

CITY COUNCIL
COMMUNITY DEVELOPMENT COMMISSION

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☐ **APPROVED** ☐ **DENIED**

Reso No. CDC _____ File No. _____

Ord No. CDC _____

Agenda Item No.: 18

Date: August 18, 2010

TO: Honorable Mayor/Chair
Members of the City Council/Community Development Commission

FROM: Jerry Van Leeuwen, Director of Community Services
Roni Keiser, Housing Division Manager

SUBJECT: Affordable Housing Redevelopment located at 1282 N. Broadway, 141, 211 and 221 El Norte Parkway

RECOMMENDATION:

Staff recommends approval of the following resolutions as follows:

1. Adopt Resolution No. CDC 2010-10 providing authorization to enter into an exclusive negotiating agreement (ENA) with Community HousingWorks (CHW) for redevelopment of four residential parcels located at Broadway and El Norte Parkway for affordable housing purposes; authorizing encumbrance of FY 2010-2011 affordable housing funds in an amount not to exceed \$500,000 for development costs; and authorizing the Chair and Secretary to execute the ENA and all necessary loan and supporting agreements in form acceptable to the City Attorney; and
2. Adopt Resolution 2010-136 providing the grant of the City-owned parcel at 1282 N. Broadway (purchased with Neighborhood Stabilization Program [NSP] funds) to CHW for subsequent redevelopment for affordable housing purposes in conjunction with the three adjacent parcels on El Norte Parkway in exchange for long-term affordability covenants, and authorizing the Mayor and City Clerk to execute the grant deed and supporting documents and agreements in form acceptable to the City Attorney.

FISCAL ANALYSIS:

There will be no impact on the General Fund. Affordable housing funds would be allocated from current FY 2010-2011 Housing Set-aside funds budgeted for contingencies.

BACKGROUND:

In December of 2009, the City closed escrow on 1282 N. Broadway, a vacant unimproved parcel on the SE corner of Broadway and El Norte Parkway. The property was purchased with Neighborhood Stabilization Program (NSP) funds.

On April, 28, 2010, the City Council/Community Development Commission through the RFP process made available \$45,343 of federal HOME funds for CHDO operational costs, \$396,300 for CHDO development costs, and disposition of two unimproved parcels of land located on Elm Street.

On June 9, 2010, in a public hearing, Council approved the allocation of HOME development funds (\$396,300) and disposition of the two Elm Street properties to Habitat for Humanity.

While CHW had also submitted a proposal in response to the RFP for the Elm Street parcels, Council chose instead to allocate the HOME operational funds (\$45,343) to CHW to allow CHW the ability to further study the feasibility of their alternate request for funding which was a proposal to construct a 27-unit multi-family affordable housing development on El Norte Parkway. CHW had secured site control on three contiguous parcels immediately adjacent to the City-owned property at 1282 N. Broadway (NSP-purchased). Council directed staff to pursue further discussions with CHW for the potential redevelopment of the four properties together for affordable housing purposes.

DISCUSSION OF CHW'S PROPOSED DEVELOPMENT FOR THE SITES:

Initial Development Proposal:

CHW's earlier proposal was for the development of 27 units on the three El Norte Parkway parcels and total project development costs were projected to reach \$8.4 million. With the City's contribution of the Broadway parcel, CHW now proposes an increase in the number of units to 30 with the development of the four parcels together. Total project development costs for the 30 units are not yet known. With the award of the CHDO operational funds for further analysis of the project, feasibility studies and analysis are now underway.

Current Proposal Status:

CHW's proposed development under consideration today is for a total of up to 30 units, using provisions of State Density Bonus Law and CHW's properties developed in conjunction with the City's NSP-purchased property. The proposed multi-family rental development would include an equal mix of 1-bedroom, 2-bedroom and 3-bedroom units. Once completed, the units will be rented to families and individuals with household incomes that are at or below sixty percent (60%) of Area Median Income (\$47,100). The development will be regulated by requirements set forth in the City's

loan documents restricting affordability per State and Federal regulations governing the funds allocated and applied to the property acquisition activities.

