TO: Mayor and City Council  
Chairperson and Members of the Stockton Redevelopment Agency

FROM: David Harzoff, Director  
Housing and Redevelopment Department

J. Gordon Palmer, Jr., Executive Director  
Stockton Redevelopment Agency

SUBJECT: ZETTIE MILLER'S HAVEN APARTMENTS

RECOMMENDATIONS

City Council Action

It is recommended the City Council adopt a resolution:

1. Approving the allocation of 81 low-income rental housing units for Zettie Miller's Haven apartments pursuant to Article XXXIV of the California Constitution.

2. Authorizing the City Manager to execute all documents and take whatever actions are appropriate to carry out the purpose and intent of the resolution.

Redevelopment Agency Action

It is recommended the Redevelopment Agency adopt a resolution:

1. Approving a $1,900,000 Redevelopment Low and Moderate Income Housing Set-Aside loan to Community Housing Development Group LLC for the purpose of acquiring 2.15 acres of land located in the North Stockton Redevelopment Area at 1545 Rosemarie Lane, and to pay for predevelopment activities for the development of an 82-unit housing project for persons with special needs.

2. Authorizing the Executive Director to execute all documents and take whatever actions are appropriate to carry out the purpose and intent of the resolution.

AGENDA ITEM 6.02
SUMMARY

Community Housing Development Group LLC is requesting a $1,900,000 loan for property acquisition and predevelopment costs associated with the construction of an 82-unit, special-needs, affordable housing project located at 1545 Rosemarie Lane in the North Stockton Redevelopment Area. In addition to providing needed housing for disabled adults, it will also contribute to housing goals identified in the City’s Housing Element and Consolidated Plan, and will satisfy the Redevelopment Agency’s replacement housing obligations. Further, due to public financing, the project must be approved pursuant to Article XXXIV of the California Constitution.

DISCUSSION

Background

Community Housing Development Group LLC (Community Housing) is a limited partnership with Service First of Northern California as the managing general partner. Service First is an experienced provider of services to persons with disabilities throughout San Joaquin County, and has successfully developed rental housing for disabled adults that can live independently. Their previous project, the 40-unit Winslow Village apartments in northeast Stockton was completed in 2006.

Community Housing is proposing to construct an 82-unit affordable rental-housing complex, at 1545 Rosemarie Lane, located in the North Stockton Redevelopment Project Area. The conceptual plan and vicinity map are attached as Exhibits “A” and “B” respectfully. The site is vacant land, surrounded on three sides by a mix of uses, and is currently zoned RH, Residential High Density. A tentative map request to subdivide the parcel and a density bonus application are currently being reviewed by staff. These requests are expected to go before the Planning Commission for consideration in March 2009.

The proposed project, named Zettie Miller’s Haven, is designed to create a community atmosphere for clients with special needs, such as the developmentally disabled and those with long-term illnesses, including onsite management to coordinate supportive services that accommodate those needs. Features include a community room that will contain a learning center to teach independent living skills, open space, and a laundry facility. Tenants will also have access to Service First’s other facilities that have additional specialized supportive services. The project will contain an onsite manager’s unit, plus 81 rental units, affordable to disabled adults earning between 25 and 50 percent of area median income.
Development costs have been tentatively estimated to be approximately $18.4 million, including land acquisition. The financing plan contemplates a variety of sources of funding:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stockton Redevelopment Agency Loan</td>
<td>$1,900,000</td>
</tr>
<tr>
<td>4% Low Income Housing Tax Credits</td>
<td>6,736,081</td>
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<tr>
<td>Tax Exempt Bond</td>
<td>1,053,991</td>
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<tr>
<td>State Multi-Family Housing Program Loan</td>
<td>6,934,852</td>
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<tr>
<td>State Mental Health Services Act Loan</td>
<td>747,716</td>
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<tr>
<td>Partnership Equity</td>
<td>1,023,015</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>18,395,655</strong></td>
</tr>
</tbody>
</table>

Community Housing has provided a full development and operating pro-forma, which has been reviewed by staff and has undergone a peer review by an independent financial consultant, who determined the project costs, operating expenses and financing plan to be reasonable.

**Present Situation**

Community Housing is requesting a $1,900,000 loan from the Agency for acquisition and predevelopment costs. Although the project will likely not start construction until late 2009 or early 2010, obtaining the Agency's funding commitment now is crucial to Community Housing successfully receiving funding from other sources.

Most important is the immediate need to submit applications to the State for Multi-Family Housing Program and Mental Health Services Act funds, which are part of dwindling voter-approved bond proceeds. In order to receive sufficient points for their applications and to be awarded funding, Community Housing must provide evidence of the $1.9 million funding commitment from the Agency. Additionally, Community Housing will apply later this year to the State's Tax Credit Allocation Committee for an allocation of 4% Low Income Housing Tax Credits and Tax Exempt Bonds, which also rely heavily on prior local government commitments.

