



City Council and Housing Authority Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR, CITY COUNCIL AND HOUSING AUTHORITY MEMBERS **DATE: FEBRUARY 12, 2019**

FROM: OFFICE OF HOMELESS SOLUTIONS **WARD: 7**

SUBJECT: NOTICED HEARING - DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE HOUSING AUTHORITY AND NORTHTOWN HOUSING DEVELOPMENT CORPORATION FOR THE SALE OF HOUSING AUTHORITY PROPERTY LOCATED AT 11502 ANACAPA PLACE FOR \$1 AND THE DEVELOPMENT OF TWO AFFORDABLE RENTAL HOUSING UNITS LOCATED AT 11502 ANACAPA PLACE; A HOME INVESTMENT PARTNERSHIP AGREEMENT BY AND BETWEEN THE CITY AND NORTHTOWN HOUSING DEVELOPMENT CORPORATION IN THE AMOUNT OF \$354,726 FOR THE DEVELOPMENT OF THE TWO RENTAL UNITS ON THE SITE

ISSUE:

Approval of a Disposition and Development Agreement by and between the Housing Authority and Northtown Housing Development Corporation for the sale of Housing Authority property located at 11502 Anacapa Place for \$1 and the development of two affordable rental housing units located at 11502 Anacapa Place; Approval of a HOME Investment Partnership Loan Agreement by and between the City and Northtown Housing Development Corporation in the amount of \$354,726 for the development of the two rental units on the site.

RECOMMENDATION:

That the Housing Authority Board:

1. Conduct a public hearing in accordance with the California and Health and Safety Code Section 34312.3 for the conveyance of 11502 Anacapa Place to Northtown Housing Development Corporation for \$1; and
2. Approve a Disposition and Development Agreement with Northtown Housing Development Corporation for the sale of Housing Authority property located at 11502 Anacapa Place for \$1 and the development of two affordable rental units located at 11502 Anacapa Place; and
3. Authorize the Executive Director, or his designee, to execute the Disposition and

Development Agreement with Northtown Housing Development Corporation, including making minor and non-substantive changes.

That the City Council:

1. Approve a HOME Investment Partnership Loan Agreement with Northtown Housing Development Corporation for a loan in the amount of \$354,726 for pre-development and construction costs for the development of two affordable rental units at 11502 Anacapa Place to be rented to families earning at-or-below 80% of the Area Median Income;
2. Authorize the City Manager, or his designee, to execute the HOME Investment Partnership Loan Agreement with Northtown Housing Development Corporation, including making minor and non-substantive changes.
3. Authorize the transfer of \$354,726 from the HOME Unprogrammed Account Number No. 2835200-450098 to the Anacapa Project Account No. 2835200-453045.

COMMITTEE RECOMMENDATION:

The Development Committee met on June 21, 2018 with Chair Gardner, Vice Chair Perry, and Member Melendrez present, to recommend to the City Council and Housing Authority Board approval of the Anacapa Development Proposal from Northtown Housing Development Corporation for the disposition of certain real property located at 11502 Anacapa Place, and a HOME Investment Partnership Act residual receipts loan in the amount of \$354,726 to finance the construction of a two-unit affordable housing project. After discussion, the Committee unanimously voted to recommend that the City Council and Housing Authority Board approve the aforementioned Committee recommendation.

BACKGROUND:

On July 27, 2009, the Housing Authority purchased the land at 11502 Anacapa Place for affordable housing purposes using Neighborhood Stabilization Program (NSP) funds as the property was being foreclosed upon by U.S. Bank. In accordance with Neighborhood Stabilization Program regulations, the property must be developed for affordable housing with 55-year affordability covenants.

DISCUSSION:

