

TO: James App, City Manager

FROM: Ed Gallagher, Community Development Director

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

DATE: February 18, 2014

Needs: For the City Council to consider a request to amend Resolution 13-034 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. The fee deferral approval was valid for one year.
2. At its meeting of March 5, 2013, the City Council adopted Resolution 13-034 to extend the approval of the fee deferral for another year to March 5, 2014.
3. 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 5, 2014 and has filed a letter (Attachment 2) requesting another extension of the fee deferral.
4. Phase Two of the Redevelopment of Oak Park, which originally consisted of 69 units of which 28 units were existing and 41 were new has been reconfigured to consist of 70 units, of which of which 47 units will replace existing units and 23 units will be new units.
5. Resolutions 12-122 and 13-034 (Attachment 3) provided for a deferral of up to \$871,000 as that was the estimated amount of City fees for the 41 new units. The estimated amount of City fees for 23 new units is now \$889,000 (largely reflecting an increase in sewer connection fees in 2013).
6. Phase One of the Redevelopment of Oak Park (80 units) was commenced on February 12, 2013. Construction will be completed in early 2014.
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: HACM has applied for Federal Tax Credits three times since July 2012, but has yet to be successful in obtaining an allocation. This situation is not unusual as the Federal Tax Credit program is perennially oversubscribed and highly competitive. To maximize the potential for success in the March 2014 tax credit application round, Resolution 13-034 needs to be updated to extend the deadline for obtaining a building permit. A new resolution that addresses the new configuration of Phase 2 and which would be valid until February 18, 2015 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 annual interest payments at 3.75% simple, is set up to make the General Plan whole over a 30 year period. This is consistent with the prior approval.

- Options:
- a. That the City Council adopt attached Resolution 14-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 simple annual 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
2. Letter from Housing Authority of the County of Monterey
3. Resolution 13-034

RESOLUTION NO. 14-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 70 dwelling units, of which 47 will be replacement units (for existing units) and 23 will be new units; and

WHEREAS, the Applicants have submitted a letter, dated February 7, 2014, 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 \$889,000 to be paid over 30 years at an annual rate of 3.75% simple 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, March 2013, and July 2013 but did not receive any allocation, and the Applicants proposed to re-apply for tax credit financing in March 2014; 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, \$889,000.
 - 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 18th day of February, 2014 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

ATTEST:

Duane Picanco, Mayor

Caryn Jackson, Deputy City Clerk



February 7, 2014

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

Dear Mr. Gallagher,

On June 1, 2010 the City of Paso Robles passed Resolution No. 10-071 approving Planned Development 10-001, the redevelopment of Oak Park. We anticipate that the entire project will be built out in five phases. Phase One is currently under construction.

We are currently planning for Phase Two and to that end, we are submitting a Tax Credit Application for consideration in early March 2014. In order to be competitive, we need local public match. With the elimination of the Redevelopment Agency as a source for that match, we have to seek out alternative measures for that public match.

Phase Two will demolish 47 units and will replace those with 70 units. It will also include a 4,801 square foot office building and community center. Please see attached proformas for residual receipts projections.

We would like to request an impact and processing fee deferral in accordance with Health and Safety Code 34516 which allows for special treatment for a Housing Authority development. This action will not set a precedent for other developers unless they are Housing Authority related. The total deferral of those fees are anticipated to be \$898,994.90

As you consider our request, please note the following important aspects of moving this project forward made possible by granting this fee deferral:

- Removal of community health and safety issues such as permanent remediation of asbestos, lead, and aging infrastructure, elimination of safety issues associated with failing gas lines, and elimination of blight within the community
- This is a catalyst project identified in the City's Uptown Specific Plan and recently adopted Housing Element
- Significant reductions in available funding sources leave us few options to bring "public" funds to assist in our tie-breaker scoring. Specifically, HOME funds have been cut by 38% and the Redevelopment Agencies have been eliminated as a source.

- In as much as City seeks economic stimulus in this financially constrained time, this could be considered as “temporary economic consideration”. This shovel ready project can immediately get into construction providing about 150 jobs (using federal formula of \$93,000 investment per job and with our new phase I project budgeted at approximately \$20M.
- Our project “preserves” affordable housing as well as increases the affordable housing stock.
- Our equity partner will bring approximately \$13 million dollars to the local economy.

We request a commitment letter for our March TCAC round to defer impact and processing fees. We estimate those fees to be not greater than \$899K and will commit to paying for them out of residual receipts. We are seeking a 30 year term at 3.75% simple. We would like to be placed on the next Housing Advisory Committee meeting or related subcommittee and subsequent City Council Agenda. Again, our application is due March 5 and we appreciate the City’s consideration of our requests

Sincerely,

A handwritten signature in black ink, appearing to read "Starla Warren", with a long, sweeping horizontal line extending to the right.

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

RESOLUTION NO. 13-034

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: Hamon, Strong, Martin, Steinbeck, Picanco

NOES:

ABSENT:

ABSTAIN:


Duane Picanco, Mayor

ATTEST:


Caryn Jackson, Deputy City Clerk