



**REPORT TO REDEVELOPMENT
AGENCY BOARD**

AGENDA ITEM

TO: REDEVELOPMENT AGENCY BOARD

DATE: March 17, 2009

SUBJECT: Authorization to Submit Application for Infill Infrastructure Grant to State Department of Housing and Community Development and Allocation of Redevelopment Bond Funds

Report in Brief

The development of mixed use projects that include retail and higher-density affordable housing are key elements to the revitalization of downtown areas and are consistent with smart growth principles. These projects are excellent candidates for State housing grants and an appropriate use of redevelopment agency funds. The City Center Lofts project meets such criteria. Recently, the developers of City Center Lofts met with staff to state that they are preparing to move the project forward. Given the challenging economic conditions for residential and mixed use projects and its favorable economic impact, staff has developed a strategy for attracting State housing funds that will provide public infrastructure improvements in order to improve the economic feasibility of City Center Lofts. This strategy includes the allocation of a portion of the Redevelopment Bond funds in association with an application for \$5 million in Proposition 1C funds and completion of the financing plan for the project.

Staff recommends that the Agency Board approve Agency Resolution No. _____ authorizing the following actions:

- a. Submission of an application to the California Housing and Community Development Department to participate in the Infill Infrastructure Grant Program (Proposition 1C) in response to the NOFA issued on January 30, 2009, which will request a funding allocation in the amount of \$5,000,000 for the City Center Lofts Capital Improvement Program;
- b. Allocate redevelopment bond funds, if the application for funding is approved and all financing is committed, in the amount of \$750,000 to the project, and amend the budget accordingly;

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- c. Use the Infill Infrastructure Grant Program funds, upon approval, for eligible activities in the manner presented in the application as approved by HCD and in accordance with program Guidelines; and
- d. Authorize the Executive Director to execute on behalf of the Woodland Redevelopment Agency the application, the Standard Agreement, and all other documents required by HCD for participation in the Infill Infrastructure Grant Program, and any amendments thereto.

Background

HCD has issued a Notice of Funding Availability (NOFA) for grants to assist in the new construction and rehabilitation of infrastructure that supports higher-density affordable and mixed-income housing in locations that have either been previously developed or are largely surrounded by development. The grant program is funded by the Proposition 1C bond approved by state voters in 2006.

Grants for qualifying infill projects can range generally from a minimum of \$500,000 to a maximum of \$20 million. Eligible activities that can be funded are water, sewer, storm drains or utility service improvements; street and road improvements; parking structures; sidewalk and streetscape improvements; and impact fees.

The City Center Lofts project proposed by CSI Engineering is an excellent candidate for this grant. It is located in an urbanized area, meaning that at least 75% of the perimeter around the project has been previously developed with urban uses. Also, it is on a site that is designated for mixed use or residential development and at least 15% of the housing units will be affordable to low-income households.

The project being submitted consists of 121 residential units with approximately 37,500 s.f of retail space on the ground floor fronting Main Street between Elm and Walnut streets. The development will also have one hundred units for supportive senior housing in the building fronting Court Street. Supportive senior housing typically has individual apartments for the residents with a shared common area and an option for prepared meals and organized activities. The project will provide for most of the parking in an underground parking structure. The project is expected to include an interior courtyard and outdoor restaurant seating.

This project is basically the same as the project submitted and approved last July by the Planning Commission. All major entitlement requirements have been met. The changes suggested now are a switch from ownership housing to rental housing (reflecting current housing market conditions) and the addition of fifty more residential units. The site layout and design remain the same. Since these are relatively minor changes, the project does not need to be resubmitted to the Planning Commission. Staff is supportive of these changes.

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Furthermore the Final Environmental Impact Report was completed, reviewed by all the designated entities, and approved in August 2008. Staff is currently checking to see if the changes being made now will require a more extensive review of the environmental impacts. At this point in time, staff is anticipating that the environmental impacts may actually be reduced because of fewer vehicle trips.

This project fits well with what the State is trying to encourage with its grant program. The application score is based on:

- Status of the environmental review
- Status of land use and compatibility with zoning
- Local support as evidenced by a letter from the local governing body
- Housing affordability
- Density of the development
- Access to transit
- Proximity to amenities (public parks, employment, retail centers, transit, schools, and social services), and
- Consistency with any regional plans (SACOG Blueprint Plan).

