

TO: James App, City Manager

FROM: Ed Gallagher, Community Development Director

SUBJECT: Oak Park Redevelopment: Deferral of Development Impact Fees for Phase 2

DATE: July 17, 2012

Needs: For the City Council to consider a request to amend Resolution 12-122 to extend the deadline for obtaining a building permit as a condition of approval of a deferral of City Fees for Phase Two of the Redevelopment of Oak Park Public Housing.

Facts:

1. At its meeting of July 17, 2012, the City Council adopted Resolution 12-122 to approve a deferral of City Fees for Phase Two of the Redevelopment of Oak Park Public Housing.
2. Phase Two of the Redevelopment of Oak Park consists of 69 units, of which 28 units will replace existing units and 41 units will be new units.
3. Resolution 12-122 provided for a deferral of up to \$871,000 as that was the estimated amount of City fees for the 41 new units. No fees are required for replacement of the 28 existing units.
4. Resolution 12-122 stipulated that a building permit to construct the units in Phase Two must be issued within one year, i.e., by July 17, 2013.
5. The Housing Authority of the County of Monterey (HACM), which is acting as the developer for the project, will be filing an application for Federal Tax Credits on March 6, 2013.
6. Phase One of the Redevelopment of Oak Park (80 units) was commenced on February 12, 2013.
7. California Health and Safety Code Section 34516 provides that the City may do any and all things necessary or convenient to aid and cooperate in the planning, undertaking, construction, or operation of housing projects to be built and operated by a Housing Authority. In this regard the City is authorized to enter into leases or installment payment contracts without any limitation on the duration thereof for the purpose of aiding and cooperating with a housing authority in financing the construction of such housing projects.

Analysis and

Conclusion: Resolution 12-122 was structured to be valid for one year. HACM applied for Federal Tax Credits in July 2012, but was not successful in obtaining an allocation in September. To maximize the potential for success in the March 2013 tax credit application round, Resolution 12-122 needs to be updated to extend the deadline for obtaining a building permit. A new resolution that would be valid until March 5, 2014 is attached.

Reference: California Health and Safety Code Section 34516, 2011 Housing Element; 2006 Economic Strategy

Fiscal Impact: Building Permit and Water and Sewer Connection Fees are paid at the time of issuance of a building permit; Development Impact Fees are paid at the time of occupancy. The loan, with its interest payments, is set up to make the General Plan whole over a 30 year period. A compounded rate would best conform to the City's policy of fiscal neutrality.

- Options:
- a. That the City Council adopt attached Resolution 13-XXX to approve a deferral of City Sewer and Water Connection Fees, Development Impact (AB 1600) Fees, and Building Permit Fees for Phase Two of the Redevelopment of Oak Park; said deferral to be evidenced by a loan agreement with a note, and secured by a deed of trust to be recorded against the Project, with repayment of the deferred fees over 30 years with a compounded annual average interest rate of 3.75%; the loan agreement shall be prepared by the City Attorney and executed by the Housing Authorities for the City of Paso Robles and County of Monterey.
 - b. Amend, modify, or reject the above options.

ATTACHMENTS:

1. Resolution Approving a Deferral of City Fees

RESOLUTION NO. 13-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING A DEFERRAL OF WATER CONNECTION, SEWER CONNECTION,
DEVELOPMENT IMPACT, AND BUILDING PERMIT FEES TO ASSIST THE
REDEVELOPMENT OF PHASE TWO 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 Low Income Housing 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 propose that "Phase Two" of the Project provide for 69 dwelling units, of which 28 will be replacement units (for existing units) and 41 will be new units; and

WHEREAS, the Applicants have submitted a letter, dated June 29, 2012, requesting that the City of Paso Robles (the "City") defer Water Connection, Sewer Connection, Development Impact, and Building Permit Fees (hereafter collectively referred to as "City Fees") for the 41 new units in Phase Two; and

WHEREAS, in said letter, the applicants requested that the deferral of City Fees would be subject to a loan, with a note in the principal amount of \$871,000 to be paid over 30 years at an average annual simple rate of 3.75% from residual receipts from the Project, and secured by a deed of trust to be recorded against the Project; and

