RESOLUTION NO. 134-61

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARCATA
AUTHORIZING A LOAN OF UP TO \$613,000 OF COMMUNITY DEVELOPMENT
BLOCK GRANT (CDBG) PROGRAM INCOME TO ASSIST WITH OFFSITE
INFRASTRUCTURE IN SUPPORT OF AFFORDABLE HOUSING ON THE
O STREET AFFORDABLE HOUSING PROJECT, ALSO KNOWN AS
REDWOOD PONDS AFFORDABLE HOUSING PROJECT

WHEREAS, Danco Communities is planning to construct 18 units of rental housing affordable to low- and very low-income Arcata residents at the O Street property located at O Street between 12th and 13th Streets; and

WHEREAS, the site currently has 22 legal lots on which the 18 units included in the Redwood Pond Affordable Housing Project can be accommodated; and

WHEREAS, the City's primary goal is providing affordable housing, and the secondary goals for the project include the rehabilitation and siting of the Humboldt State University (HSU) houses and realignment of Jolly Giant Creek if these project components are feasible given the regulatory and time constraints; and

WHEREAS, Danco Communities is prepared to assist with the work to realign Jolly Giant Creek, an anadromous fish-bearing creek, which would improve both habitat and flood capacity of the creek; and

WHEREAS, the project has received an HCD infill infrastructure grant but requires additional funding to complete off-site improvements; and

WHEREAS, Danco Communities is applying for Tax Credits to assist with the development and requires the City's loan commitment to be competitive for the Tax Credit award; and

WHEREAS, the existing streets surrounding the site are not paved or are in substandard condition, and require rehabilitation; and

WHEREAS, the project will add affordable housing to the City's housing stock; and

WHEREAS, the reprogrammed CDBG funding will be used for offsite infrastructure and not for direct construction of any housing units; and

WHEREAS, the project will be required to meet prevailing wage and all other federal overlay requirements associated with the CDBG funding; and

WHEREAS, the City has an approved CDBG Reuse Plan and under this Plan the City will be utilizing the waiver method; and

WHEREAS, the City has reviewed the citizen participation plan for compliance with federal statutes and determined that this plan was followed for the approval of these CDBG Program Income funds.

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

- A loan according to the terms outlined in Exhibit 1 to this Resolution is approved contingent on Housing and Community Development approval of a Program Income Waiver Request for infrastructure in support of the Redwood Pond Affordable Housing Project;
- 2. The City Attorney is authorized to draft, and the City Manager is authorized to execute, any and all loan documents, including a regulatory agreement restricting rents to income eligible tenants, to implement the loan.

DATED: June 4, 2014

ATTEST:

APPROVED:

City Clerk, City of Arcata

Mayor, City of Arcata

CLERK'S CERTIFICATE

I hereby certify that the foregoing is a true and correct copy of **Resolution No. 134-61**, passed and adopted at a regular meeting of the City Council of the City of Arcata, County of Humboldt, State of California, held on the 4th day of June, 2014, by the following vote:

AYES: WHEETLEY, WINKLER, ORNELAS, STILLMAN

NOES: NONE

ABSENT: BRINTON

ABSTENTIONS: NONE

City Clerk, City of Arcata

Exhibit 1

City of Arcata

Loan Terms Sheet

Infrastructure in Support of Affordable Housing CDBG PI Waiver Project May 28, 2014

PROJECT NAME:

Redwood Ponds Affordable Housing

PROJECT LOCATION:

O Street, between 12th and 13th Streets, APN: 021-234-008

PURPOSE: The City maintains a Community Development Block Grant (CDBG) Program Income (PI) Homeownership Assistance Revolving Loan Account (RLA), which currently has a balance sufficient to support both the proposed loan and the administrative costs associated with the project. The project includes an 18 unit affordable housing new construction project, of which 17 will be restricted to low and very-low income tenants and one managers unit. The project also includes the rehabilitation of the three HSU houses that have been stored on site for years and the potential restoration/realignment of the stretch of Jolly Giant Creek that runs adjacent to the project. While the restoration of the HSU houses and the realignment project are expected outcomes of the overall project, the main project, the Redwood Ponds Affordable Housing project, may go forward without the other two components; the latter being dependent on factors beyond the control of the developer.

The developer is also applying for tax credit financing and has secured HCD Infill Infrastructure Grant (IIG) funding. To be competitive for tax credit financing, the project should have at least 45% local funds (City and Agency) committed to the project. With the approximately \$2.3 million of local funds, the project will have approximately 51% local financing.

PROJECT: Development of 17 affordable rental housing units and one managers unit. If feasible, rehabilitation of three HSU houses and realignment/restoration of Jolly Giant Creek.

FUNDING SOURCE: Construction and permanent financing from CDBG PI (\$613,000), The tax credit financing and HCD IIG financing will not be funded by the City or Agency.

BORROWER:

Danco Communities or Arcata O Street, LP (to be formed)

5251 Ericson Ct Arcata CA 95521

AMOUNT:

\$613,000

TERM:

55 years

RATE:

3%

REPAYMENT:

100% of the first \$21,000 of cash flow after fees shall be used to pay down

the City loan. 75% of the cash flow after fees above the first \$21,000 shall be used to pay down the City loan, 25% shall be retained by the owner. The structure of this debt shall comport with the TCAC policy and regulations and may be structured as residual receipts or another "soft" loan repayment.

KEY CONDITIONS:

- 1) An executed Promissory Note, Deed of Trust, Loan Agreement, and Regulatory Agreement establishing very low income (less than or equal to 50% Area Median Income) affordability restrictions for 17 units for 55 years
- 2) Development of 17 income restricted affordable housing units
- 3) 12th and 13th Streets must be dedicated to the City of Arcata and constructed to the specifications of the City's Public Works Director or his designee.