June 28, 2005

TO: Mayor and City Council

FROM: Steve Pinkerton, Director
Housing and Redevelopment Department

SUBJECT: RESOLUTIONS: 1) APPROVE A $2,090,388 HOME INVESTMENT PARTNERSHIPS LOAN TO ASOCIACION CAMPESINA LAZARO CARDENAS, INC. (ACLC) FOR THE 70-UNIT MONTECITO TOWNHOMES APARTMENT PROJECT TO BE LOCATED AT THE SOUTHWEST CORNER OF SHIMIZU DRIVE AND KINGSLEY AVENUE; AND 2) APPROVE AN ALLOCATION OF 70 LOW-INCOME HOUSING UNITS FOR MONTECITO TOWNHOMES PURSUANT TO ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION

RECOMMENDATION

It is recommended that the City Council adopt a resolution 1) approving a $2,090,388 Community Housing Development Organization (CHDO) HOME Investment Partnerships (HOME) 55-year loan (3% simple interest, repaid with residual receipts split 50/50 between City and Developer) to Asociacion Campesina Lazaro Cardenas, Inc. (ACLC), for the 70-unit Montecito Townhomes Apartment Project to be located at the southwest corner of Shimizu Drive and Kingsley Avenue; 2) approving the allocation of 70 low-income housing units for Montecito Townhomes pursuant to Article XXXIV of the California Constitution; and 3) authorizing the City Manager to execute all related documents.

SUMMARY

This action will authorize the use of $2,090,388 Community Housing Development Organization (CHDO) HOME funds for gap financing of a 70-unit, very-low- and low-income rental housing project in the City-designated SAFE Area of the Midtown Redevelopment Area. The 55-year loan will be at 3% simple interest repaid by the 50/50 split of residual receipts. The use of the funding will be dependent upon the developer’s successful acquisition of tax credit funding for the project. Because the addition of low-income units to the City’s housing stock requires certain considerations, such stipulations are also a part of the actions to be taken.

DISCUSSION

ACLC, a local non-profit housing organization, previously applied to the City and was approved for a $577,000 combined CDBG/HOME loan to purchase vacant land (see attached vicinity map) and to perform CHDO predevelopment activities. On December 15, 2004, ACLC successfully acquired the land and began the predevelopment actions. The development team includes North Star Engineering Group, Inc. (engineers), San Joaquin Design Group (architects), Gubb and Barshay (attorneys), ConAm
RESOLUTIONS: 1) APPROVE A $2,090,388 HOME INVESTMENT PARTNERSHIPS LOAN TO ASOCIACION CAMPESINA LAZARO CARDENAS, INC. (ACLC) FOR THE 70-UNIT MONTECITO TOWNHOMES APARTMENT PROJECT TO BE LOCATED AT THE SOUTHWEST CORNER OF SHIMIZU DRIVE AND KINGSLEY AVENUE; AND 2) APPROVE AN ALLOCATION OF 70 LOW-INCOME HOUSING UNITS FOR MONTECITO TOWNHOMES PURSUANT TO ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION

Management Company (property managers), California Housing Partnership Corporation (consultants), and Laurin & Associates, Inc. (market analysts).

As a means of keeping the neighborhood up to date on the development of the units, ACLC notified residents by mail and held an open community meeting at an adjacent site to explain the project and to respond to citizens' questions. ACLC plans additional meetings once the financing for the project is in place.

The Montecito Townhomes apartment design includes 70 units consisting of 35 two-bedroom units, 21 three-bedroom units and 13 four-bedroom units, along with a two-bedroom manager's unit. The complex is designed to create a community atmosphere for low-income households, including large families. The complex includes a children's play area, a basket ball court, and a full-feature community center, which includes a daycare intended for a "Head Start" Program (see attached site plan). The rents will be restricted for 55 years to low-income tenants earning between 30-60 percent of the area's median income as determined by the U.S. Department of Housing and Urban Development (HUD).

