderate Income Housing Funds to Assist This Project

DATE: February 15, 2011

Needs: For the Redevelopment Agency to consider a request filed by the Housing Authority of the County of Monterey (HACM), on behalf of the Housing Authority of the City of Paso Robles for a time extension for a reservation of Low and Moderate Income Housing (LMIH) Funds to assist the Development of Phase One of Oak Park Redevelopment.

Facts:

1. At its meeting of July 6, 2010, the Redevelopment Agency adopted Resolution RA 10-005, which reserved up to \$1.35 million in LMIH funds to assist the Redevelopment of Oak Park Public Housing. 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 10-005 is attached.
2. The Redevelopment of Oak Park Public Housing proposes to replace 148 existing low income apartments with new units and build an additional 154 new apartment units for a total of 302 units. Three phases were originally envisioned. A development plan for this project was approved by the City Council on June 1, 2010.
3. HACM has submitted a letter (copy attached) requesting a time extension for the reservation of LMIH funds.
4. In July 2010, HACM applied for Federal Tax Credits as the primary source of financing for this project. Federal Tax Credits are usually awarded twice annually – in June and September. HACM was unsuccessful in obtaining an allocation in September. Their letter indicates that they will re-apply for the June 2011 Funding Round. The deadline for their application is March 23, 2011.
5. HACM's letter indicates that, in order to have a competitive Federal Tax Credits application, the size of Phase One needs to be reduced from 100 units to 69 units.

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 applied for tax credit funding, but were unsuccessful in obtaining an allocation. They have indicated that they will re-apply in March 2011. This situation is not new to the City. Peoples' Self-Help Housing Corp. had to apply three times for Federal Tax Credits before they received them for Canyon Creek Apartments at 400 Oak Hill Road.

The only other applicant for LMIH Funds since HACM was Habitat for Humanity, which sought \$270,000 to offset City development fees for 6 single family homes. On November 16, 2010, the Redevelopment Agency approved a reservation of \$270,000 in LMIH Funds for that purpose. The LMIH reservation for Habitat for Humanity assumed that the \$1.35 million reservation for Oak Park would proceed. Assuming that the State does not eliminate Redevelopment, there are sufficient LMIH funds for both projects.

California Redevelopment Law requires that a Participation Agreement be executed to secure LMIH assistance. Resolution 10-005 provides that the applicant must demonstrate that all financing is in place prior to execution of a Participation Agreement. Inasmuch as tax credits, and any other necessary funds have not yet been awarded, approval of a Participation Agreement would be premature.

Since HACM has filed an application for Federal Tax Credits and will file another in March 2011, and since there are no competing applications for LMIH funds, it would appear that an additional six month time extension would be appropriate.

Reference: California Redevelopment Law; 1987 Redevelopment Plan; 2010 - 2014 Redevelopment Implementation Plan; 2004 Housing Element; 2006 Economic Strategy

Fiscal Impact: HACM'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 10-005 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 10-005
2. Resolution RA 10-005 Reserving LMIH Funds
3. Letter from HACM, dated February 3, 2011

RESOLUTION NO. RA 11-xxx

**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 10-005 WHICH RESERVED REDEVELOPMENT LOW AND MODERATE
INCOME HOUSING FUNDS TO ASSIST THE DEVELOPMENT OF LOW INCOME HOUSING
AT OAK PARK PUBLIC HOUSING)**

WHEREAS, at its meeting of July 6, 2010, the Redevelopment Agency of the City of Paso Robles (the "Agency") adopted Resolution RA 10-005 to reserve \$1.35 million in future Redevelopment Low and Moderate Income Housing (LMIH) Funds to be a loan to the Housing Authority of the County of Monterey and the Housing Authority of the City of Paso Robles, co-applicants for the redevelopment of Oak Park Public Housing, a 302 unit apartment complex for low income households; said loan being for the purpose of offsetting construction costs and City development impact fees for Phase One of the Project, subject to the following conditions; and

WHEREAS, Resolution RA 10-005 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 July 2010, the co-applicants applied to California Tax Credit Allocation Committee for an award of Federal Tax Credits for this project as part of the September 2010 Round of tax credit allocations; and

WHEREAS, The project was not awarded an allocation of Federal Tax Credits in September 2010, but the co-applicants have indicated that they will re-apply for an award of Federal Tax Credits for this project as part of the June 2011 Round of tax credit allocations; and

WHEREAS, The co-applicants have indicated that, in order to have a competitive Federal Tax Credits application, the size of Phase One needs to be reduced from 100 units to 69 units; and

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

WHEREAS, there are presently no other applications for use of LMIH Funds that would compete for the requested \$1.35 million;

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1. The Agency finds that the co-applicants have made sufficient progress toward the development of Phase One of the Redevelopment of Oak Park Public Housing, and hereby grants a six month extension to the expiration of the reservation of LMIH funds granted under Resolution RA 10-005 until July 6, 2011. All conditions specified in Resolution RA 10-005 shall remain in effect through this period.