WHEREAS, via Resolution 12-031, the City Council has previously approved deferred payment of City Fees for Phase One of Oak Park Public Housing; and

WHEREAS, On July 17, 2012, via Resolution 12-122, the City Council approved a deferred payment of up to \$871,000 in City Fees for Phase One of Oak Park Public Housing subject to commencement of construction of Phase Two within one year (i.e., by July 17, 2013); and

WHEREAS, the Applicants applied for Federal Low Income Housing Tax Credit financing in July 2012, but did not receive an allocation in 2012, and the Applicants proposed to re-apply for tax credit financing in March 2013; and

WHEREAS, the Project would help the City meet its low-income housing needs, as set forth in the 2011 Housing Element of the General Plan and the City's objective of housing its workforce as stated in the 2006 Economic Strategy; and

WHEREAS, it has been the City's practice to require that any multi-family rental housing units for lower income households, as defined by Health and Safety Code Section 50079.5, that obtain financial assistance enter in to an affordability covenant ("Affordability Covenant"), to be recorded against the units, to ensure that the units remain available at affordable housing costs to lower income households for the longest feasible time, but not less than thirty (30) years; and

WHEREAS, the Applicants intend to apply for an allocation of Federal Low Income Housing Tax Credit

Financing, and the City's approval of the requested deferral of City Fees will enable the Applicants to submit a more competitive application;

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1. Approval of Deferral of City Fees.

1. The City Council agrees to the deferral of City Fees for Phase Two of the Project, to be paid over a period of up to 30 years from the date of issuance of a Building Permit for construction of dwelling units in Phase Two of the Project subject to the terms and conditions described below, allowing dwelling units in Phase Two of the Project to be occupied prior to full payment of said fees.
2. The deferral shall be provided in the form of a loan, which shall be structured as follows:
 - a. The principal amount shall be set at the amount of City Sewer Connection Fees, Water Connection Fees, Development Impact Fees, and Building Permit Fees in effect at the time of issuance of a Building Permit for Phase One of the Project, acknowledging that certain fees are not due to be paid until the time of issuance of a Certificate of Occupancy. That amount is estimated to be, and shall not exceed, \$871,000.
 - b. The loan shall accrue interest at an annual rate of 3.75 percent simple.
 - c. The term of the loan shall be 30 years, which shall commence on the date of issuance of a building permit for construction of dwelling units in Phase One of the Project. Payments shall be made annually from residual receipts from the Project, to the extent residual receipts are available to make such payments; payments shall be credited first to interest, then to principal; the entire remaining unpaid balance of principal and accrued interest shall be due at the end of the 30-year term. The applicant may pre-pay the loan at any time without penalty, subject only to the amount of interest that has accrued to the date of payment.
3. Prior to issuance of a Building Permit for construction of dwelling units in Phase Two of the Project, the Applicants shall enter into a Loan Agreement with the City, to be prepared by the City Attorney, which shall set forth the terms and conditions for the loan. The Loan Agreement shall include a promissory note to be executed by the Applicants, and a deed of trust and Affordability Covenant to be recorded against the Project.
4. The Loan Agreement shall provide, and the Affordability Covenant shall ensure, that the units shall be rented to "Lower Income Households", as defined by Health and Safety Code Section 50079.5, whose incomes do not exceed sixty percent (60%) of Area Median Income, at an affordable rent, for a period of at least thirty (30) years.
5. As a condition to the loan:
 - a. Applicants shall submit to City evidence that full financing for construction of Phase Two of the Project has been approved by the appropriate authorities for each source of financing.
 - b. Applicants shall execute and deliver the note, deed of trust and Affordability Covenant; and the deed of trust and Affordability Covenant shall be recorded against the Project.

SECTION 2.

The deferral of City Fees authorized by this resolution shall expire one year from the date set forth below, unless the Loan Agreement has been executed and construction of Phase Two of the Project has commenced.

PASSED AND ADOPTED by the City Council of the City of Paso Robles on this 5th day of March, 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Duane Picanco, Mayor

Caryn Jackson, Deputy City Clerk