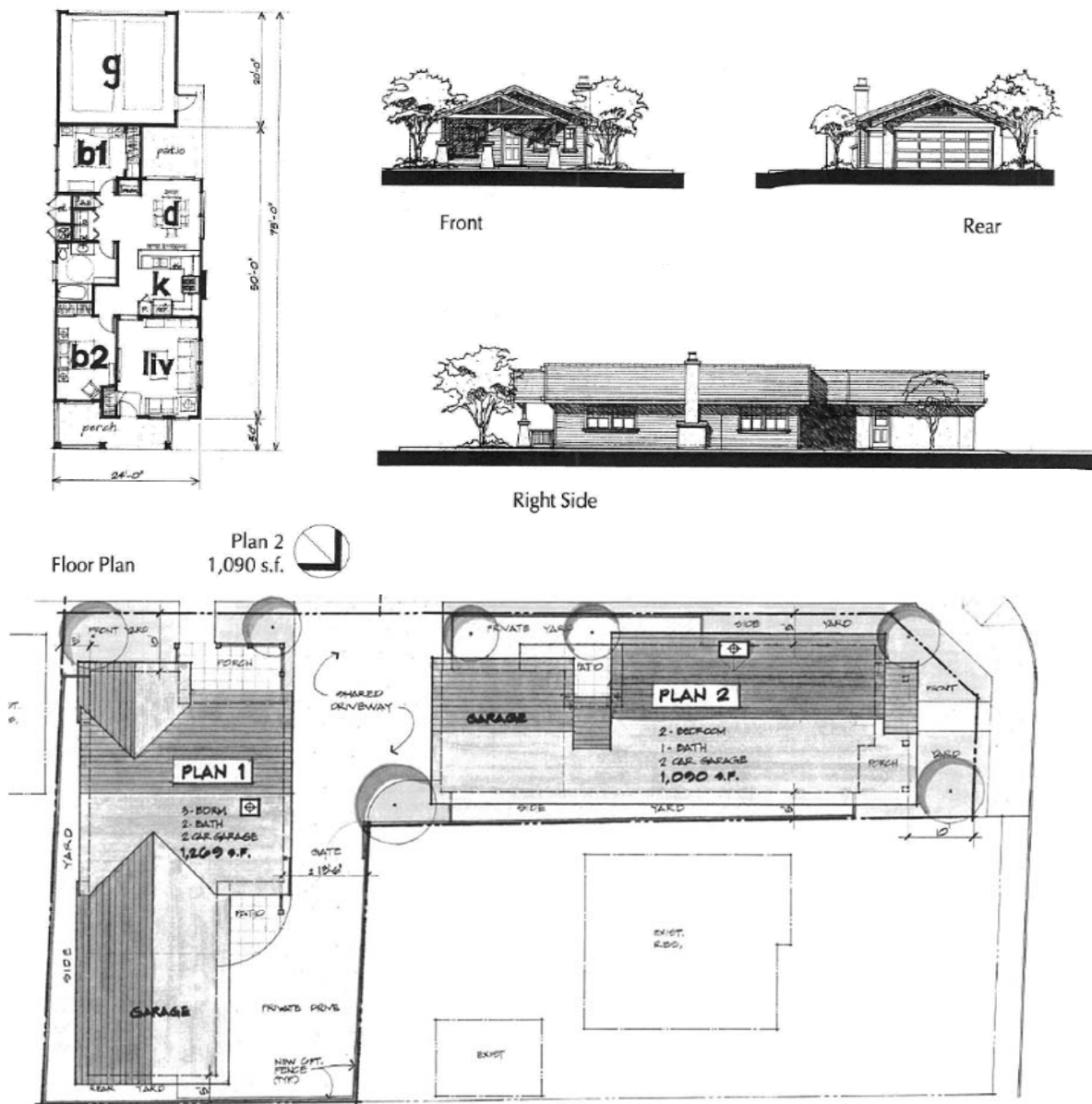
On March 8, 2017 the Housing Authority issued a Request for Proposals for the development of 11502 Anacapa Place. The Housing Authority received three responses. These proposals were reviewed and scored based on project concept, experience and qualification, financial strength, project readiness and development schedule, and affordability. The Housing Authority conducted subsequent interviews. The proposal identified as the most responsive was from Northtown Housing Development Corporation.

The development proposal includes:

1. Development of two units to be rented to persons earning at-or below 80% of area median income;
2. Craftsman style elevations; and
3. Two and Three bedroom floor plans.

The Project presented to the Development Committee in June 2018 was a single family housing project with for-sale units. Because of the difficulty in placing lower income buyers into units given rising interest rates and construction costs, the project is requested to be converted to a duplex rental project, serving low-income tenants and professionally managed by Northtown Housing Development Corporation.

Proposed site schematic and site elevations are presented below.



Proposed Financing

As proposed, Northtown Housing Development Corporation will purchase the site from the Housing Authority at a discounted value of \$1. The site is currently valued at approximately \$57,932. In addition, Northtown Housing Development Corporation is requesting \$354,726 of federal HOME Investment Partnerships Program funds for the development of the site. The estimated development cost is \$632,878.

Uses of Funds	
Land Acquisition and Closing Costs	\$12,001
Construction	\$488,377
Professional Fees/Soft Costs	\$76,500
Developer Fee	\$56,000
Total Development Cost	\$632,878

Sources of Funds	
Bank Loan	\$253,151
State Affordable Housing Program	\$25,000
City HOME Investment Partnerships Loan	\$354,726
Northtown Housing Development Corporation	\$1
Total Development Cost	\$632,878

Each unit will be rented to persons who earn at-or-below 80% of the area median income. Evidence of the Housing Authority's participation in the project will be via restrictive covenants with affordability restrictions for a period of 55 years for Housing Authority and Neighborhood Stabilization Program and 20 years for HOME financing.

FISCAL IMPACT:

The fiscal impact of this action is \$354,726 in federal HOME Investment Partnerships Program funds. Sufficient funding is available in the HOME Unprogrammed Funds Account 2835200 - 453001 to provide Northtown Housing Development Corporation with a development loan.

Prepared by:	Emilio Ramirez, Office of Homeless Solutions Director
Certified as to availability of funds:	Edward Enriquez, Chief Financial Officer /City Treasurer
Approved by:	Moises Lopez, Deputy City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Concurs with:

A handwritten signature in black ink, appearing to read 'Mike', is positioned above a horizontal line.

Mike Gardner, Chair
Development Committee

Attachment:

1. Disposition and Development Agreement
2. HOME Investment Partnerships Loan Agreement
3. Presentation
4. Notice