PASSED AND ADOPTED by the Paso Robles Redevelopment Agency on this 15th day of February, 2011 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Nick Gilman, Chairman

ATTEST:

Caryn Jackson, Deputy City Clerk

RESOLUTION NO. RA 10-005

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF PASO ROBLES
RESERVING UP TO \$1.325 MILLION IN REDEVELOPMENT LOW AND MODERATE
INCOME HOUSING FUNDS TO ASSIST THE REDEVELOPMENT OF OAK PARK PUBLIC
(LOW INCOME) HOUSING

WHEREAS, at its meeting of June 1, 2010, the City Council of the City of El Paso de Robles (the "City Council") approved Planned Development (PD) 10-001 authorizing the redevelopment of Oak Park Public Housing to include the demolition of the existing 148 residential units and construction of 302 new low income units with a public park, community center, and offices (the "Project"); and

WHEREAS, the Housing Authority of the City of Paso Robles and the Housing Authority of the County of Monterey, who are co-applicants (the "Applicants") for the Project have indicated an intent to seek Federal Tax Credit financing for the project, which will require that occupancy of all 302 units be restricted to households earning 60 percent or less of the Area (County) Median Income; and

WHEREAS, the Applicants have filed a letter, dated June 24, 2010, requesting that the Redevelopment Agency of the City of Paso Robles (the "Agency") grant up to \$1.325 million in Redevelopment Low and Moderate Income Housing (LMIH) Funds for the purposes of assisting with construction costs (\$450,000) and for offsetting \$850,000 of the estimated development impact fees for Phase One of the Project; and

WHEREAS, in their letter of June 24, 2010, the Applicants have communicated a willingness to consider applying for additional funds 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; and

WHEREAS, the Agency has provided financial assistance with LMIH Funds to other low income 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), 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 Hidden Creek Village (up to \$1.0 million to offset city building permit and development impact fees); 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 2010-2014 Redevelopment Implementation Plan for the use of LMIH Funds; and

WHEREAS, the 2010-2014 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 up to \$1.325 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 \$1.325 million, but the Applicants shall agree to apply for supplemental sources of financing, which may 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 3 percent simple;
 - 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 as follows:
 - (1) An initial payment of \$550,000 will be made upon issuance of a building permit; this amount will include \$450,000 to be paid directly to the applicant for construction cost assistance and \$100,000 to be paid to the City as the first payment against \$875,000 in development impact fees;
 - (2) Seven (7) annual payments of \$100,000 in principal plus interest at 3% compounded to the City as the second through eighth payments against \$875,000 in development impact fees;

- (3) A year after payment of the eighth installment described above, payment of \$75,000 in principal plus interest at 3% compounded to the City as the ninth payment against \$875,000 in development impact fees.
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 9 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 6th day of July, 2010 by the following vote:

AYES: Strong, Gilman, Steinbeck, Picanco, Hamon
NOES:
ABSENT:
ABSTAIN:



John Hamon, Chairman

ATTEST



Caryn Jackson, Deputy City Clerk



Monterey County Housing Authority
Development Corporation - HDC

February 3, 2011

Ed Gallagher
City Planner
1000 Spring Street
Paso Robles, CA 93446

Dear Mr. Gallagher,

On July 6, 2010 the Paso Robles Redevelopment Agency passed Resolution No. RA 10-005, reserving up to \$1.325 Million in Redevelopment funds from the Low and Moderate Income Housing funds. In that Resolution it contained a six month reservation period. As provided in Section 1 of the resolution, we are hereby requesting that a six month extension be granted for the following reasons:

As you know the economy remains depressed but the low income affordable housing market is very active at this time. We applied for 9% tax credits in the State's June 2010 round and were not successful although we had a perfect scoring application. There were over 145 applications and only 45 were awarded. TCAC will be implementing additional requirements in the upcoming round relative to green measures as well as changing several other long standing program regulations and scoring mechanisms. We have included those in our current drafts for the March 2011 round. In an effort to be more competitive, we have downsized the number of units in the first phase from 100 to 69. We believe by lowering our "ask" we will have a better chance of being funded.

