



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Grant Yates, City Manager
Prepared By: Barbara Leibold, City Attorney

Date: March 26, 2019

Subject: Disposition, Development and Loan Agreement by and between the City of Lake Elsinore and Mission Cottages LP (Cottages at Mission Trail Affordable Housing Project)

Recommendation

Approve RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS HOUSING SUCCESSOR, APPROVING A DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT, ADDENDUM TO COMMITMENT LETTER AND RELATED DOCUMENTS BY AND BETWEEN THE CITY OF LAKE ELSINORE AND MISSION COTTAGES LP

Background

Pursuant to the Amended and Restated Disposition and Development Agreement (DDA) dated March 8, 2011 by and among the former Redevelopment Agency, Summerly (Developer) and Civic Partners-Elsinore LLC (Master Developer), certain funds equal to 20% of the property tax revenues generated from Developer and Master Developer properties (Pledged Housing Funds) are pledged to Civic Partners-Elsinore LLC for affordable housing purposes. This pledge constitutes a recognized enforceable obligation and has been included on the Successor Agency ROPS. The Pledged Housing Funds are administered by the City as the housing successor to the former Redevelopment Agency.

On June 13, 2017, the City Council approved a Loan Commitment Letter for the Cottages at Mission Trail Project (Original Commitment Letter). The Project is a 143-unit work force housing rental project with an approximately 55,000 square foot park/recreation area including a 2,200 square foot recreation building, a children's play area, open lawn, picnic area, meandering walkways and a 6.97-acre flood storage basin with a 1,312 linear foot, circular walking/running path around the basin. The Project will be developed on a portion of a 25.5 acre site located at the intersection of Mission Trail & Sedco Boulevard generally depicted on the attached Vicinity Map (Attachment 1). The Original Commitment Letter is attached to the June 13, 2017 staff report (Attachment 9).

Discussion

Since the approval of the Original Commitment Letter, the Developer has obtained City approval of all necessary land use entitlements, approval by the California Department of Fish and Wildlife of a Section 1602 Lake Alteration Agreement to mitigate project impacts on fish and wildlife resources, secured commitments for Low Income Housing Tax Credits and Multi-Family Housing Revenue Bond proceeds and satisfied the conditions to enter into a binding loan agreement as outlined in the Original Commitment Letter.

Although Project costs have increased since approval of the Original Commitment Letter, the Developer has identified sufficient financing sources without an increase in the City original \$5,721,250 loan commitment. Some components of the financing structure and various other matters described in the Original Commitment Letter have changed as reflected in the proposed Disposition, Development and Loan Agreement (Attachment 3) and Addendum to Loan Commitment Letter (Attachment 4). These changed terms and circumstances include:

- a. the City has acquired the Project site with funds committed to the Project and will convey the land to the Developer;
- b. the contemplated future loan assistance from the City's Fund 106 loan has been deleted as a result of the property acquisition;
- c. the principal amount of the tax-exempt bonds secured by the future flow of Pledged Housing Funds under the DDA has increased from the 2017 projected \$5,000,000 to \$8,650,000 due to lower debt service coverage ratio and interest rate;
- d. a \$1,000,000 operating reserve has been added to the project proforma together with the capital replacement reserve equal to \$300/unit annually;
- e. approximately \$735,000 in project costs have been added for the mitigation site and related costs required under the Section 1602 Lake Alteration Agreement.

The City's financial consultant, Urban Futures, Inc. (UFI) has performed an analysis of the Developer's proposed financing for the Project and determined that the City assistance is appropriate and that the proposed financing results in a financially feasible project. A copy of UFI's analysis is attached as Attachment 7. UFI also completed an SB 341 Analysis (Attachment 8).

Fiscal Impact

City funds necessary to satisfy the City's financial assistance under the DDLA and Addendum to the Loan Commitment Letter will be funded from (i) Pledged Housing Funds under DDA, (ii) Low and Moderate Income Housing Asset Funds, and (iii) City's Affordable Housing In Lieu Fund 106. The amount of assistance is consistent with the Original Commitment Letter.

Attachments:

- Attachment 1 - Vicinity Map
- Attachment 2 - Resolution
- Attachment 3 - Disposition, Development and Loan Agreement
- Attachment 4 - Addendum to Loan Commitment Letter
- Attachment 5 - Assignment of TIF Revenues

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Attachment 6 - Subordination Agreement- Construction/Permanent Lender

Attachment 7 - Urban Futures Project Analysis

Attachment 8 - Urban Futures SB 341 Analysis

Attachment 9 - June 13, 2017 Staff Report

Exhibit A – Project Description

Exhibit B – Loan Commitment Letter for The Cottages at Mission Trail

Exhibit C – Keyser Marston Associates Report