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## FINANCE COMMITTEE AGENDA – Regular Meeting

A Committee of the Chico City Council: Councilmembers Morgan, Schwab, and Chair Stone  
**Meeting of Wednesday, October 23, 2019 – 8:30 a.m. to 10:30 a.m.**  
Council Chamber Building, Conference Room 1, 421 Main Street, Chico

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### REGULAR AGENDA

#### A. **LOAN OF HOUSING FUNDS, INTERNAL FUNDS TRANSFER AND LEASE OF CITY PROPERTY FOR 101-UNIT AFFORDABLE HOUSING DEVELOPMENT—CREEKSIDE PLACE, NOTRE DAME BLVD**

The Community Housing Improvement Program, Inc. (CHIP) proposes to develop Creekside Place, a 101-unit affordable apartment complex for extremely low- and low-income seniors on a City-owned property located on Notre Dame Boulevard near Humboldt Road, APN 002-180-109. This property was originally purchased with Community Park funds and has recently been rezoned to accommodate high density residential use. The City has an obligation to utilize Affordable Housing Funds (Redevelopment Agency loan repayments) to produce affordable housing units and receives federal HOME and Community Development Block Grant (CDBG) funds for this purpose, as well. The project will serve households earning between 30-50% of area median income and will assist the City in meeting its goals to provide for extremely low- and very low-income housing. **(Report—Marie Demers, Housing Manager)**

**Recommendation:** *The Community Development Department Director (Planning and Housing) recommends that the Finance Committee make the following recommendations to the City Council:*

- 1) *Authorize a transfer of \$456,975 from Affordable Housing Fund 392 to Community Park Fund; and*
- 2) *Authorize the City Manager to enter into a lease agreement with CHIP, including authorization to assign the lease to the to-be-formed legal project ownership entity, for the long-term use of 4.92 acres of City-owned property (APN 002-180-109); and*
- 3) *Authorize the City Manager to enter into a loan agreement of up to \$593,028 from the Affordable Housing Fund (AHF), a HOME loan agreement of up to \$2,000,000, a \$100,000 CDBG loan agreement, and associated documents with CHIP, including authorization to assign the agreements to the to-be-formed legal project ownership entity, to construct 100 affordable housing units and one manager unit; and*
- 4) *Allocate 101 units of voter approved Article XXXIV authority for the project.*

#### B. **BUSINESS FROM THE FLOOR**

Members of the public may address the Committee at this time on any matter not already listed on the agenda, with comments being limited to three minutes. The Committee cannot take any action at this meeting on requests made under this section of the agenda.

#### C. **ADJOURNMENT AND NEXT MEETING**

The meeting will adjourn no later than 10:30 a.m. The next regular Finance Committee meeting will combine the November and December meetings into one meeting to be held on December 4, 2019 at 8:30 a.m. in Conference Room 1 at 421 Main St.

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## **SPEAKER ANNOUNCEMENT**

**NOTE:** Citizens and other interested parties are encouraged to participate in the public process and will be invited to address the Committee regarding each item on the agenda. In order to maintain an accurate and complete record, the following procedural guidelines are being implemented:

1. Speaker Cards – speakers will be asked to print his/her name on a speaker card to address the Committee and provide card to the Clerk prior to the completion of the Staff Report.
2. The Clerk will call on speakers in the order the cards are received.
3. Speakers may address the Committee one time per agenda item.
4. Speakers will have three minutes to address the Committee.

### **Distribution available in the office of the City Clerk**

**Posted: 10/16/19 prior to 5:00 p.m. at 421 Main St. Chico, CA 95928 and [www.ci.chico.ca.us](http://www.ci.chico.ca.us)**

**Copies of the agenda packet are available for review at:**

**City Clerk's Office, 411 Main St. Chico, CA 95928**



Please contact the City Clerk at 896-7250 should you require an agenda in an alternative format or if you need to request a disability-related modification or accommodation in order to participate in a meeting. This request should be received at least three working days prior to the meeting in order to accommodate your request.