ACLC prepared a construction and operating pro forma for the Montecito Townhomes Apartment Project. The calculations include the additional costs related to state prevailing wages along with predictable increases in development fees. Basically, the 70-unit, $19.3 million proposal combines 9% federal tax credit equity ($14,267,789), bank financing by California Community Reinvestment Corporation ($1,801,000), Affordable Housing Program ($350,000) and developer/partner's note ($200,000) with the City of Stockton's $2,667,388 ($2,090,388 new HOME CHDO funds, plus the $577,000 previously funded). By providing the $2,667,388 gap financing, the City will leverage its funds at a ratio of 7 to 1 and provide 70 units of low-income housing that count towards the City and Redevelopment Agency's housing goals.

Currently, ACLC intends to apply to the California Tax Credit Allocation Committee (TCAC) in July. Traditionally, TCAC views local funding as an integral part of a successful application. In the self-evaluation, ACLC anticipates scoring the maximum points. From time to time additional application opportunities allow project sponsors the opportunity to revise and improve their proposals when they are not approved in a previous round. It should be noted that the TCAC has limited funding to spread over an increasing number of very well qualified proposals and some approvals must be delayed until additional TCAC funding is available. For these reasons, staff recommends that the duration of the City's commitment be in effect beginning with the
RESOLUTIONS: 1) APPROVE A $2,090,388 HOME INVESTMENT PARTNERSHIPS LOAN TO ASOCIACION CAMPESINA LAZARO CARDENAS, INC. (ACL) FOR THE 70-UNIT MONTECITO TOWNHOMES APARTMENT PROJECT TO BE LOCATED AT THE SOUTHWEST CORNER OF SHIMIZU DRIVE AND KINGSLEY AVENUE; AND 2) APPROVE AN ALLOCATION OF 70 LOW-INCOME HOUSING UNITS FOR MONTECITO TOWNHOMES PURSUANT TO ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION

date of the Resolution and expiring on October 15, 2006, to facilitate the developer's reapplication, if needed.

Compliance with Article XXXIV, California Constitution

It is important to note that Article XXXIV of the California Constitution requires a local election, by voter, to approve affordable housing projects when the majority of the units are assisted 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 ten-year period. The developer will be required to submit a Management Plan/Agreement for the affordable apartment complex to the City for review and approval. Staff recommends Council approve the 70 low-income units planned for Montecito Townhomes, as required by Article XXXIV of the California Constitution.

Environmental Clearance and General Plan Conformity


With regard to the environmental clearance under the requirements of the California Environmental Quality Act (CEQA), the Initial Study (IS 5-05) results in a Mitigated Negative Declaration and is scheduled for review by the Planning Commission on June 23, 2005.

In accordance with Section 65402 of the Government Code, it has been determined that this project is in conformity with the City's General Plan 2003 Housing Element adopted September 14, 2004.

Present Situation

In order to support their tax credit application and to furnish gap financing, ACLC is requesting the City's additional financial commitment of $2,090,388 HOME funds for a 55-year, 3% simple interest loan, with annual repayment based on the residual receipts split 50/50 with the developer. Upon receipt of the tax credit approval, this loan will be in junior position to the tax credit funding and the bank (or California Community Reinvestment Corporation) financing. Further, the commitment should stipulate that the HOME construction loan agreement be conditioned upon the developer obtaining the
RESOLUTIONS: 1) APPROVE A $2,090,388 HOME INVESTMENT PARTNERSHIPS LOAN TO ASOCIACION CAMPESINA LAZARO CARDENAS, INC. (ACLC) FOR THE 70-UNIT MONTECITO TOWNHOMES APARTMENT PROJECT TO BE LOCATED AT THE SOUTHWEST CORNER OF SHIMIZU DRIVE AND KINGSLEY AVENUE; AND 2) APPROVE AN ALLOCATION OF 70 LOW-INCOME HOUSING UNITS FOR MONTECITO TOWNHOMES PURSUANT TO ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION

9% tax credit award and bank financing no later than October 15, 2006. In the event the developer does not obtain all the financing by that date, the $2,090,388 will remain in the budget and be available for a different housing proposal/project.

