



# Council Meeting Agenda

SPECIAL MEETING  
MARCH 14, 2012  
COUNCIL CHAMBERS ~ 2:30 p.m.  
201 N. Broadway, Escondido, CA 92025

MAYOR	<b>Sam Abed</b>
MAYOR PRO TEM	<b>Marie Waldron</b>
COUNCIL MEMBERS	<b>Olga Diaz</b> <b>Ed Gallo</b> <b>Michael Morasco</b>
CITY MANAGER	<b>Clay Phillips</b>
CITY CLERK	<b>Diane Halverson</b>
CITY ATTORNEY	<b>Jeffrey Epp</b>
DIRECTOR OF COMMUNITY DEVELOPMENT	<b>Barbara Redlitz</b>
DIRECTOR OF ENGINEERING SERVICES	<b>Ed Domingue</b>



# Council Meeting Agenda

**March 14, 2012  
Special Meeting**

**2:30 p.m.  
Escondido City Council**

## CALL TO ORDER

**ROLL CALL:** Diaz, Gallo, Morasco, Waldron, Abed

## ORAL COMMUNICATIONS

The public may address the Council on any item that is not on the agenda and that is within the subject matter jurisdiction of the legislative body. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. (Please refer to the back page of the agenda for instructions.)

## CURRENT BUSINESS

1. **EL NORTE APARTMENTS** – Request Council confirm previous Council actions in support of the El Norte Apartments development including the commitment of up to \$1,000,000 in HOME funds, \$200,000 in NSP funds and the refinancing of \$477,111 in Affordable Housing Funds.

Staff Recommendation: Approval (**Housing Division: Jerry Van Leeuwen**)

## ADJOURNMENT

## TO ADDRESS THE COUNCIL

The public may address the City Council on any agenda item. Please complete a Speaker's form and give it to the City Clerk. Comments are generally limited to 3 minutes.

If you wish to speak concerning an item *not* on the agenda, you may do so under "Oral Communications." Please complete a Speaker's form as noted above.

Handouts for the City Council should be given to the City Clerk. To address the Council, use the podium in the center of the Chambers, STATE YOUR NAME FOR THE RECORD and speak directly into the microphone.

## AGENDA, STAFF REPORTS AND BACK-UP MATERIALS ARE AVAILABLE:

- Online at <http://www.ci.escondido.ca.us/government/agendas/PublishedMeetings.htm>
- In the City Clerk's Office at City Hall
- In the Library (239 S. Kalmia) during regular business hours and
- Placed in the Council Chambers (See: City Clerk/Minutes Clerk) immediately before and during the Council meeting.

**AVAILABILITY OF SUPPLEMENTAL MATERIALS AFTER AGENDA POSTING:** Any supplemental writings or documents provided to the City Council regarding any item on this agenda will be made available for public inspection in the City Clerk's Office located at 201 N. Broadway during normal business hours, or in the Council Chambers while the meeting is in session.

## LIVE BROADCAST

Council meetings are broadcast live on Cox Cable Channel 19 and U-verse Channel 99 – Escondido Gov TV. They can also be viewed the following Sunday and Monday evenings at 6:00 p.m. on those same channels. The Council meetings are also available live via the Internet by accessing the City's website at [www.escondido.org](http://www.escondido.org), and selecting: City Council/broadcasts of City Council Meetings/live video streaming.

**Please turn off all cellular phones and pagers while the meeting is in session.**

**The City Council is scheduled to meet the first four Wednesdays of the month at 3:30 in Closed Session and 4:30 in Open Session.**

*(Verify schedule with City Clerk's Office)*

**Members of the Council also sit as the Community Development Commission and the Mobilehome Rent Review Board.**

**CITY HALL HOURS OF OPERATION  
Monday-Thursday 7:30 a.m. to 5:30 p.m.**



*If you need special assistance to participate in this meeting, please contact our ADA Coordinator at 839-4641. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility.*

*Listening devices are available for the hearing impaired – please see the City Clerk.*

# CITY COUNCIL

For City Clerk's Use:

APPROVED  DENIED

Reso No. \_\_\_\_\_ File No. \_\_\_\_\_

Ord No. \_\_\_\_\_

**Agenda Item No.: 1**

**Date: March 14, 2012**

**TO:** Honorable Mayor and Members of the City Council  
**FROM:** Jerry Van Leeuwen, Director of Community Services  
**SUBJECT:** El Norte Apartments

RECOMMENDATION:

Staff recommends confirming previous Council actions in support of the El Norte Apartments development including the commitment of up to \$1,000,000 in HOME funds, \$200,000 in NSP funds and the refinancing of \$477,111 in Affordable Housing Funds.

FISCAL ANALYSIS:

There will be no impact on the General Fund. HOME, HOME/CHDO, NSP and Set-Aside/Affordable Housing Funds are reserved for the development of affordable housing.