## Finance Committee Agenda Report

Meeting Date: October 23, 2019

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TO: Finance Committee

FROM: Marie Demers, Housing Manager 879-6303

RE: Loan of Housing Funds, Internal Funds Transfer and Lease of City Property for 101-unit Affordable Housing Development—Creekside Place, Notre Dame Blvd

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### REPORT IN BRIEF

The Community Housing Improvement Program, Inc. (CHIP) proposes to develop Creekside Place, a 101-unit affordable apartment complex for extremely low- and low-income seniors on a City-owned property located on Notre Dame Boulevard near Humboldt Road, APN 002-180-109. This property was originally purchased with Community Park funds and has recently been rezoned to accommodate high density residential use. The City has an obligation to utilize Affordable Housing Funds (Redevelopment Agency loan repayments) to produce affordable housing units and receives federal HOME and Community Development Block Grant (CDBG) funds for this purpose, as well. The project will serve households earning between 30-50% of area median income and will assist the City in meeting its goals to provide for extremely low- and very low-income housing.

Recommendation: The Community Development Department Director (Planning and Housing) recommends that the Finance Committee make the following recommendations to the City Council:

- 1) Authorize a transfer of \$456,975 from Affordable Housing Fund 392 to Community Park Fund 330 for the 4.92 acre parcel on Notre Dame described as a portion of APN 002-180-109;
- 2) Authorize the City Manager to enter into a lease agreement with CHIP, including authorization to assign the lease to the to-be-formed legal project ownership entity, for the long-term use of 4.92 acres of City-owned property (APN 002-180-109):
- 3) Authorize the City Manager to enter into a loan agreement of up to \$593,028 from the Affordable Housing Fund (AHF), a HOME loan agreement of up to \$2,000,000, a \$100,000 CDBG loan agreement, and associated documents with CHIP, including authorization to assign the agreements to the to-be-formed legal project ownership entity, to construct 100 affordable housing units and one manager unit; and
- 4) Allocate 101 units of voter approved Article XXXIV authority for the project.

### FISCAL IMPACT

There is no impact to the General Fund. This project will expend up to \$2,000,000 of F206—Federal HOME funds, including \$73,650 from each of the FY20 and FY21 HUD allocations, \$100,000 of F201—CDBG funds, and \$1,100,000 of F392—AHF monies approved in the 2018-2019 and 2019-2020 adopted City Budgets. The Community Park Fund 330 will be increased by \$456,972.

## **BACKGROUND**

### **Property**

The City owns three vacant parcels totaling approximately 11 acres of land, bounded by Notre Dame Boulevard, Humboldt Road and Little Chico Creek. A linear parcel between the creek and the vacant parcels is owned by the City and creates a greenway along the creek. See vacant parcels A-C, developed parcel D, and the greenway parcel E on the map provided in **Attachment A**. The parcels were purchased using Community Park Facility Funds, Linear Park/Creekside Greenway, and Low- and Moderate-Income Housing funds for creekside greenway, a future community park site, and affordable housing.

In February 2018, Council directed staff to pursue a boundary line modification, rezone and General Plan amendment of APN 002-180-109 (Parcel C) and a portion of APN 002-180-093 in order to facilitate the development of affordable housing. Parcel C's boundary line was modified to create a 4.99 acre parcel for this purpose, and the City Council rezoned Parcel C to R4 (High Density Residential) on August 6, 2019.

### **Housing Funds**

The City of Chico became the Housing Successor to the Chico Redevelopment Agency in 2012 and is responsible for administering funds in the Affordable Housing Fund (F392) in compliance with applicable California Health and Safety Code Regulations. Pursuant to these regulations, funds in excess of one million dollars ("excess surplus") are to be expended for the development of housing affordable to and occupied by households earning 80% or less of area median income, with at least 30% of these funds expended for the development of rental housing affordable to households at or below 30% of area median income. If excess surplus is not encumbered for an eligible purpose within a three year period, the funds are to be transferred to the State Department of Housing and Community Development. The Fund has shown an excess surplus since the year ending June 30, 2016. As of June 30, 2018, there was an excess surplus of \$1,277,772.

The City receives an annual allocation of HOME funds from HUD for the purpose of creating permanent housing. A portion of this funding is required to be set-aside for use by qualified Community Housing Development Organizations (CHDO). CHIP is a qualified CHDO. The City's FY17, FY18 and FY19 adopted budgets include an allocation of HOME funds to this project. It is proposed that \$73,650 from each of the FY20 and FY21 allocations be included in the HOME loan.

The City also receives an annual allocation of CDBG funds which may be used for off-site infrastructure costs associated with affordable housing development. The City's FY19 adopted budget includes a \$100,000 allocation of CDBG funds for this project.

