



## Report to City Council

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**TO:** Mayor and City Council

**FROM:** Brian Mohan, Assistant City Manager

**AGENDA DATE:** November 21, 2023

**TITLE:** JOINT MEETING OF CITY COUNCIL AND HOUSING AUTHORITY RE A PROPOSED PRELIMINARY AWARD LETTER THE CITY AND HOUSING AUTHORITY PROVIDE CERTAIN COMMITMENTS TO LINWOOD ROSE, L.P. OR ITS AFFILIATE, INCLUDING THE CITY'S COMMITMENT TO SELL CERTAIN REAL PROPERTY LOCATED AT 24108 AND 24124 FIR AVENUE THEREBY PROVIDING SITE CONTROL AND AN ENFORCEABLE FINANCIAL COMMITMENT TO ISSUE THE RESIDUAL RECEIPTS MOVAL LOAN RELATING TO PROPOSED DEVELOPMENT OF THE LINWOOD ROSE PROJECT, A 36-UNIT AFFORDABLE HOUSING PROJECT

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### RECOMMENDED ACTION

#### **Recommendations:**

1. Adopt City Council Resolution No. 2023-xx approving the Preliminary Award Letter issued by the City and Housing Authority to Linwood Rose, L.P. or Affiliate for development of The Linwood Rose Affordable Housing Project, including authority for the City Manager in consultation with the City Attorney to execute and implement the Preliminary Award Letter.
2. Adopt Housing Authority Resolution No. HA 2023-xx approving the Preliminary Award Letter issued by the City and Housing Authority to Linwood Rose, L.P or Affiliate for development of The Linwood Rose Affordable Housing Project, including authority for the Executive Director in consultation with General Counsel to execute and implement the Preliminary Award Letter.

## **SUMMARY**

This report recommends the City Council and Housing Authority consider that certain Preliminary Award Letter and adopt resolutions, by which (i) the City commits to sell the Site to Developer, (ii) the City and Authority commit to provide to Developer an enforceable financial commitment, the MoVal Loan in connection with the proposed development called The Linwood Rose Affordable Housing Project (“Project”).

The proposed Project is a 36-unit rental affordable housing development on two adjacent lots consisting of approximately 0.91 acres (approximately 39,600 square feet) located at 24124 and 24108 Fir Avenue, which is on the north side of Fir Avenue east of Heacock Street, as more particularly described in Attachment 1 (“Site”).

Linwood Rose, L.P. is a California limited partnership (“Developer”) that includes partners: (i) KDI Linwood Rose, LLC, a California limited liability company, (ii) RBD Linwood Rose, LLC, a California limited liability company, and (iii) Rancho Belago Developers, Inc., a California corporation (“RBD”). The partners are experienced in the construction, development, operation and management of high quality housing in Southern California, including multiple affordable housing projects in the City.

## **DISCUSSION**

The City and Authority have undertaken the procedures under the Surplus Land Act, Government Code Section 54220, *et seq.* (“SLA”), including (i) issuance of the Notice of Availability, (ii) receipt of two Notices of Interest that propose development of affordable housing on the Site, including the submittal by RBD, and (iii) after good faith negotiations with both proposing developers, selection of the RBD proposal, which was submitted to and approved by the State of California, Department of Housing and Community Development (“HCD”) by letter dated October 31, 2023 pursuant to the SLA.

Developer desires to develop affordable housing on the Site, the City and Authority desire to issue to Developer the Award Letter to provide commitments that include: (a) part of an “enforceable financial commitment” to issue the MoVal Loan in the estimated amount of Two Million Six Hundred Thirty-Eight Thousand Dollars (\$2,638,000.00), which will be evidenced by the MoVal Loan Note and secured by the MoVal Loan Deed of Trust; the MoVal Loan Amount will include the cumulative total of (i) \$2,063,000 cash subsidy, from the City and/or Authority of available funds that may be sourced from (A) the Authority’s low to moderate income housing asset fund (“LMIHAF”), (B) HOME Program funds, including HOME ARP funds, or (C) other funding sources, plus, (ii) carry back financing of the purchase price for the Site at its appraised value established at or near the date of the Closing of Financing, plus (iii) the cumulative fees, costs, and expenses incurred by MoVal for preparation of the Site for development as incurred during the period commencing on June 21, 2023 to the date of Closing of Financing, such as but not limited to environmental assessment, clearance or remediation (if any), engineering, economic analysis, and other consulting or professional services, but excluding in-house staff time, plus (iv) MoVal’s third party legal fees and costs incurred during the period commencing on June 21, 2023 and

ending on the date of the Closing of Financing, and (b) “site control” through the City’s commitment to sell the Site to Developer for construction, development, and operation of *The Linwood Rose Affordable Housing Project*, as such commitments are required by the California Tax Credit Allocation Committee (“TCAC”) and its Tax Credit Rules, in particular California Code of Regulations, Title 4, Division 17, Chapter 1, Section 10325, in connection with Developer seeking a reservation of 9% Tax Credits under the program requirements.

