

Agenda Report

August 11, 2014

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: HOUSING AND CAREER SERVICES DEPARTMENT

SUBJECT: APPROVAL OF KEY BUSINESS TERMS OF AGREEMENT WITH HERITAGE HOUSING PARTNERS FOR ACQUISITION OF VACANT PROPERTY AND DEVELOPMENT OF AN AFFORDABLE HOMEOWNERSHIP PROJECT AT 1661 N. FAIR OAKS AVENUE

RECOMMENDATION:

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

- 1) Find that the proposed key business terms, as described in this agenda report, of the funding agreement with Heritage Housing Partners for the acquisition and development of an eight-unit affordable homeownership project located at 1661 N. Fair Oaks Avenue are consistent with the In-Fill Development Projects exemption under Section 15332 of the California Environmental Quality Act; and
- 2) Approve key business terms of the proposed agreement with Heritage Housing Partners, as set forth in this agenda report.

BACKGROUND:

The City has approximately \$2 million in federal HOME funds available in this current fiscal year to assist affordable housing projects. The commitment and expenditure of these funds, and the completion of funded projects, are strictly regulated by statutory timeframes. The funds are subject to recapture by the U. S. Department of Housing and Urban Development (HUD) if commitment, expenditure, and completion deadlines are not met.

Nonprofit developer Heritage Housing Partners ("HHP") initiated discussions with the City's Housing and Career Services Department in May 2014 and requested funding assistance to develop an infill affordable homeownership project. The proposed project would be located at 1661 N. Fair Oaks Avenue (see Aerial Site Map, Attachment "A"), a

vacant lot of 18,494 square feet (0.42 acres). The current zoning of the property is FGSP-RM16 under which a residential project of up to eight (8) units is allowable with a 20% density bonus incentive. HHP has site control of this property.

ADVISORY BODY RECOMMENDATION:

At its regular meeting on July 10, 2014, the Northwest Commission voted to recommend to the City Council approval of the staff recommendation.

KEY BUSINESS TERMS OF AGREEMENT:

Key business terms of the proposed agreement between the City and Heritage Housing Partners ("HHP") consist of the following:

- The project site to be acquired by HHP is vacant land located at 1661 N. Fair Oaks Avenue (the "Project Site") on which HHP will develop a homeownership housing project not to exceed eight (8) units (the "Project") in accordance with a Scope of Development and a Schedule of Performance.
- The City shall provide a loan to HHP in an amount not to exceed \$1,100,000 drawn from federal HOME program funds to assist HHP's acquisition and development activities related to the Project (the "City Loan").
- The City Loan shall bear interest at a fixed, simple interest rate of three percent (3.00%) for a term of 18 months. Recorded deed restrictions in favor of the City, and in compliance with HOME regulations shall also be required for the term of the City Loan.
- Payments shall be deferred during the 18-month term of the City Loan. If HHP successfully completes the project in accordance with the terms of the Agreement, the accrued interest shall be forgiven and the City Loan shall be recast as homebuyer assistance loans under the City's Homeownership Opportunities Program ("HOP") for qualified low income buyers in the Project.
- Each HOP loan shall be secured by a second trust deed and bear simple interest at the rate of 3.00% over a term of 45 years. Recorded deed restrictions with a term of 45 years in favor of the City, and in compliance with HOME regulations, shall also be required.
- The Project units shall be sold at affordable sales prices that are affordable to low income households, under terms that are consistent with federal HOME program regulations and the City's Homeownership Opportunities Program.
- HHP shall comply with all applicable federal HOME regulations.

- HHP shall comply with all applicable City ordinances and policies including insurance and indemnification requirements, First Source Local Hiring, and Local Preference and Priority in the marketing of the Project and selection of homebuyers.

ENVIRONMENTAL ANALYSIS:

The "In-Fill Development Projects" Categorical Exemption under California Environmental Quality Act ("CEQA") Guidelines Section 15332 pertains to projects characterized as in-fill development which meet the following conditions: (a) The project is consistent with the applicable general plan designation and all applicable general plan policies as well as with applicable zoning designation and regulations; (b) The proposed development occurs within city limits on a project site of no more than five acres substantially surrounded by urban uses; (c) The project site has no value, as habitat for endangered, rare or threatened species; (d) Approval of the project would not result in any significant effects relating to traffic, noise, air quality, or water quality; and (e) The site can be adequately served by all required utilities and public services.

It has been determined that the infill housing project to be developed pursuant to the proposed agreement between the City and HHP is consistent with the Categorical Exemption under CEQA Guidelines Section 15332 and is thereby exempt from CEQA and no further CEQA review is required.

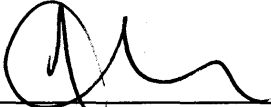
COUNCIL POLICY CONSIDERATION:

The proposed action supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Objectives.

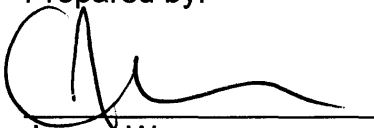
FISCAL IMPACT:

There is no fiscal impact as a result of this action. However, if the proposed terms are approved by the City Council, a recommendation to amend the FY 2015 operating budget of the Housing and Career Services Department by appropriating federal HOME funds in the amount of \$1,100,000 for the Project will be included in the next operating budget "clean-up" report which will be brought to the City Council, through the Finance Committee in September.


Respectfully submitted,


for WILLIAM K. HUANG, Director
Housing and Career Services

Prepared by:


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Approved by:


MICHAEL J. BECK
City Manager

Attachment(s):
Attachment "A" – Aerial Site Map