### **City Goals and Needs**

The City's 2014-2022 Housing Element of the General Plan includes numerous goals to provide housing affordable to households of low income including those of extremely low income (30% of area median income) with special needs and senior housing.

The City's HUD Consolidated Plan includes goals to provide low income affordable housing opportunities in small units, especially for persons with disabilities, extremely low income households at risk of homelessness and to implement solutions to chronic homelessness.

Prior to the Camp Fire, the vacancy rate in Chico was less than 2%, and functionally 0% for affordable housing units (those serving households at or below 80% of area median income). There are currently one to three year waitlists for affordable units in Chico.

### **Article XXXIV Authority**

Article XXXIV of the California Constitution requires that low rent housing projects are approved by a majority of electors in the city where they are located. The City of Chico electorate approved an allocation of Article XXXIV authority up to a maximum of 1% of the existing housing stock on an annual basis for development of low income rental housing. For the year ending December 2018, the available allocation is 404 units. Allocation of 101 units to the Creekside project would reduce the available annual allocation to 303 units.

### **Development Team**

Community Housing Improvement Program, Inc. (CHIP) is a private, non-profit affordable housing corporation which began as a partnership between CSU, Chico and the City of Chico in 1973 and operates in seven northern California counties. In Chico, CHIP has built five affordable housing complexes and provides property management to seven affordable developments (two are owned by other entities). CHIP has long-term leases with the City for two of the complexes, Campbell Commons and Murphy Commons, and is an experienced developer of multi-family developments utilizing low income housing tax credits, bond financing and various other state and local funding sources. CHIP has also partnered with the City to produce over 121 affordable single-family homes. Kuchman Architects PC of Sacramento will provide architectural services for the Creekside Place project and was founded in 1985. They have designed numerous multi-family projects including market-rate, affordable, student and senior housing. Sunseri Construction of Chico will be the general contractor and has extensive experience building affordable housing. Butte County Department of Behavioral Health (BCDBH) will provide project financing and supportive services for fifteen of the units.

### **Project Site and Entitlements**

The proposed project site is a 4.92 acre portion of APN 002-180-109 as depicted on **Attachment B**. The remaining portion of the parcel will maintain public access for the bike and pedestrian path between the project parcel and the Murphy Commons complex to the south. The site is zoned High Density Residential with a density requirement of 20-70 units per gross acre.

The project site plan and design will be reviewed by the City's Architectural Review and Historic Preservation Board in December 2019.

### **Design and Amenities**

Creekside Place will be a new construction development consisting of two, three-story buildings. It will be wood frame construction with a composite roof and an elevator in each building. Creekside Place will have 101 units, of which 100 will be affordable housing units serving seniors 62 years and older and one unit will house the resident manager. Fifteen of the 100 assisted units will house seniors with a serious mental health disability who are homeless, at risk of chronic homelessness, or chronically homeless.

The unit mix will be comprised of 85 one-bedroom units, 15 two-bedroom units and one three-bedroom manager unit. Each unit will have a complete bathroom, living area, kitchen, bedroom(s) and a patio/balcony with storage.

In addition to the apartments, there will be on-site facilities containing a laundry room, community center, computer lab, community garden, and outdoor pet park and seating areas. The development is conveniently located near a grocery store, pharmacy, Bidwell Park, transit routes and a medical clinic. The buildings are placed to create open space along the western and northern areas of the project site. Little Chico Creek is over 100 feet from the western edge of the site, and residential units will have views of the greenway and creek.

Resident services will be provided on-site by a bona fide service coordinator from CHIP that will focus on adult education, wellness, skills building, community engagement and access to services and resources. In addition, supportive services from BCDBH will be provided on-site and off-site for the 15 units that will serve seniors 62 and older with serious mental health disabilities who experience one or more forms of homelessness. The types of services provided will include, but not limited to mental health, case management, substance use recovery, linkage to physical health care, and benefits counseling and advocacy. These units will be partially financed by No Place Like Home (NPLH) funds which impose specific requirements. The NPLH supportive housing tenants will be referred by the Coordinated Entry System (CES). The CES is a countywide queue of homeless individuals enrolled by countywide referring agencies that provide a universal assessment, which ranks the vulnerability of the eligible participant. When there is a NPLH supportive housing vacancy, the property management staff will contact BCDBH to refer the top three ranked eligible applicants from the CES queue. BCDBH will screen and help document eligibility of serious mental health disability by a qualified mental health worker, and homeless status using third-party documentation, whenever possible. CHIP's property management will utilize a Housing First low-barrier tenant screening for the NPLH units.