Reducing the number of units in Phase One and keeping the local public commitment at its current level will improve our public match scoring and enable us to become more competitive. We have included a new sources and uses for this project. It currently reflects a small gap which we will fill by deferring additional developer fee. The proforma is still in flux as we adjust assumptions to better improve our application.

We respectfully request a six month extension for the Oak Park Redevelopment.

Sincerely,

A handwritten signature in black ink, appearing to read "Starla Warren".

Starla Warren
President/CEO,
Monterey County Housing
Authority Development Corporation

FUNDING SOURCES AND TIMING ASSUMPTIONS

Oak Park

Source	Construction Period Amounts				Amortization (no. of payments)	Term (no. of years)	Payment Type (1=pay, 2=defer, 3=cashflow)	First Interest Date	First Principal Date	Non-Recourse? 1=Y, 0=N	Related Party? 1=Y, 0=N	First Mortgage? 1=Y, 0=N
	prior to 50% Constr. Complete	prior to 100% Constr. Complete	prior to Perm Conversion	through Perm Conversion								
Equity												
LP Equity Contribution - Perm	2,259,427	2,259,427	2,259,427	2,259,427	15,062,849							
LP Equity Contribution - Close	-	-	-	-	-							
LP Equity Contribution - Energy Efficient Tax Credits	-	-	-	-	123,720							
LP Equity Contribution - Business Tax Credits	-	-	-	-	197,984							
GP and Special LP Equity Contribution - Close	110	110	110	110	110							
Hard Debt												
Perm. Loan - Taxable, TC Rents - A	-	-	-	-	1,699,068	18	1	08/01/13	08/01/13			
Perm. Loan - Taxable, PBSB Inc - B	-	-	-	-	1,015,298	20	1	08/01/13	08/01/13			
Construction Drawdown Loan	8,365,774	14,679,762	15,209,863		-	23	1	09/01/11	09/01/13			
Soft Debt												
City Funds - Housing Trust Fund of SLO, RDA	450,000	450,000	450,000	450,000	450,000	55	3	09/01/11	08/01/13			
Seller Take Back Financing - from government entity	1,841,618	1,841,618	1,841,618	1,841,618	1,841,618	55	3	09/01/11	08/01/13			
City Funds	875,000	875,000	875,000	875,000	875,000	55	3	09/01/11	08/01/13			
Other												
CTCAC Performance Deposit	-	-	-	-	64,104							
Deferred Developer Fee	-	-	-	-	620,000							
Total Funding Sources	13,791,929	20,105,837	20,636,118	21,955,731								
Total Uses	13,791,929	20,105,937	20,636,118	21,976,004								
Financing Surplus (Gap)	-	-	-	(20,272)								
Loan to Cost												
Loan to Value												

TIMING ASSUMPTIONS

Item	Date	Tax Credit Equity Pay-ins	Notes
Partnership close	9/1/11	15.00%	2,259,427
Construction start	9/1/11	0.00%	0
50% Construction Complete	3/1/12	0.00%	0
Placed in service / Cert of Occupancy (100%)	2/1/13	0.00%	0
Qualified Occup. Achieved / Stabl. Begins	4/1/13	0.00%	0
Conversion - Stabl. Occup. (90/90, 60 days) & Cost Cert.	5/1/13	0.00%	0
8609% and first year tax returns	8/1/13	82.00%	12,351,536
Total	8/1/13	100.00%	451,885
			15,062,849
Breaker Score	31.39%		

TAX CREDIT CALCULATIONS

Eligible basis (from Dev'l Budget, page)	17,121,700.61
Less all grant proceeds used to finance costs in eligible basis	-
Less Bluff federal financing of costs in 5% eligible basis	-
Less non-qualified non-recourse financing	-
Less non-qualified portion of costs of higher quality units	-
Less historic credit (residential portion only)	-
Less eligible basis amount voluntarily excluded	(3,424,340)
Total requested unadjusted eligible basis	13,697,360.49
High cost area adjustment (CCT or DDA)	4,109,208.15
Adjusted eligible basis	17,806,568.64
Applicable fraction (min SF, unit ratio)	100.000%
Qualified basis	17,806,568.64
Less credit reduction	0%
Adjusted qualified basis	17,806,568.64
Annual potential credit	1,602,591.00
Credit allocation limit	2,500,000.00
Annual credit (lesser of potential or limit)	1,602,591.00
Total credit over 10 years	16,025,910.00
Limited partner share	99.9900%
Credit pricing assumption less credit adjustment	\$0.94000
	15,062,848.96