The proposed Broadway/El Norte development addresses many of the City of Escondido's Housing Priorities including that it;

- Redevelops the property to a higher and better use, redeveloping well-designed multi-family buildings to replace the current aged, single-family homes.
- Expands the supply of 3-bedroom units for families.
- Adds improved site planning and design while maximizing the permitted density.

Affordability Analysis:

The site is located at Broadway and El Norte Parkway moving southeast along El Norte. This location, with its close proximity to schools, public transportation, parks and recreation, medical facilities, various markets and retail outlets, will potentially score well on a competitive Tax Credit application. The site has been previously improved with single-family homes, although the corner lot has been vacant land for some time. The Project proposes to construct 30 units on the site. One-hundred percent (100%) of the units will be made available to households whose incomes are at or below 60% of AMI. The parcels carry a zoning land use designation of R-2-12 allowing for multi-family residential.

CHW will be encouraged to pursue additional sources of funding including those available from the 9% Tax Credit program, Permanent Supportive Housing Programs, as well as other sources as available. The City/CDC's contribution of land and funding will be leveraged to the fullest extent possible.

Once the terms of the ENA are satisfied, staff anticipates returning to the City/CDC for approval to provide additional affordable housing funds in the form of gap financing, estimated to be \$1.3 – \$3 million. Staff anticipates the availability of gap funding for this project from the FY 2011-12 and FY 2012-13 affordable housing budgets.

CONCLUSION AND RECOMMENDATION:

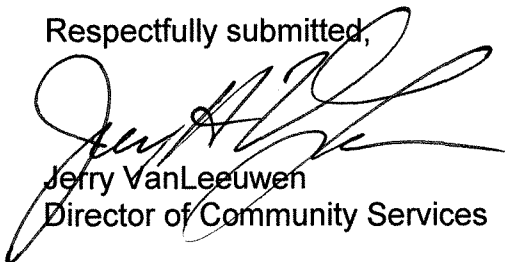
While total project costs are not yet known, time is of the essence in determining the direction for further commitment of the City's contribution to this recommended development. The Tax Credit regulations require the project to be permit-ready prior to the submittal of an application which could be due in the first application round in March of 2011. Further, federal NSP regulations require that units be constructed and beneficiaries be realized by June of 2013. By determining the City's direction and commitment to the development of this project today, staff and CHW will move ahead in negotiating the ENA and preparing the project for an application for Tax Credit financing in March of 2011.

In addition to the economic advantages, improvements to the area support a number of the City's General Plan and Housing Element goals.

Staff recommends approval of the following resolutions as follows:

1. Adopt Resolution No. CDC 2010-10 providing authorization to enter into an exclusive negotiating agreement with Community HousingWorks (CHW) for redevelopment of four residential parcels located at Broadway and El Norte Parkway for affordable housing purposes; authorizing encumbrance of FY 2010-2011 affordable housing funds in an amount not to exceed \$500,000 for development costs; and authorizing the Chair and Secretary to execute the ENA and all necessary loan and supporting agreements in form acceptable to the City Attorney; and
2. Adopt Resolution 2010-136 providing the grant of the City-owned parcel at 1282 N. Broadway (purchased with Neighborhood Stabilization Program [NSP] funds) to CHW for subsequent redevelopment for affordable housing purposes in conjunction with the three adjacent parcels on El Norte Parkway in exchange for long-term affordability covenants, and authorizing the Mayor and City Clerk to execute the grant deed and supporting documents and agreements in form acceptable to the City Attorney.

Respectfully submitted,



Jerry VanLeeuwen
Director of Community Services



Roni Keiser
Housing Division Manager

RESOLUTION NO. 2010-136

18a.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, APPROVING THE DISPOSITION OF A PARCEL OF VACANT LAND AT 1282 N. BROADWAY TO COMMUNITY HOUSINGWORKS FOR DEVELOPMENT/ REDEVELOPMENT OF AFFORDABLE HOUSING; AND AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE, ON BEHALF OF THE CITY, ALL NECESSARY GRANT DEEDS AND SUPPORTING DOCUMENTS

WHEREAS, on June 10, 2009, at a Public Hearing, Council authorized submittal of a Neighborhood Stabilization Program (NSP) grant application to the State of California for the amount of \$1,309,830 for certain activities including acquisition of real property for purposes of redevelopment; and