Staff recommends that the Agency loan be contingent upon Community Housing's successful award of all other outside sources of funding, as well as the previously-mentioned land-use approvals that are pending the Planning Commission's review, as well as other permits required to construct the project. It is further recommended that the Agency's loan commitment to the project expire on December 31, 2010, should Community Housing be unable to obtain all other funding commitments.

The pro-forma currently demonstrates the project's ability to support an Agency loan with a term of 55 years at three percent interest. Repayment would be deferred until
other senior debt is repaid. It should be noted that due to fluctuations in the equity and credit markets, the amount of Low Income Housing Tax Credit and Tax Exempt Bond proceeds available to the project won't be determined until they are awarded later this year. At that point, the required 55-year analysis to demonstrate the project’s ability to repay debt as required by IRS Code, would also be conducted, and adjustments to the final financing plan may be required to reflect a different mix of debt versus equity.

Compliance with Article XXXIV, California Constitution

Article XXXIV of the California Constitution requires a local election, by voters, to approve affordable housing projects when the majority of the units are assisted with public funds and rent restricted. In the election of March 7, 2000, local voters gave the City Council authority to approve low-income housing projects and allocate up to 500 units per year for a 10-year period. The Council is being asked to allocate 81 units of that authority to this project. The manager’s unit will not be rent restricted.

Environmental Clearance

On February 5, 2009, staff determined that the project is categorically exempt from the provisions of California Environmental Quality Act under Article 19, section 15332. The project is not subject to National Environmental Policy Act review.

FINANCIAL SUMMARY

No General Fund dollars will be used for this project. The $1,900,000 requested will be funded with Redevelopment Low and Moderate Income Housing Set-Aside funds, which originate from redevelopment tax increment proceeds, and can only be used to fund affordable housing projects. Sufficient funds are available in the Low and Moderate Income Housing Fund 339. Agency Housing loans are typically transferred and set up in the Special Purpose Loans 021 Fund for tracking. Therefore, the following actions must be completed in order to set up this loan:

- Transfer $1,900,000 from account number 339-0000-992 Redevelopment Low and Moderate Income Housing Set-Aside to account number 021-7380-492 Agency Low/Mod Income Housing Fund Special Purpose Loans.

- Appropriate budget in the amount of $1,900,000 to account number 021-7380-640.
The loan proceeds will be expended from Account No. 021-7380-640 Agency Low/Mod Income Housing Fund Special Purpose Loans.

Respectfully submitted,

[Signature]

DAVID HARZOFF, DIRECTOR
HOUSING AND REDEVELOPMENT DEPARTMENT

DH:RB:JM:myb
Attachments
::ODMA_GRPWISE/COS.HRD.HRD_Library/94981.1

APPROVED BY:

[Signature]

J. GORDON PALMER, JR.
CITY MANAGER
EXHIBIT “A”

Zettie Miller’s Haven
Rosemarie Lane – North Stockton Redevelopment Project Area

Conceptual Plan
EXHIBIT "B"

Zettie Miller's Haven
Rosemarie Lane – North Stockton Redevelopment Project Area

Vicinity Map
RESOLUTION APPROVING THE ALLOCATION OF EIGHTY-ONE LOW-INCOME RENTAL HOUSING UNITS FOR ZETTIE MILLER'S HAVEN APARTMENTS PURSUANT TO ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION

Article XXXIV of the California Constitution requires a local election by voters to approve affordable housing projects when the majority of the units are assisted with public funds and rent restricted; and

In the election of March 7, 2000, local voters gave the City Council of the City of Stockton authority to approve low-income housing projects and allocate up to 500 units per year for a ten-year period; and

Community Housing Development Group, LLC, has requested funding from the Redevelopment Agency of the City of Stockton to purchase 2.15 acres of land located in the North Stockton Redevelopment Project area at 1545 Rosemarie Lane and to pay for predevelopment activities for the development of an 82-unit affordable, special needs housing project. The manager's unit will not be rent restricted; now therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The City Council hereby approves, pursuant to Article XXXIV of the California Constitution, the designation of eighty-one (81) low-income rental units for special needs housing.

2. The City Manager is authorized to take such other actions as are appropriate to carry out the purpose and intent of this Resolution.

PASSED, APPROVED, and ADOPTED ________________________.