There will be on-site parking, and access to the site will be via two entrances off of Notre Dame Boulevard. A number of pedestrian pathways can be found throughout the site linking the buildings, parking lot, and offsite sidewalks. A Class I bike path will be rerouted and run adjacent to the project site. Landscaping throughout the project site will utilize native and drought tolerant tree and plant species, when possible.

The project will follow the Build it Green-Green Point Rated Guidelines and will seek efficiency greater than California Title 24 energy standards. Use of solar photovoltaic energy is anticipated. The design anticipates an energy efficient envelope and energy efficient appliances and equipment. It is the developer's intent to include as many energy efficient and sustainable design materials and construction methods as possible.

### **Affordability and Unit Types**

This project is composed of one- and two-bedroom units and one three bedroom manager unit. It will serve households between 30-50% of area median income (AMI) for Chico; the majority of households served will be at 30% of AMI.

Proposed units are as follows:

Unit Type	Size	Very Low Income (50% AMI)	Extremely Low (30% AMI)	Total
One Bedroom	594 sf	15	70	85
Two Bedroom	772 sf	10	5	15
Manager 3-bed	1,201 sf			1
Total Units		25	75	101

Proposed rent schedule using 2019 rent limits:

30% AMI Units

Unit Type	# of Units	Tenant Paid Net Rent*	Section 8 Subsidy	Total
One Bedroom	70	278	520	798
Two Bedroom	5	330	695	1,025

50% AMI Units

Unit Type	# of Units	Tenant Paid Net Rent*	Section 8 Subsidy
One Bedroom	15	527	0
Two Bedroom	10	629	0

\* Net of utility allowance. Utility allowance for one-bedroom is \$96 and two-bedroom is \$119.

**Project Budget and Financing**

Development budget sources and uses summary:

<u>Uses</u>	<u>Per Unit</u>	<u>Total</u>
Land & Acquisition	5,069	511,975
Construction	339,273	34,266,573
Local Fees	12,361	1,248,483
Financing Costs	4,238	428,087
Soft Costs	44,302	4,474,458
Developer Fee	57,080	5,765,071
Reserves	7,189	726,072
<b>TOTAL</b>	<b>469,512</b>	<b>47,420,719</b>

<u>Sources</u>	<u>Per Unit</u>	<u>Total</u>
LIH Tax Credit Equity	186,711	18,857,777
Tax-exempt Bond	23,129	2,336,000
No Place Like Home (County)	16,772	1,694,013
No Place Like Home (State)	17,879	1,805,733
State MultiFamily Housing Program	163,269	16,490,206
City AHF	5,446	550,000
City HOME Loan	16,024	1,618,400
City CDBG Loan	990	100,000
City Land Value	4,525	456,975
Developer Fee	23,417	2,365,071
Deferred Developer Fee	11,352	1,146,544
<b>TOTAL</b>	<b>469,512</b>	<b>47,420,719</b>

The operating pro forma estimates expenses of \$415 per unit, per month which is within the expected range. The pro forma assumes a 5% vacancy rate which is line with standard practices. The annual

increases are 2.0% for income and 3.0% for expenses, which is a typical relationship. In terms of reserves, the developer proposes to establish a \$208,785 capitalized operating reserve when the project is complete and shows a \$60,600 annual contribution to a replacement reserve. The project anticipates operating revenue from Project Based Housing Choice Vouchers in addition to rent collected. The pro forma demonstrates a 20-year positive cash flow.

## **DISCUSSION**

### **Property**

The City-owned property on Notre Dame and Humboldt Road, APN 002-180-109 (Parcel C) was purchased with Community Park Fund monies at a price of \$92,881 per acre. Per CMC 3.85.550, revenues in this fund are to be appropriated by the City Council for the acquisition or development of community park facilities. As development of housing does not fall within allowable uses for these funds, it is proposed that the Affordable Housing Fund 392 "purchase" the property via an internal funds transfer at \$92,881 x 4.92 acres, for a total of \$456,975.

### **Lease Agreement**

Parcel C has been rezoned to accommodate high density residential use. Staff recommends that the City of Chico enter into a new lease agreement with CHIP/assignee Limited Partnership owner entity, for use of the property with the following principal provisions:

- Lease of the property at \$1 per year for 99 years;
- The property be used solely for the benefit of low-income persons;
- CHIP/assignee will maintain the project in good repair, with regular review of property conditions by City staff;
- CHIP/assignee will pay for any and all utility charges and tax assessments;
- CHIP/assignee will maintain insurance coverage as approved by the City's Risk Manager; and
- Any assignment or encumbrance against the property will require prior consent by the City Manager.