WHEREAS, on December 24, 2009, the City of Escondido acquired vacant land located at 1282 N. Broadway, Escondido (the "Property") using NSP funds for purposes of redevelopment; and

WHEREAS, on August 18, 2010, at a Public Hearing, the Community Development Commission of the City of Escondido entered into an Exclusive Negotiating Agreement with Community HousingWorks ("Developer"), and committed Affordable Housing Set-Aside Funds for the purposes of development/redevelopment of four contiguous residential parcels, including the Property; and

WHEREAS, the City desires at this time, and deems it to be in the best public interest to approve the grant of the Property to the Developer, and to authorize the execution of all agreements, loan documents and grant deeds necessary to convey said

Property, in form acceptable to the City Attorney, in exchange for affordability covenants and the development/redevelopment of the Property into affordable housing units.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the City Council approves the disposition of the vacant property located at 1282 N. Broadway in Escondido, to Community HousingWorks for the provision of affordable housing units.
3. That the Mayor and City Clerk are hereby authorized to execute, on behalf of the City, any grant deeds and supporting documents necessary to convey said Property to Community HousingWorks for the development of affordable housing, in form acceptable to the City Attorney.

RESOLUTION NO. CDC 2010-10

A RESOLUTION OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF ESCONDIDO, CALIFORNIA AUTHORIZING THE CHAIR AND SECRETARY TO ENTER INTO, ON BEHALF OF THE CDC, AN EXCLUSIVE NEGOTIATING AGREEMENT WITH COMMUNITY HOUSINGWORKS FOR REDEVELOPMENT OF PROPERTIES LOCATED AT 141, 211 AND 221 E. EL NORTE PARKWAY AND 1282 N. BROADWAY; AUTHORIZING ENCUMBRANCE OF AFFORDABLE HOUSING SET-ASIDE FUNDS NOT TO EXCEED \$500,000 FOR THE REDEVELOPMENT; AND AUTHORIZING THE CHAIR AND SECRETARY TO EXECUTE, ON BEHALF OF THE CDC, ALL NECESSARY LOAN AND SUPPORTING AGREEMENTS

WHEREAS, the Community Development Commission ("CDC") of the City of Escondido, California has a State mandate to provide affordable housing; and

WHEREAS, in a public hearing of June 9, 2010, the CDC directed staff to pursue further discussions with Community HousingWorks ("Developer") for the potential redevelopment of a City-owned parcel located at 1282 N. Broadway purchased with Neighborhood Stabilization Program ("NSP") funds, in conjunction with three contiguous parcels for which the Developer has acquired site control, addressed as 141, 211 and 221 E. El Norte Parkway (collectively, the "Properties"); and

WHEREAS, on August 18, 2010, the CDC approved entering into an Exclusive Negotiating Agreement with the Developer for the development/redevelopment of the Properties for affordable housing purposes; and

WHEREAS, on August 18, 2010, the CDC also approved the commitment of an

amount up to \$500,000 in present fiscal year Affordable Housing Set-Aside Funds for development/redevelopment of the Properties for affordable housing purposes; and

WHEREAS, the Exclusive Negotiating Agreement will be executed, and the Housing Set-Aside funds committed, for the purposes of site acquisition, predevelopment, project planning, relocation, demolition and other related activities necessary for the redevelopment of the Properties; and

WHEREAS, the term of the Exclusive Negotiating Agreement shall be for eighteen (18) months or a period of time reasonably sufficient to enable the CDC and the Developer to negotiate, finalize, approve and execute the necessary affordable housing agreement, satisfactory to both parties; and

WHEREAS, the Developer shall assume responsibility for acquiring the Properties, conducting all diligence, securing all financing, relocating any existing tenants, and developing the Properties.

NOW, THEREFORE, BE IT RESOLVED by the Community Development Commission of the City of Escondido, California, as follows:

1. That the above recitations are true.
2. That the amount designated for this project is appropriate.
3. That the Chair and Secretary are hereby authorized to execute an Exclusive Negotiating Agreement with Community HousingWorks and all necessary loan and supporting agreements for a loan not to exceed \$500,000 of present fiscal

year Affordable Housing Set-Aside Funds, on behalf of the CDC, in form acceptable to the City Attorney.