ANN JOHNSTON
Mayor of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

City Atty:
Review
Date February 12, 2009
Resolution No. __________

STOCKTON REDEVELOPMENT AGENCY

RESOLUTION APPROVING A $1,900,000 LOAN TO COMMUNITY HOUSING DEVELOPMENT GROUP, LLC, FOR 2.15 ACRES OF LAND LOCATED AT 1545 ROSEMARIE LANE AND MAKING FINDINGS AND APPROVALS PURSUANT TO THE CALIFORNIA REDEVELOPMENT LAW

The City Council of the City of Stockton (the "Council") adopted the Amended and Restated Redevelopment Plan for the North Stockton Project Area (the "Project Area") by Ordinance No. 012-04 on July 13, 2004, as amended (the "Redevelopment Plan"); and

The Redevelopment Agency of the City of Stockton (the "Agency") is vested with the responsibility pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) (the "Law") to implement the Redevelopment Plan in the Project Area; and

The Agency, in causing redevelopment of the Project Area, seeks to make housing available at affordable housing cost to very low, low and moderate income households; and

The Agency has established the Low and Moderate Income Housing Fund for the Project Area (the "Housing Fund") pursuant to California Health and Safety Code section 33334.3; and

Community Housing Development Group, LLC, (the "Borrower") proposes to construct an 82-unit affordable rental housing complex at 1545 Rosemarie Lane (the "Site") designed to create a community atmosphere for clients with special needs, such as the developmentally disabled and those with long-term illnesses, including on-site management (the "Development"); and

The Borrower desires to borrow from the Agency $1,900,000 from the Redevelopment Low and Moderate Income Housing Set-aside Fund (the "Agency Loan") for acquisition and pre-development activities of the Development; and

Future lenders for the Development may require subordination of the Agency loan documents to their loan; and

The Development will benefit the Project Area and serve major goals and objectives of the Redevelopment Plan by increasing the amount of housing available at affordable housing cost in the community thereby decreasing the market pressure on the supply of affordable housing in the community and the Project Area and by alleviating blight in the Project Area; and

City Atty: _______________________
Review: _______________________
Date: _______________________
February 13, 2009
The Development will be consistent with the Implementation Plan adopted by the Agency pursuant to Health and Safety Code section 33490 (the "Implementation Plan"); and

The 82-unit, $18.4 million Development combines State Department of Housing and Community Development Multi-family Housing Program Funds, California Housing Finance Agency Mental Health Services Act funds, tax exempt bonds, and low income housing tax credits with the $1,900,000 Agency funds; and

The Borrower has requested the Agency loan Redevelopment Low and Moderate Income Housing Set-aside funds to support its Multi-family Housing Program, Mental Health Services Act, and tax credit applications and meet the project gap in funding to complete the Development; and

The California Environmental Quality Act, Public Resources Code sections 2100, et. seq. (collectively "CEQA"), imposes no conditions on the Agency's consideration and approval of this Loan, because the Development is exempt from CEQA pursuant to Section 15332 of the CEQA Guidelines; and

Forty-four (44) of the Development’s units will be applied towards meeting the City’s Price Case (Richard Price, et al. v. City of Stockton, et al. (2004) 390 F.3d 1105) settlement agreement requirement of producing housing units restricted to those with a household income of thirty percent (30%) or below Area Median Income; and

By the staff report accompanying this Resolution and incorporated into this Resolution by this reference (the "Staff Report"), the Agency has been provided with additional information upon which the findings and actions set forth in this Resolution are based; now, therefore,

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF STOCKTON, AS FOLLOWS:

1. Based on information and analysis set forth in the above recitals and contained in the Staff Report, the Agency hereby finds and determines that the above recitals are true and correct and have served as the basis, in part, for the findings and actions of the Agency set forth below.

2. The Agency finds that the Agency Loan is consistent with the Implementation Plan.

3. The Agency hereby approves the Agency Loan as conditioned below.

4. The Executive Director is hereby authorized to execute all agreements and other documents, including a regulatory agreement, and take such other actions as are appropriate to carry out the intent and purpose of this Resolution. All loan documents shall be approved as to form by the City Attorney with the following terms and conditions:
a. Conditions: The Borrower must first obtain the Multi-family Housing Program funding, Mental Health Services Act funding, and be awarded 4% tax credits through the Tax Credit Allocation Committee no later than December 31, 2010.

b. Terms: Redevelopment Agency Low and Moderate Income Housing Set-aside funds will be loaned in the amount of $1,900,000 at a 55-year repayment term with an interest rate of three percent (3%); if requested, the City’s loan will be in a junior position to the Multi-family Housing Program, Mental Health Services Act, and Tax Credit Allocation Committee funding; such other terms as are generally accepted by the Agency for the loan of Agency funds.

PASSED, APPROVED, and ADOPTED ____________________.

ANN JOHNSTON. Chairperson
of the Redevelopment Agency of the City
of Stockton

ATTEST:

KATHERINE GONG MEISSNER
Secretary of the Redevelopment Agency