Pursuant to this Award Letter, Developer proposes to plan, design, construct, complete and operate The Linwood Rose Affordable Housing Project (“Project”), a new 36-unit multifamily affordable housing development (35 units plus one on-site manager unit). The Linwood Rose will include one (1) three-story 36-unit building, with a gross building area of 31,499 square feet (“sq.ft.”). The residential units will include a total of thirty-three (33) 1-bedroom units at 530 sq.ft. (approx.), two (2) 2-bedroom units at 716 sq.ft. (approx.), and one (1) 2-bedroom Manager Unit at 716 sq.ft. (approx.) The onsite community space will include 1,020 sq.ft. of common outdoor patios and gathering space, 1,950 sq.ft. of common indoor space in the form of a community room and coffee bar, dedicated meeting rooms for onsite resident services (including supportive and social services), laundry rooms on each floor, and a covered transportation pick-up and drop-off area, with a gated entrance. The onsite landscaping will utilize drought tolerant planting, and decorative landscaping, and provide passive areas that include seating for the residents and their guests. There will be 18 standard and 4 accessible on-site vehicular parking spaces. The Project will provide a robust supportive and social services package to the residents in partnership with LifeSTEPS, with an emphasis on health and wellness.

As a part of RBD’s Notice of Interest and selection approved by the City and Authority, and thereafter by State HCD and as an Award Letter Condition Precedent, Developer has submitted an application to the City for certain approvals that will comprise the land use entitlement for development of the Project on the Site (provided however, the City Council and Authority Board reserve all rights, judgment and discretion related thereto.) Further, the Project is subject to the California Environmental Quality Act, Public Resources Code Section 21000, *et seq.*, and the implementing Guidelines set forth at Title 14 California Code of Regulations Section 15000, *et seq.* (“CEQA”), and to the National Environmental Policy Act, 42 U.S.C. 4321, *et seq.* (“NEPA”), which studies and findings will be part of the land use entitlement, when considered by the City and Authority.

If and after Developer receives a reservation of Tax Credits, the City, Housing Authority, and Developer will negotiate and implement the Project under an Affordable Housing Agreement (“AHA”) by which Developer will acquire the Site from the City and develop and operate the Project to be maintained and managed in accordance with the AHA and other implementing instruments for an “Affordability Period” of not less than 55 years. The AHA will append a MoVal Regulatory Agreement that will be recorded against the Site as a senior encumbrance, nonsubordinate to monetary liens to preserve the development and operation of affordable housing for the 55-year Affordability Period.

The proposed sale of the Site by the City and development and operation of the Project will further the goals and objectives set forth in the City's Housing Element of the General Plan, will achieve additional covenanted housing units to satisfy in part the City's Regional Housing Needs Assessment obligation and allocation, and will implement state law for continued development of affordable housing in the community.

## **ALTERNATIVES**

**Alternative 1:** Approve and adopt resolutions, respectively, by which the City Council and Housing Authority approve the Preliminary Award Letter and its implementation through sale of the Site and development of the Project; the resolutions authorize the City Manager and Executive Director to execute project-related documents and carry out The Linwood Rose Affordable Housing Project. **Staff recommends this alternative as it will allow the City (and Housing Authority) to develop affordable housing on the Site.**

**Alternative 2:** Do not approve and adopt resolutions approving the Preliminary Award Letter, nor authorize the City Manager and Executive Director to execute and carry out the Project. **Staff does not recommend this alternative.**

## **FISCAL IMPACT**

As disclosed by the summary report including with this agenda report and pursuant to the Award Letter, the Developer will pay appraised fair market value for the Site (\$395,000 as of the date of this agenda report, with valuation to be updated at or near the Closing of Financing), when the City sells the Site. The purchase price for the Site may be paid by Developer by cash or through a carry-back, residual receipts loan, which loan also includes the additional financial subsidies described above as the MoVal Loan Amount. The MoVal Loan will be evidenced by a MoVal Note and secured by a MoVal Deed of Trust subordinate to the Developer's Primary Loan for construction and permanent financing, albeit the MoVal Regulatory Agreement will remain a senior, nonsubordinate encumbrance to preserve the use and operation of affordable housing.

## **NOTIFICATION**

The notice of this joint meeting has been posted and publicized pursuant to the Brown Act and City policies, including posting of the agenda for this joint public meeting of the City Council and Housing Authority.

## **PREPARATION OF STAFF REPORT**

Prepared By:  
Dena Heald  
Deputy Compliance Director

Department Head Approval:  
Brian Mohan  
Assistant City Manager (Administration)

## **CITY COUNCIL GOALS**

None

## **CITY COUNCIL STRATEGIC PRIORITIES**

1. Economic Development
2. Public Safety
3. Library
4. Infrastructure
5. Beautification, Community Engagement, and Quality of Life
6. Youth Programs

## **ATTACHMENTS**

To view large attachments, please click your “bookmarks”  on the left hand side of this document for the necessary attachment.

1. Site Location - Assessor Map for APNs 481-130-022 and 481-130-023
2. Resolution 2023-XX\_City Council
3. Resolution HA 2023-xx\_Housing Authority

## **APPROVALS**

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|-------------------------|-------------------|-------------------|
| Budget Officer Approval | <u>✓ Approved</u> | 11/13/23 9:51 AM  |
| City Attorney Approval  | <u>✓ Approved</u> |                   |
| City Manager Approval   | <u>✓ Approved</u> | 11/13/23 10:07 AM |