### **Financing**

In addition to the various sources of soft financing from Butte County and the State, CHIP plans to finance the project with proceeds from a tax-exempt bond and 4% low-income housing tax credits (LIHTC). This financing structure includes a construction and permanent loan at a below-market interest rate, as well as tax credit equity. With the tax-exempt bond and 4% tax credits, there is less competition among projects for allocations than with the 9% LIHTC, leading to greater predictability and efficiency in completing the project. The City will be asked to hold a TEFRA hearing to provide the State the authority to approve the issuance of the tax-exempt bond sometime in 2020.

Permanent financing will also include a loan from the State Department of Housing and Community Development's Multifamily Housing Program; this program provides a low-interest loan and requires an annual payment of .42% of the outstanding principal loan balance.

### **City Loan Terms**

Staff recommends a City HOME loan of \$1,618,400 with the following terms:

- A 55-year deferred, residual receipts loan at one percent (1%) simple interest, accruing from the date the funds are first disbursed, and in conformance with all federal HOME requirements.



This type of loan provides that an annual loan payment is paid from cash flow, to the extent it is available, after agreed upon expenses are paid.

- The HOME affordability period will be for 20 years from the date of certificate of occupancy; the City affordability period will be for 55 years from the date of certificate of occupancy.
- A Regulatory Agreement to be recorded against the lease-hold interest to ensure long-term affordability and compliance with applicable regulations for a period of 55 years.
- A deed of trust will be recorded against the lease-hold interest of the property.

Staff recommends a CDBG loan in the amount of \$100,000 with the following terms:

- A 55-year deferred, residual receipts loan at one percent (1%) simple interest, accruing from the date the funds are first disbursed and in conformance with all federal CDBG requirements
- A deed of trust to be recorded against the lease-hold interest of the property.

Staff recommends an AHF loan in the amount of up to \$593,028 with the following terms:

- A 55-year deferred, residual receipts loan at two percent (2%) simple interest, accruing from the date the funds are first disbursed.
- A Regulatory Agreement to be recorded against the lease-hold interest to ensure long-term affordability and compliance with applicable regulations for a period of 55 years.
- A deed of trust to be recorded against the lease-hold interest of the property.

All loans are to be subordinate to construction and permanent loans.

Staff recommends authorization for CHIP to assign its obligations under the City's Loan Agreements, Regulatory Agreements, Deeds of Trust and HOME Written Agreement, to a limited partnership or limited liability company with CHIP as a general partner upon approval by the City Manager.

### **Timeline**

Secure Entitlements	December 2019
TEFRA Hearing	Late Spring 2020
Secure Financing	Late 2020
Begin Construction	Late 2021
Complete Construction	Early 2024

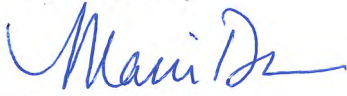
### **ENVIRONMENTAL REVIEW**

California Environmental Quality Act (CEQA) compliance will be completed and National Environmental Policy Act (NEPA) review is in process.

### **PUBLIC CONTACT**

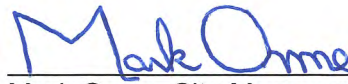
The concept of rezoning the property for affordable housing was presented to the City Council at its meeting on February 6, 2018. The rezone and General Plan Amendment were presented to the Planning Commission on June 15, 2019 and to the City Council for its first reading on July 2, 2019 and August 6, 2019 for a second reading and adoption.

Submitted by:



Marie Demers, Housing Manager

Approved and Recommended by:



Mark Orme, City Manager

Reviewed by:



Brendan Vieg, Community Development Department Director (Planning & Housing)

