



Meeting Date: 3/22/11

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Kymberly Horner/Larry White Agenda Item No. **I-3**

Reviewed By: City Manager [Signature] City Attorney [Signature] Finance [Signature] Other (Specify) _____

DATE: March 15, 2011

TO: City Council
Community Development Commission
Oxnard Housing Authority Board of Commissioners

FROM: Curtis P. Cannon, Community Development Director [Signature]
Community Development Department

William Wilkins, Housing Director [Signature]
Housing Department

SUBJECT: Purchase and Transfer of 610 Cuesta Del Mar from the Oxnard Housing Authority to Las Cortes, Inc., and Approval of Amended and Restated Affordable Housing and Loan Agreement by and Between the City of Oxnard, Oxnard Community Development Commission and Las Cortes, Inc.

RECOMMENDATION

That the Housing Authority Board of Commissioners:

1. Adopt a resolution (Attachment #1) approving the purchase of Housing Authority property located at 610 Cuesta del Mar, Oxnard, California by Las Cortes, Inc. for the development of a seven unit affordable housing project.

That the City Council and Community Development Commission:

1. Approve and authorize the Mayor and Chairman to execute the Amended and Restated Affordable Housing Loan Agreement and associated documents with Las Cortes, Inc., in substantially the form presented as Attachment #2 with such non-substantive changes as may be approved by the City Attorney, and direct the Community Development Director (or designees) to prepare, revise and sign all documents necessary and appropriate to carry out the City's obligations, responsibilities and duties there under, with the City Attorney's concurrence.
2. Authorize the City Manager, the Executive Director, Community Development Director (or designees), with approval from the City Attorney or the General Counsel on behalf of the Commission, to prepare, revise and sign all documents necessary and appropriate to carry out and implement the Cuesta Del Mar Amended and Restated Affordable Housing Loan

Agreement, and to administer the City's obligations, responsibilities and duties pursuant to those documents.

3. Approve the appropriation of funds and expressly limit the City's obligation to the total amount of \$1,600,000 from the Low and Moderate Income Housing Fund ("LMIHF") for the development and construction of the Cuesta del Mar project consisting of seven (7) affordable housing units. The total sum includes \$350,000 previously approved by the Community Development Commission on July 21, 2009.
4. Find, pursuant to Section 33334.3(j) of the California Health and Safety Code that: (i) other means of private or commercial financing are not reasonably available to the Housing Authority; and (ii) based on substantial evidence, the use of LMIHF is necessary because the Housing Authority has made a good faith attempt but has been unable to obtain commercial or private means of financing the units at the same level of affordability and quantity.
5. Authorize the Chief Financial Officer to establish necessary accounts and budgets in accordance with these recommendations.

DISCUSSION

The Housing Authority ("Authority") owns a 9,400 square foot vacant parcel on Cuesta del Mar Street in the Southwinds Redevelopment Project Area. The site has been approved for the development of seven (7) affordable housing units as evidenced by Planning and Zoning Permit Nos. 10-540-1 (Planned Development), 10-535-1 (Density Bonus), and 10-570-2 (Zone Change) that were granted on September 28, 2010. These units will help meet the need for affordable housing in the City while also helping to meet the Commission's affordable housing goal in the Southwinds Redevelopment Project Area.

In furtherance of these objectives, the Community Development Commission ("Commission") granted the Authority a pre-development loan in the amount of \$350,000 on July 21, 2009. The main terms of the loan included: (1) an interest rate linked to current yields under the Local Agency Investment Fund ("LAIF"); (2) an anticipated date of project completion, building occupancy and repayment to the Commission to commence by July 2011; (3) affordability covenants of not less than 55 years; and (4) the ability of the Authority to negotiate the terms of a larger, long-term loan to finance construction.

With the initial assistance provided by the Commission, the Authority has succeeded in completing preliminary design plans and procuring necessary land use entitlements. The Authority now intends to convey the property to Las Cortes, Inc., as the vehicle by which to implement the project. Las Cortes, Inc. was formed in January 2007 as a non-profit corporation for the expressed purpose of owning, developing and managing affordable housing projects on behalf of the Authority. Development costs are presently estimated at approximately \$1.25 million, and additional funding is being requested from the Commission to cover this expense. If approved, the total loan commitment from the Commission to the project will be \$1.6 million, all from the LMIHF.

The City and Commission entered into a Cooperation Agreement on January 18, 2011, as further clarified on March 8, 2011, by adoption of Resolution Nos. 13,351 and 147, respectively (collectively

the "Accord"). By authority of the Accord, the City is obligated and authorized to continue the implementation of redevelopment within the Ormond Beach, Southwinds, Downtown Revitalization, Central Community Revitalization and HERO Project Areas (individually referred as "Project Area" and collectively as the "Project Areas"). However, the City's responsibility is expressly limited to the assets and revenues available to the Commission that have been, or in the future will be, transferred to the City. Pursuant to the Accord, the City's name has been substituted in place of the Commission in the Loan Agreement and associated documents with Las Cortes.

Under the revised loan agreement, Las Cortes, Inc., is required to charge market rents, while making the units affordable to persons and families of low or moderate income through federal (Section 8) rent supplements or comparable subsidies. As a result, there is sufficient cash flow available to fully service the City's debt in the form of a standard installment loan, with principal and interest payments amortized over 35 years. The more typical payback structure for affordable housing loans provides for contingent repayment from net cash flow after debt service (commonly referred to as "residual receipts").

The loan structure proposed for Cuesta Del Mar would place the City's loan and deed of trust in a first position, superior to all other debt. This means the City's loan would be paid before any other residual income is distributed. This arrangement is consistent with the goals of the Commission to support projects that replenish tax increment housing set-aside funds as opposed to projects that entail forgiveness of principal and interest upon expiration of affordability covenants.

It is further noted that the project site is presently exempt from property taxes by virtue of the Authority's current ownership; hence Payment in Lieu of Taxes ("PILOT") is not applicable to Cuesta Del Mar. With these considerations in mind, staff recommends that the loan previously granted to the Authority be cancelled and replaced by adoption of the documents accompanying this memorandum as Attachment #2 that reflects the following major changes:

- Increases the loan principal from \$350,000 to a maximum amount of \$1.6 million.
- Modifies the terms of repayment by imposing a minimum simple interest rate of 3%.
- Requires that market rents be charged in order to service City debt.
- Mandates that all units be made affordable under applicable provisions of redevelopment law.
- Converts the loan from a residual receipts obligation to a fully amortized installment loan.
- Links loan draws to a project budget and mutually agreeable method of disbursement.
- Adjusts the performance schedule by adding one year to commencement and completion dates.

FINANCIAL IMPACT

Funds are available in the Housing Set-Aside Fund for the full \$1,600,000 loan. Approval of this action will not have an impact to the City's General Fund.

Attachment #1 – Housing Authority Resolution (With Vacant Land Purchase Agreement and Purchase Agreement Addendum)

#2 – Amended and Restated Affordable Housing Loan Agreement (with Exhibits A through F, as revised)

Note: Attachment #2 has been provided to City Council under separate cover. Copies for review are available at the Help Desk in the Library after 6:00 p.m. on Thursday prior to the Council meeting and in the City Clerk's Office after 8:00 a.m. on Monday prior to the Council meeting.