PROJECT DESCRIPTION:

Community HousingWork's El Norte Apartments, a multi-family rental development, will provide 36 housing units with an equal mix of 1-bedroom, 2-bedroom and 3-bedroom units at the intersection of Broadway and El Norte Parkway. Once completed, the units will be rented to families and individuals with household incomes that are at or below sixty percent (60%) of San Diego Area Median Income (currently \$48,180). The development will be regulated by requirements set forth in the City's loan documents restricting affordability per State and Federal regulations. These regulations will govern the funds allocated and applied to the property acquisition and development activities.

The El Norte Apartments development will remove blighted properties from a gateway location in the City and addresses many of the City of Escondido's Housing Priorities including that it:

- Expands the supply of affordable rental housing.
- Promotes neighborhood stability by increasing the length of tenure of renter households.
- Increases the supply of well-designed multi-family units.
- Expands the supply of 3-bedroom units for families.

PROJECT HISTORY:

**Original El Norte Apartments subsidy structuring**

On April 28, 2010, the City of Escondido and the City's former redevelopment agency, the Community Development Commission of the City of Escondido ("CDC"), authorized staff to utilize the Request for Proposal process for the creation and preservation of affordable housing.

On June 9, 2010, City directed staff to pursue further discussions with Community HousingWorks ("CHW") relative to the potential development of affordable housing units to be located at 141, 211 and 221 El Norte Parkway in conjunction with a City-owned lot purchased with Neighborhood Stabilization Program ("NSP") funds in December 2009. NSP monies were allocated through the State of California as part of the federal Housing and Economic Recovery Act of 2008 ("HERA").

On August 18, 2010, City adopted Resolution No 2010-136 approving the grant of the City-owned parcel at 1282 N Broadway (purchased with NSP funds) to CHW for subsequent redevelopment in exchange for long-term affordability covenants and Resolution No CDC 2010-10 authorizing an Exclusive Negotiating Agreement ("ENA") with CHW for the redevelopment of four residential parcels located at Broadway and El Norte Parkway for affordable housing purposes and the encumbrance of available Housing Fund funds in an amount not to exceed \$500,000 for development costs.

On March 16, 2011, CDC adopted Resolution No CDC 2011-03 authorizing additional encumbrance of FY2011-12 and FY2012-13 Affordable Housing Set-Aside Funds in an amount not to exceed \$1,900,000 as leveraged financing to CHW. The land purchased with NSP funds and donated to the project transferred in April 2011.

Project Anticipated Sources and Uses (as of March 2011)

Permanent Financing Sources		Permanent Financing Uses	
City of Escondido Land Grant	\$250,000	Land Costs	\$1,294,400
City of Escondido CDC ENA loan	\$500,000	Off-sites & Site Development	\$1,890,157
City of Escondido CDC Gap financing	\$1,900,000	Residential Construction Cost	\$3,845,206
Permanent loan	\$1,050,000	Financing Costs	\$858,354
SHP	\$400,000	Reserves	\$66,651
Accrued Interest/Refunds	\$124,411	Local Permits & Fees	\$902,813
Tax Credit Equity	\$6,624,950	Design, Mgmt, Other	\$1,991,780
	\$10,849,361		\$10,849,361

On June 22, 2011, CDC adopted Resolution No CDC 2011-05R authorizing additional encumbrance of FY2011-12 Affordable Housing Set-Aside funds in an amount not to exceed \$500,000 as leveraged financing. This brought the total City financing to \$2,900,000 plus \$250,000 in land grant.

**Renegotiated El Norte Apartments subsidy structuring**

On June 28, 2011, the Governor signed AB1X 26 which required the dissolution of redevelopment agencies and AB1X 27 which provided a mechanism for the continued existence of the agencies if the sponsoring community participated in a Voluntary Alternative Redevelopment Program.

On October 5, 2011, City adopted Resolution No 2011-102 authorizing the use of \$200,000 in NSP funds as a substitution for previously authorized Affordable Housing Set-Aside funds.

On December 14, 2011, City adopted Resolution No 2011-154 authorizing an additional substitution of up to \$1,000,000 in Home Investment Partnerships ("HOME") Program funds for previously authorized Affordable Housing Set-Aside funds.

On December 29, 2011, the California Supreme Court upheld AB1X 26, and struck down AB1X 27, therefore eliminating Escondido's CDC and putting into jeopardy previously committed Affordable Housing Set-Aside funds.

On January 25, 2012, the City adopted Resolution No 2012-17, electing to establish the City of Escondido as the Successor Agency of the Community Development Commission of the City of Escondido. Funds available to the Successor Agency include the City of Escondido Affordable Housing Fund which may include funds as set forth in Section 33334.2 of the California Health and Safety Code and repayments of loans made from the City's Affordable Housing Set-Aside Fund.

