

Agenda Report

December 16, 2013

TO: Honorable Mayor and City Council

THROUGH: Economic Development & Technology Committee (December 2, 2013)

FROM: Housing Department

SUBJECT: APPROVAL OF RESTATED INCLUSIONARY HOUSING ACQUISITION FINANCING AGREEMENT (CITY AGREEMENT NO. 21,207) WITH HERITAGE HOUSING PARTNERS; ADDITIONAL FUNDING IN AN AMOUNT NOT TO EXCEED \$750,000 TO IMPLEMENT PURCHASE OPTIONS ON THREE AFFORDABLE FOR-SALE HOUSING UNITS

RECOMMENDATION:

It is recommended that the City Council take the following actions:

- 1) Find that the proposed housing financing and acquisition activity, as described in this agenda report, does not have a significant effect on the environment and has been determined to be categorically exempt under Class 26 (Acquisition of Housing) of the State California Environmental Quality Act ("CEQA") and, specifically, Section 15326 of the State CEQA Guidelines;
- 2) Approve a budget amendment, and a journal voucher appropriating \$750,000 from the Inclusionary Housing Fund Balance to Housing Department FY 2014 operating budget Account No. 8167-619-684140 for the HHP For-Sale Housing Acquisition Project;
- 3) Approve certain key business terms, as described in this agenda report, of the proposed Restated Inclusionary Housing Acquisition Financing Agreement with Heritage Housing Partners; and
- 4) Authorize the City Manager to execute any and all documents necessary to effectuate the staff recommendation.

BACKGROUND:

On October 15, 2012 the City Council approved the business terms of that certain Inclusionary Housing Acquisition Financing Agreement - City Agreement No. 21,207 (the "Agreement") with Heritage Housing Partners ("HHP"). Pursuant to the Agreement,

HHP utilized City Housing funds in the total amount of \$707,708.88 to successfully acquire three affordable for-sale housing units that were subject to deed restrictions in favor of the City, including the right of first refusal to purchase option which the City assigned to HHP as a "nonprofit organization that is devoted to developing or preserving low and moderate income housing." HHP resold all three units to qualified low and moderate income homebuyers, thereby preserving those units within the City's affordable housing stock, and from which transactions the City acquisition financing totaling \$707,708.88 has been fully repaid.

Recently, owners of three other deed-restricted affordable homeownership units have notified the City of their interest in reselling their homes. These properties are located at: 1) 333 N. Hill Ave., #303; 2) 217 S. Marengo Ave., #109; and 3) 333 N. Hill Ave., #307. In the interest of preserving these units within the City's affordable housing stock, it is recommended that Agreement No. 20,217 be restated with additional funding in the amount of \$750,000 to enable HHP to acquire these three homeownership units.

KEY BUSINESS TERMS OF RESTATED AGREEMENT

The key terms of the proposed Restated Agreement are as follows:

- The total amount of the City acquisition financing shall not exceed \$750,000.
- Heritage Housing Partners shall utilize the City financing to acquire three deed-restricted affordable homeownership units to be designated by the Housing Dept.
- HHP shall utilize the City financing to implement the City's right of first refusal purchase option and acquire City-deed restricted affordable homeownership units.
- The acquisition loans shall be secured by a first trust deed on each property.
- The acquisition loans shall be repaid from the proceeds of the properties as they are resold by HHP.
- The term of each acquisition loan shall not exceed 90 days unless agreed to otherwise by the Housing Director in writing.
- To minimize the cost of the affordable housing transactions, the City financing provided to HHP will bear no (0%) interest.
- HHP shall acquire each property at a price which is the lesser of the current affordable sales price (as determined by the Housing Department) or fair market value per an appraisal which HHP will cause to perform.
- HHP shall re-sell the properties in compliance with the covenant agreement which binds each of the properties.
- HHP's transaction costs for each resale shall be reviewed prior to closing by the Housing Department. Such costs may not exceed 4.00% of the affordable sales price. However, the Housing Director may approve costs up to 6.00% in cases where properties require greater than typical repairs.
- The Restated Agreement shall expire on June 30, 2014.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City's General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Objectives.

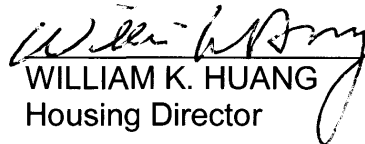
ENVIRONMENTAL ANALYSIS:

The implementation of the staff recommendation to provide financing for the purchase of covenanted affordable housing units does not have a significant effect on the environment and has been determined to be categorically exempt under Class 26 (Acquisition of Housing) of the State California Environmental Quality Act ("CEQA"), and, specifically, Section 15326 of the State CEQA Guidelines. No further CEQA review is required for this activity.


FISCAL IMPACT:

The proposed City financing in the amount of \$750,000 for the acquisition of affordable deed-restricted homeownership units by HHP will be drawn from Inclusionary Housing Fund #619 (Account No. 8167-619-684140). Approval of the staff recommendation will reduce the available balance of Fund #619 to approximately \$3.15 million. In accordance with the proposed terms of the Restated Agreement, the City financing shall be repaid from resales proceeds as the units are purchased by qualified homebuyers.

Respectfully submitted,


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