The application submitted for this project last year in 2008 was not successful. The evaluation from HCD said the application was weak in the following areas:

- Completion of the environmental review process
- Completion of the land use entitlement process
- Funding commitments to the developer
- Evidence of matching funds from the local government
- Distance from a major transit hub or transit station
- Amount of affordable housing

The project as now proposed is much stronger and should receive more points on the application. All final reviews have been completed, there is more affordable housing, there are commitments of funding for the project, and if approved as presented herein, there will be matching funds provided by the local government.

If awarded, the funds can be used for any reasonable and necessary costs of a Capital Improvement Project required as a condition of approval of the local jurisdiction in connection with its approval of the entitlements. The capital improvements required by the City of Woodland for this project include the following public infrastructure:

- Construction of water, sewer and storm drains
- Fire hydrants
- Installation of 24 new street lights
- Water backflow prevention devices and water meters
- New utility poles

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- Landscaping and automatic irrigations systems
- Reconstructing Main Street frontage between Elm and Walnut Street
- Installing 940 lineal feet of new curb gutter, and sidewalk with required design elements such as exposed aggregate band, curb bulb-outs, historic lights and tree planters
- Constructing new ADA ramps
- Curb culverts at each intersection
- Modification of traffic signals and construction of new traffic signal
- Installing new water service to all the adjacent properties
- Construction of a new sewer manhole
- Undergrounding all electrical wires
- Construction of an underground parking garage

Discussion

This project as originally proposed could not proceed largely because of the change in economic conditions and the housing market. However, the original developers aggressively sought new investors and partners to assist the project. As a result, they are now working with Suneet Singal of Surprise Development. The company has four multifamily projects totaling over 1,600 units, four assisted living projects with over 500 units, four significant commercial retail projects, three mini-storage projects and a light industrial park under development. More multifamily, assisted living, senior housing, and mini-storage projects are under negotiation. Surprise Development has significant experience with similar projects in Bakersfield, Sacramento (9th and Bradshaw), and Redwood City (Brewster Road). One of Mr. Singal's strengths is his experience using other funding sources. For this project, he has received a letter of commitment from Wells Fargo Bank for a \$28.6 million loan combined with mortgage insurance guaranteed under the HUD 221 program. The total project costs, including required public infrastructure improvements, development impact fees and construction of the buildings is \$65 million. Mr. Signal is in the process of securing the additional capital for this project.

The developers estimated that the cost of the infrastructure improvements listed above with the inclusion of the underground parking garage is \$ 16,500,000. However, according to HCD guidelines, this project only scores high enough with the affordability and density calculations to be eligible for up to a \$5 million grant. To further assist this important project, staff recommends that \$750,000 redevelopment bond funds be allocated to this project, contingent on the award of the \$5 million grant and the financing package is secured. The redevelopment contribution is based on the grant criteria that favor allocation of local funds equal to 15% of the grant amount.

The completion of City Center Lofts will reinvigorate the downtown core with new residents and new commercial uses. Because it will be the first development of its type in Woodland, this project faces obstacles not normally encountered by other projects such as the need for underground parking. Therefore any financial assistance that can be obtained will contribute to its success. The improvements will support the final development of this mixed-use project and upgrade the infrastructure in Downtown Woodland to support other projects that may be proposed in the future.

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This project fulfills the goals identified in the General Plan, the Downtown Specific Plan, and the Redevelopment Agency Implementation Plan 2005-2009. It was also listed as one of the potential projects that would be financed by the redevelopment bond that was issued in 2007. Once built, it is expected that this will be a catalyst for development elsewhere downtown. Up to fifty new jobs will be created and new residents will provide the energy and vitality needed to increase the customer base of the existing downtown businesses as well as attract new ones.

Fiscal Impact

Once built, this project will substantially increase the amount of tax increment, and sales tax that the City will receive. It is estimated that the project will generate approximately \$250,000 annually in tax increment to the Redevelopment Agency, based on after-construction assessed value. The retail space could generate about \$40,000 per year in sales tax to the City. During construction, the developer will pay approximately \$ 5-8 million in impact fees and building permit fees.

If this grant is approved and all financing for the project is secured, the Agency will receive the funds and enter into an agreement with the developer under terms that will be reviewed and approved by the Agency Board. Upon approval, \$750,000 in redevelopment bond funds will be allocated to the project and the Redevelopment Agency budget amended accordingly.

Public Contact

The public has reviewed this project through the environmental impact report process and through meetings of the Planning Commission. It has also been presented to a Chamber of Commerce subcommittee as well as its Board. It was also discussed at a meeting with downtown business owners and with the Historic Preservation Commission. Information about this item has also been made available through the posting of the City Council/Redevelopment Board agenda.