The CDC commitment of \$2,400,000 in Affordable Housing Set-Aside Funds has been included in the EOPS and ROPS for the Successor Agency, anticipating that the Oversight Committee may recognize a portion of the previous obligation. In order to complete the development in a timely manner, CHW has agreed to proceed with the project with the funds currently available. This reduction in funds has resulted in some value engineering and the deferral of a large percentage of the project developer fee. City continues to subsidize the Project with three loans:

1. The "NSP Loan" in an amount of \$200,000;
2. The "HOME Loan" the principal sum which shall be determined at a later date, not to exceed \$1,000,000; and

3. The "Housing Fund Loan" the principal sum which shall be determined at a later date, not to exceed \$1,000,000.
  - a. Payment of the promissory note pursuant to the ENA, both principal and accrued interest, was deferred during the term of the ENA for the Project between the CDC and CHW dated September 1, 2010. At the time of the termination of the ENA, Loan shall be (i) due and payable in full, or (ii) refinanced to a Housing Fund Residual Receipts Loan, as contemplated in the ENA.
  - b. The Housing Fund Loan shall refinance the ENA loan (\$477,111). ENA funds have already been disbursed to CHW.
  - c. If additional funds are made available (through recognition of the CDC commitment by the Oversight Committee, repayments of old CDC notes or sale of City/CDC affordable housing assets) and authorized, up to \$522,889 may be substituted for HOME funds.
4. These three current City loans total \$1,677,111 (\$1,000,000 in HOME + \$200,000 in NSP + \$477,111 in refinanced Set-Aside/Housing Fund).
5. If any portion of the initial \$2,900,000 CDC commitment becomes available, staff will amend the City notes to reinstate these funds into the project.

Final Sources and Uses (as of February 2012)

Permanent Financing Sources		Permanent Financing Uses	
City of Escondido HOME Funds	\$1,000,000	Acquisition Costs	\$1,165,000
City of Escondido Housing Fund	\$477,111	Demo & Abatement	\$125,000
City of Escondido NSP Funds	\$200,000	Off-site Improvements	\$139,336
Permanent loan	\$1,170,000	Acquisition Loan Fee & Interest	\$61,800
AHP	\$350,000	Construction , GC, Prevailing Wage Monitor	\$5,602,369
GP Loan	\$462,889		
Solar Rebates	\$30,000	Construction Contingency	\$569,671
Deferred Developer Fee	\$606,469	Permits & Fees	\$883,913
Land Donation	\$250,000	Design, Mgmt, Other	\$1,908,971
Limited Partner Contribution (BETC)	\$31,101	Developer Fee	\$1,230,299
Limited Partners Contribution	\$7,108,789		
	<b>\$11,686,359</b>		<b>\$11,686,359</b>

AFFORDABILITY ANALYSIS:

Council/Community Development Commission has committed \$3,150,000 towards this \$11.7 million Project. The bulk of the initial commitment was \$2,900,000 in Affordable Housing Set-Aside funds. Through the project's ENA loan documents, \$500,000 of these funds have been disbursed to CHW. Land purchased with \$250,000 in NSP funds was granted to the Project. Use of these funds necessitates an accelerated development time line as the funds were authorized to help deal with the national housing crisis. Units assisted with NSP funds must be occupied by February 2013.

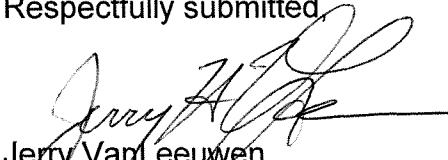
Due to uncertainty related to the Affordable Housing Set-Aside funds already committed to the Project, on September 14, 2011, Council authorized \$200,000 in NSP funds to replace a portion of the Affordable Housing Set-Aside funds committed to the El Norte Apartments. On December 14, 2011, Council authorized up to \$1,000,000 in HOME and HOME/CHDO funds to El Norte Apartments. The loan made under the ENA will be refinanced by a new Housing Funds loan.

CHW has received commitments from all other funding sources and the Project is ready to proceed. Leveraged funds include a commitment from the County of San Diego Continuum of Care Council to provide Supportive Housing Program (SHP) funds, a commitment from the Federal Home Loan Bank and commitments from Bank of America for 2011 Tax Credits. Demolition permits have been issued. Construction is scheduled to begin in March 2012 in order to meet the NSP construction deadlines.

CONCLUSION AND RECOMMENDATION:

Staff recommends confirming previous council actions in support of the El Norte Apartments development including the commitment of up to \$1,000,000 in HOME funds, \$200,000 in NSP funds and the refinancing of \$477,111 in Affordable Housing Funds.

Respectfully submitted



Jerry VanLeeuwen  
Director of Community Services