



Agenda Report

October 28, 2019

TO: Honorable Mayor and City Council

THROUGH: Economic Development and Technology Committee (October 24, 2019)

FROM: Department of Housing

SUBJECT: **APPROVAL OF SECOND AMENDMENT TO CITY AGREEMENT NO. 31111 WITH HHP-DECKER, LLC AND BUDGET AMENDMENT FOR ADDITIONAL FUNDING IN THE AMOUNT OF \$50,000 FOR THE DECKER HOUSE RENOVATION (TOTALING \$2,914,273 FOR THE DECKER COURT PROJECT) AT 1661 N. FAIR OAKS AVENUE**

RECOMMENDATION:

It is recommended that the City Council:

- 1) Find that the proposed action to provide additional City funding for rehabilitation of the Decker House at the Decker Court project, located at 1661 N. Fair Oaks Avenue, does not have a significant effect on the environment and has been determined to be categorically exempt under the In-Fill Development Projects exemption under Section 15332 of the California Environmental Quality Act; and
- 2) Approve a budget amendment appropriating \$50,000 from the Inclusionary Housing Trust Fund unappropriated fund balance to the Housing Department's FY 2020 Operating Budget for the Decker Court Project; and
- 3) Approve the key business terms of a Second Amendment to the Restated Development and Loan Agreement ("Loan Agreement") with HHP-Decker, LLC for the Decker Court Project; and
- 4) Authorize the City Manager to execute, and the City Clerk to attest, any and all documents necessary to effectuate the staff recommendation.

ADVISORY BODY RECOMMENDATION:

At its regular meeting of October 8, 2019, the Northwest Commission considered the

subject matter and unanimously recommended City Council approval of the staff recommendation.

BACKGROUND:

The Decker Court and Gill Court projects located at 1661 and 1669 N. Fair Oaks Avenue, respectively, consist of a total of 16 affordable homeownership units for low income families, and are being developed with City loan assistance funded primarily with federal HOME monies from the U. S. Department of Housing and Urban Development ("HUD"), which were approved in December 2017. Both projects are developed by nonprofit Heritage Housing Partners ("Developer"). The projects have been under construction since March 2019. The Decker Court project (nine units) includes the renovation of the Decker House structure which was moved onto the project site on May 31, 2019 from its original location at the City-owned Heritage Square South development site.

The Decker and Gill projects were originally designed as a single development. However, HUD required the bifurcation of the single development into two separate projects resulting in the City having to perform separate project environmental reviews, and the Developer re-designing the development as separate projects. This substantially lengthened the predevelopment and entitlement schedule and caused the Decker House to remain on temporary blocks at the Heritage Square South site for much longer than anticipated by the City and Developer -- four years instead of two years. During this period of extended exposure to the elements and vandalism, the Decker House suffered more deterioration than was expected and budgeted. Consequently, in April 2019, the Developer submitted to the Housing Department a funding request in the amount of \$50,000 to offset the additional cost of repair and rehabilitation needed for the Decker House.

The Developer's request and staff recommendation were reviewed by the Internal Housing Loan Committee at its meeting of September 19, 2019. The Committee supported the staff recommendation.

The Decker Court and Gil Court projects are scheduled for completion by the end of the first quarter of calendar year 2020.

KEY BUSINESS TERMS OF THE AFFORDABLE HOUSING LOAN AGREEMENT:

On December 11, 2017, City Council approved the terms of a Restated Development and Loan Agreement No. 31111 with the Developer for the Decker Court project (the "Agreement"). The subject recommendation proposes to amend the Agreement with the following key business points:

- a) The original principal amount of the City loan, \$2,864,273, shall be increased by the amount of \$50,000. The modified City loan amount shall be \$2,914,273.

- b) The additional City loan funds shall be used by Developer to address additional rehabilitation work items required for the renovation of the Decker House which items include thermal and moisture protection, carpentry, and finishes.
- c) All other terms of the Agreement remain non-modified.

COUNCIL POLICY CONSIDERATION:

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

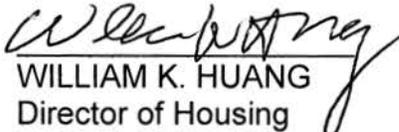
ENVIRONMENTAL ANALYSIS:

A finding of exemption under the "In-Fill Development Projects" Categorical Exemption in Section 15332 of the California Environmental Quality Act ("CEQA") Guidelines was made by the City Council on December 11, 2017 in connection with the Council's approval of a development and loan agreement with developer HHP-Decker, LLC ("Developer") for the Decker Court project at 1661 N. Fair Oaks Avenue (the "Project"). The Project includes the renovation of the Decker House structure.

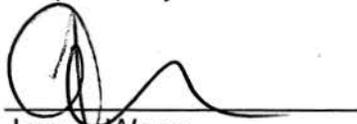
FISCAL IMPACT:

Approval of the subject recommendation will increase the Department's FY 2020 Operating Budget by an amount not to exceed \$50,000 by transferring \$50,000 from the Inclusionary Housing Trust Fund unappropriated fund balance to the Decker Court Project (Account No. 22116002-816700-52067).

Respectfully submitted,


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Director of Housing

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Concurred by:


MATTHEW E. HAWKESWORTH
Director
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Approved by:


STEVE MERMELL
City Manager