### **DISTRIBUTION**

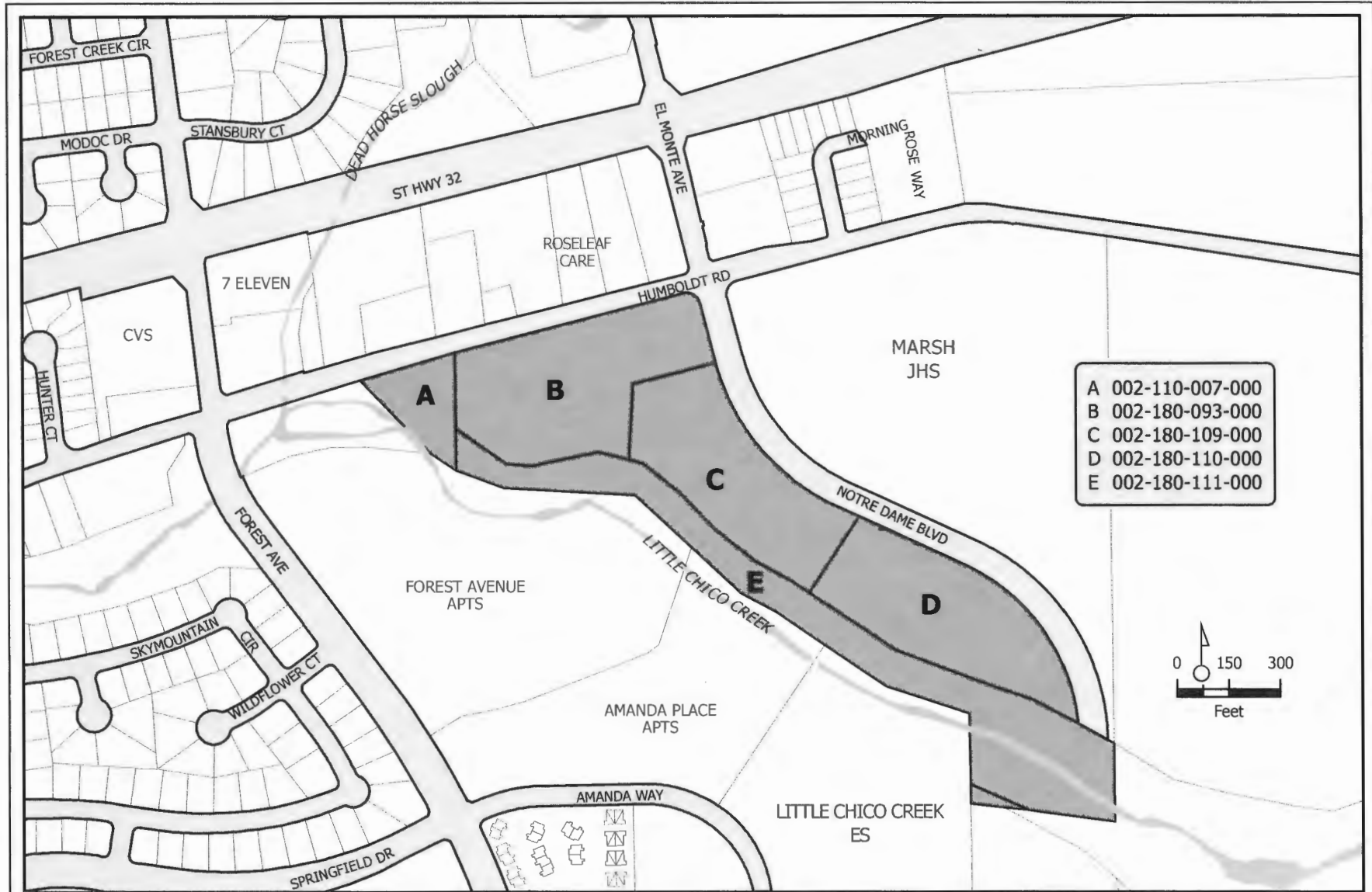
City Clerk (3)  
Finance Committee (3)  
Kris Zappettini, kzap@chiphousing.org  
Seana O'Shaughnessy, sosh@chiphousing.org  
Debbie Villasenor, dvilla64@sbcglobal.net  
Don Taylor, dtaylor@buttecounty.net  
Ed Mayer, ed@butte-housing.com