FINANCIAL SUMMARY

This project is consistent with the FY 2004-05 Annual Action Plan submitted to HUD and adequate HOME funds are available in the HOME Program Loan Account No. 059-8530-992.90-58 to be transferred to the HOME Program CHDO Set-Aside Loan Account No. 059-8531-992.90-58 upon verification of the developer's receipt of tax credit funding.

Respectfully submitted,

STEVEN J. PINKERTON, DIRECTOR
HOUSING AND REDEVELOPMENT DEPARTMENT

SJP:SE:jb

Attachments

APPROVED BY THE CITY MANAGER:

MARK LEWIS, CITY MANAGER

::ODMA\GRPWISE\COS.HRD.HRD_Library:83123.1
MONTECITO TOWNHOMES
Developer: ACLC
Architect: San Joaquin Design Group
RESOLUTION 1) APPROVING A $2,170,130 HOME LOAN TO ASOCIACION CAMPESINA LAZARO CARDENAS, INC. (ACLC) FOR THE 70-UNIT MONTECITO TOWNHOMES MULTI-FAMILY UNITS TO BE LOCATED AT SHIMIZU DRIVE AND KINGSLEY AVENUE; AND 2) ALLOCATING AUTHORITY UNDER ARTICLE XXXIV OF THE CALIFORNIA CONSTITUTION FOR SEVENTY (70) LOW-INCOME HOUSING UNITS IN THE MONTECITO TOWNHOMES RENTAL UNITS IN MIDTOWN REDEVELOPMENT AREA; AND 3) AUTHORIZING CITY MANAGER TO EXECUTE ALL DOCUMENTS NECESSARY TO CARRY OUT THE PURPOSE AND INTENT OF THE RESOLUTION

WHEREAS, the City Council has focused attention and resources for the construction of low-income multi-family housing in the Mid-Town Redevelopment area, and

WHEREAS, ACLC has purchased the 3.98 acres of land at the southwest corner of Shimizu Drive and Kingsley Avenue in the Midtown Redevelopment Project area; and

WHEREAS, ACLC intends to construct 70 units of low-income housing that count towards the City and the Redevelopment Agency’s housing goals; and

WHEREAS, the proposed 70-unit project complies with the National Environmental Policy Act and the California Environmental Quality Act, and the City of Stockton General Plan Housing Element; and

WHEREAS, Article XXXIV of the California Constitution ("Article 34") requires a local election by voters to approve low-income housing project when financed in whole or in part by the Federal Government or a state public body or to which the Federal Government or a state public body extends assistance by supplying all or part of the labor, by guaranteeing the payment of liens, or otherwise; and

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

WHEREAS, ACLC obtained a Conditional Use Permit from the City for the Montecito Townhomes multi-family project, which will consist of 35 two-bedroom, 21 three-bedroom, and 13 four-bedroom units of low-income housing restricted to tenants earning between 30-60 percent of the area's median income, as determined by the U.S. Department of Housing and Urban Development, plus 1 two-bedroom manager's unit; and
WHEREAS, the developer of Montecito Townhomes is applying for 9 percent federal tax credits as an affordable housing project, ACLC must obtain Article 34 authority from the City for allocation of the seventy (70) low-income units for the Montecito Townhomes; now, therefore,

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

1. The City Council Hereby approves the $2,090,388 55-year loan, 3% simple interest, repaid through residual receipts with a 50/50 split, between the City and the Developer; and

2. The City Council hereby approves, pursuant to Article 34 of the California Constitution, the designation of seventy (70) low-income housing units to provide housing to low-income households, and

3. The Council hereby authorizes the City Manager to execute all related documents, approved as to form by the City Attorney.

PASSED, APPROVED and ADOPTED__________________________.

____________________________
EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:

____________________________
KATHERINE GONG MEISSNER
Clerk of the City of Stockton