Alternative Courses of Action

1. Approve Agency Resolution No. _____ authorizing the following actions:
 - a. Submission of an application to the California Housing and Community Development Department to participate in the Infill Infrastructure Grant Program (Proposition 1C) in response to the NOFA issued on January 30, 2009, which will request a funding allocation in the amount of \$5,000,000 for the City Center Lofts Capital Improvement Program;
 - b. Allocate redevelopment bond funds, if the application for funding is approved and all financing is committed, in the amount of \$750,000 to the project, and amend the budget accordingly;

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- c. Use the Infill Infrastructure Grant Program funds, upon approval, for eligible activities in the manner presented in the application as approved by HCD and in accordance with program Guidelines; and
 - d. Authorize the Executive Director to execute on behalf of the Woodland Redevelopment Agency the application, the Standard Agreement, and all other documents required by HCD for participation in the Infill Infrastructure Grant Program, and any amendments thereto.
2. Cease further consideration of the submittal of the application or allocation of redevelopment bond funds.

Recommendation for Action

Staff recommends that the Agency Board approve Alternative No. 1.

Prepared by: Cynthia Shallit
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP
Assistant City Manager

Mark G. Deven
Executive Director

Attachment: Proposition 1C Application Resolution

AGENCY RESOLUTION NO. _____

HEREBY AUTHORIZES THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE INFILL INFRASTRUCTURE GRANT PROGRAM; THE EXECUTION OF A STANDARD AGREEMENT IF SELECTED FOR SUCH FUNDING AND ANY AMENDMENTS THERETO; ALLOCATION OF REDEVELOPMENT FUNDS; AND ANY RELATED DOCUMENTS NECESSARY TO PARTICIPATE IN THE INFILL INFRASTRUCTURE GRANT PROGRAM.

WHEREAS, the Woodland Redevelopment Agency, a Redevelopment Agency, wishes to apply for and receive an allocation of funds through the Infill Infrastructure Grant Program; and

WHEREAS, The California Department of Housing and Community Development (hereinafter referred to as "HCD") has issued a Notice of Funding Availability ("NOFA") for the Infill Infrastructure Grant Program established under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) pursuant to the Infill Infrastructure Grant Program established Part 12 of Division 31 of the Health and Safety Code, commencing with Section 53545.12. Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature, subject to the terms and conditions of the statute and the Infill Infrastructure Grant Program Guidelines implemented JANUARY 30, 2009; and

WHEREAS, Woodland Redevelopment Agency wishes to submit an application to obtain from HCD an allocation of the Infill Infrastructure Grant Program funds in the amount of \$5,000,000.

NOW THEREFORE BE IT RESOLVED THAT

1) Woodland Redevelopment Agency shall submit to HCD an application to participate in the Infill Infrastructure Grant Program in response to the NOFA issued on January 30, 2009 which will request a funding allocation in the amount of \$5,000,000 for the following activities:

Infrastructure improvements necessary for the construction of the City Center Lofts, mixed use project, including, but not limited to, off-site streetscape, curb, gutter, and sidewalk improvements, water, sewer, storm drain, and utility upgrades, and new streetlights.

2) If the application for funding is approved, the Woodland Redevelopment Agency hereby agrees to use the Infill Infrastructure Grant Program funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program Guidelines cited above. It also may execute any

and all other instruments necessary or required by HCD for participation in the Infill Infrastructure Grant Program.

3) If the application for funding is approved and project financing is committed, redevelopment bond funds in the amount of \$750,000 will be allocated to the project and the Redevelopment Agency budget amended accordingly.

4) Woodland Redevelopment Agency authorizes The Executive Director to execute in the name of the Woodland Redevelopment Agency the application, the Standard Agreement, and all other documents required by HCD for participation in the Infill Infrastructure Grant Program, and any amendments thereto.

The undersigned Secretary of the Woodland Redevelopment Agency there before names does hereby attest and certify that the foregoing is true and full copy of a resolution of the Governing Board adopted at a duly convened meeting on the date above-mentioned, which has not been altered, amended or repealed.

HEREBY CERTIFY THAT the foregoing resolution was duly and regularly adopted by the Redevelopment Agency of the City of Woodland, County of Yolo, State of California on the 17 day of March, 2009 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marlin H. (Skip) Davies, President

ATTEST: _____
Sue Vannucci, Secretary

APPROVE AS TO FORM: _____
Agency Counsel