### **ATTACHMENTS**

Attachment A—Property Map  
Attachment B—Map of Lease Area

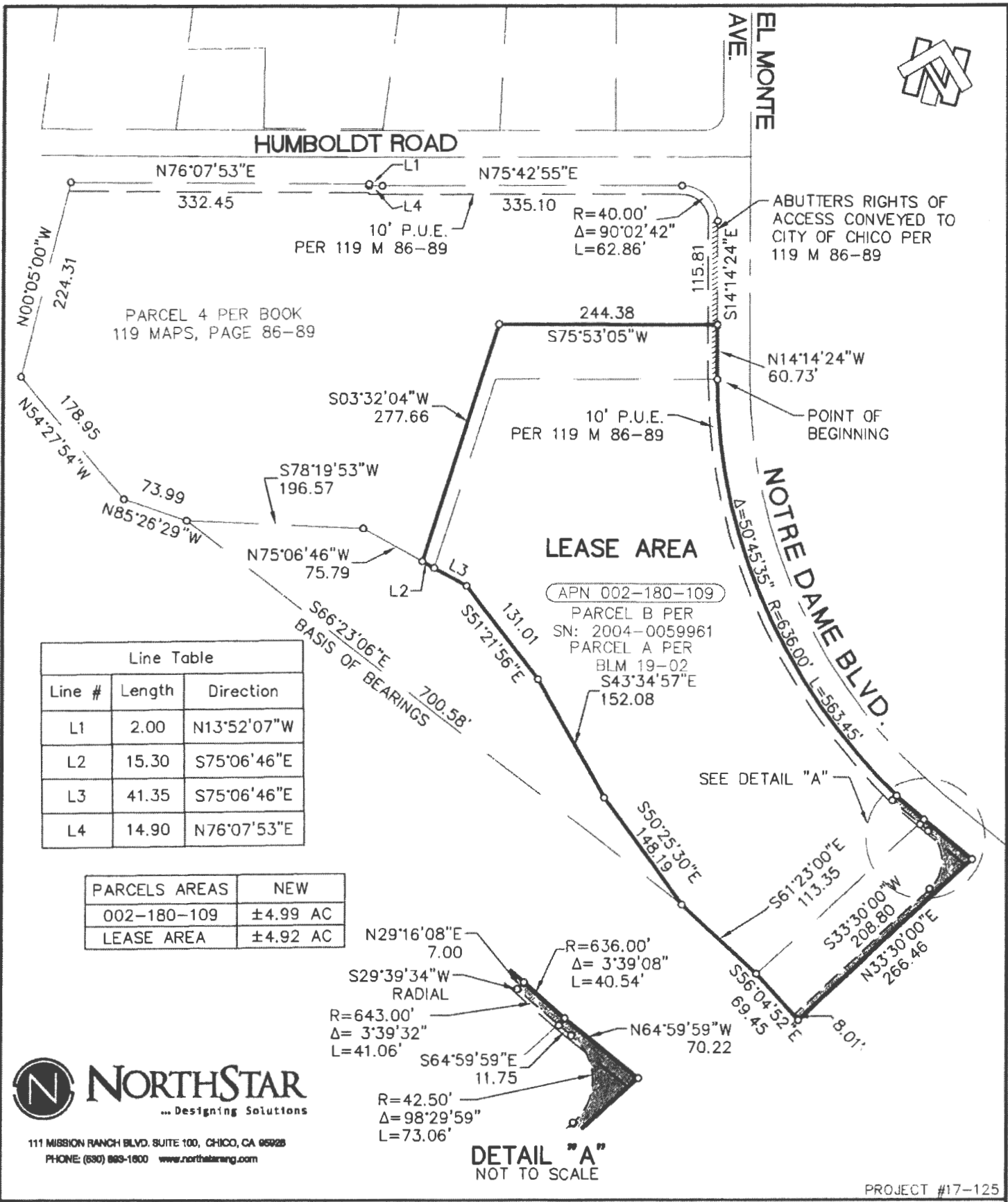
### **FILE**

AHF/HOME Creekside Place 2019



Humboldt Avenue - Notre Dame Boulevard Properties





Line Table		
Line #	Length	Direction
L1	2.00	N13°52'07"W
L2	15.30	S75°06'46"E
L3	41.35	S75°06'46"E
L4	14.90	N76°07'53"E

PARCELS AREAS	NEW
002-180-109	±4.99 AC
LEASE AREA	±4.92 AC



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PROJECT #17-125

<b>CITY OF CHICO</b>		<b>ENGINEERING DIVISION</b>	
DRAWN BY <u>MNL</u>	DATE <u>04/26/19</u>	LEASE AREA CHIP HUMBOLDT (CITY OF CHICO)	
CHECKED <u>MRH</u>	SCALE <u>1" = 150'</u>		
APPROVED _____	PUBLIC WORKS DIRECTOR		
		EXHIBIT "B"	
		SHEET 2 OF 2	

ATTACHMENT B