

Agenda Report

October 27, 2014

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Housing and Career Services Department

SUBJECT: APPROPRIATION OF \$1,100,000 IN FEDERAL HOME INVESTMENT PARTNERSHIP ACT FUNDS IN FY 2015 OPERATING BUDGET OF HOUSING AND CAREER SERVICES DEPARTMENT FOR DEVELOPMENT OF AFFORDABLE HOMEOWNERSHIP PROJECT AT 1661 N. FAIR OAKS AVENUE

RECOMMENDATION:

It is recommended that the City Council appropriate \$1,100,000 in federal Home Investment Partnership Act funds to Account No. 8167-221-684111-66-52060 for the 1661 N. Fair Oaks Project and authorize staff to make necessary adjustments to the Fiscal Year 2015 operating budget of the Housing and Career Services Department.

BACKGROUND:

At its regular meeting of August 11, 2014 the City Council approved certain key business terms of an agreement with nonprofit housing developer Heritage Housing Partners ("HHP") for the development of an 8-unit affordable homeownership project at 1661 N. Fair Oaks Avenue (the "Project"). The location of the Project site is shown in the aerial map in Attachment "A". As approved, City loan assistance totaling \$1,100,000 in federal Home Investment Partnership Act ("HOME") funds would be provided to assist the development of the Project. In connection with the action taken on this Project, City Council was informed that time constraints prevented staff from bringing a recommendation to the Finance Committee prior to the August 11th action to appropriate the HOME funds for the Project, and that staff would return at a later date with the funding recommendation.

The Project will be developed as affordable homeownership housing for low income families. The total Project cost is approximately \$4.40 million. The funding sources and uses for the Project are summarized in the following table:

PROJECT PHASE	City Loan	Conventional Construction Loan	HHP Equity	Sales Proceeds	TOTAL
Acquisition	\$750,000	\$0	\$0	\$0	\$750,000
Development	\$350,000	\$2,825,600	\$25,000	\$0	\$3,200,600
Unit Sales	\$0	\$0	\$0	\$453,900	\$453,900
TOTAL	\$1,100,000	\$2,825,600	\$25,000	\$453,900	\$4,404,500

The City loan to HHP (“City Loan”) would be structured in accordance with the following approved terms:

- The City Loan shall bear interest at a fixed, simple interest rate of 3.00% for a term of 18 months. Recorded deed restrictions in favor of the City, and in compliance with HOME regulations shall run with 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 3.00% simple interest 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.

HHP acquisition of the Project site is anticipated to occur in mid-November, 2014.

ENVIRONMENTAL ANALYSIS:

The August 11th action taken by City Council included a finding that the Project transaction is consistent with the In-Fill Development Projects exemption under California Environmental Quality Act (“CEQA”) Guidelines Section 15332 which 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.

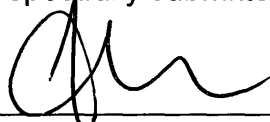
COUNCIL POLICY CONSIDERATION:

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:

The cost of this action will be \$1,100,000. Funding for this action will be addressed by a reduction in the amount of \$1,100,000 in the HOME Fund (221) balance, which has a current balance in the amount of \$2,954,589. There will be no fiscal impact to other operational programs or capital projects as a result of this action.

Respectfully submitted,



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Housing and Career Services

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Approved by:



MICHAEL J. BECK
City Manager

Attachment(s):

Attachment "A" – Aerial Site Map