



# City of Woodland

## REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR  
AND CITY COUNCIL

DATE: April 21, 2009

SUBJECT: Rochdale Grange MPFP and SLIF Fee Deferral

### **Report in Brief**

Rochdale Grange is a 44 unit very-low income affordable rental apartment complex in the Spring Lake Central Map. This project was brought forward by Reynen and Bardis as a way to fulfill part of the inclusionary housing requirement that was created by their project. Under the City's policies, developers of an affordable housing project can request a full deferral of Development Impact (MPFP) and Spring Lake Infrastructure Fund (SLIF) fees. This deferral assists in making the project feasible as these fees do not need to be financed during the construction of the project.

Staff recommends that the City Council approve Resolution No. \_\_\_\_ authorizing the deferral of MPFP and SLIF fees of approximately \$1,800,000 until Certificate of Occupancy for the Rochdale Grange project contingent on commitment from IndyMac Bank and/or their representatives to provide fee credits up to \$810,128 to fill any financing gap. This commitment needs to be in a form acceptable to the Assistant City Manager and approved by the City Attorney.

### **Background**

In early 2006, the City met with Reynen and Bardis (R&B) about their purchase of the Spring Lake Central Map. On this map, there were two multifamily sites that were required to provide affordable housing units at the low and very-low income levels. In an effort to make these sites feasible with a for-sale product, R&B requested that the City allow them to transfer the very-low income (VLI) units to a single site and accept that site under the Land Dedication provisions of the Spring Lake Affordable Housing Plan. The City was not supportive of a land dedication, but did commit to aid R&B in securing grant funds as needed to help fund the construction of the VLI units. However the responsibility to build the 44VLI Units is solely R&B's. R&B can not build the other 215 units of market rate housing unless the VLIs are built. R&B entered into an agreement with Neighborhood Partners, an affordable housing developer, to construct the project on the site.

In August of 2006, the City applied for HOME funds through the California State Department of Housing and Community Development. The application was successful and the City received \$4 million for this project. Since that point, Neighborhood Partners have managed to secure funding commitments from the California Tax Credit Allocation Committee, California Debt Limit

Allocation Committee, Multifamily Housing Program, and the Affordable Housing Program. There is still a gap, the extent of which will not be known until the bids for the project have been fully reviewed. There has been a conditional commitment from the bank to fulfill this gap.

As discussed above, the master developer for this project was Reynen and Bardis. R&B secured financing for the entire map from IndyMac Bank. Both of these entities have had issues with remaining solvent. The Yolo Superior Court has appointed a receiver to manage the asset and make decisions about the best course of action. Part of the asset includes fee credits that can be applied to fill the gap in the Rochdale Grange Project. In discussions with the receiver, staff has learned that a fee deferral action by the City Council would make the receiver more confident in investing the fee credits. If the fee credits are due only when the project is completed, the receiver has reassurance that the fee credits will not be lost in the unlikely event construction is not completed. *Staff would request that this deferral is only granted if IndyMac, the receiver or their designee commits to fulfilling any remaining gap.*

### **Discussion**

In considering this action, it is important to note that the City specifically identified affordable units in the Spring Lake Specific Plan and Spring Lake Affordable Housing Plan. By ensuring that this project moves forward, it will improve the feasibility of developing the market rate units for the Spring Lake Central. If this project moves forward the City can anticipate Development Impact Fees for the MPFP and SLIF of approximately \$1,800,000 by December of 2010. The deferral will also encourage continued building in Spring Lake which would have a positive impact on the current residents, future residents, and developers. Continuation of development activity in Spring Lake will help generate the momentum necessary to recover from the current recession.

As the City Council is aware, the City now allows partial fee deferrals for market rate units in Spring Lake until the units are completed. In the case of affordable housing units, implementation of up to 100% fee deferral needs the City Council's specific approval. Deferral of the fees for affordable units provides a way for the City to support development without having to add any additional subsidy to the project. This will save the project significant amounts in financing costs as the fees do not need to be paid from the construction loan which are at higher interest rates than the permanent financing sources that will pay these fees if the deferral is granted. For the Rochdale Grange Project, the proposed deferral means that Neighborhood Partners will be able to preserve the over \$12 million of funding that has been secured to date.

The proposed fee deferral will be contingent on the Spring Lake Central developer, Reynen and Bardis or the receiver and/or IndyMac Bank, providing fee credits of up to \$810,128 to fill any financing gap. As stated previously herein, the extent of the financing gap will not be determined until the bids for this project have been fully reviewed. This analysis is expected to be completed in July of 2009. This commitment needs to be in a form acceptable to the Assistant City Manager and approved by the City Attorney.

With the economy in the state that it is, Rochdale Grange has had trouble securing an investor for their allocation of tax-credits. This is not isolated just to this project. To help move these stalled tax-credit projects, the California Tax Credit Allocation Committee (TCAC) is taking part of their 2009 tax-credit allocation from the Federal Government as cash so they can make direct grants to projects that are having difficulty finding investors. Projects that are “shovel ready” have a better chance of receiving these funds. A fee deferral can be counted as a funding source in the construction budget. By granting this deferral, Rochdale Grange should score higher. If the project receives this grant, it would be the last source of funding needed to begin construction. Rochdale Grange’s grant application is due approximately June 1.

### **Fiscal Impact**

If the developers are not granted this deferral, it could result in the project not moving forward at this time. Delay of the project could result in the delay of up to \$1,800,000 in Development Impact and SLIF fees. As the Council is aware, development impact fees are critical for the City to meet debt service and expenditure obligations associated with the City’s capital improvement program. If this deferral is approved, it is anticipated that these fees would be paid by December of 2010 at the latest. If the project is not completed by the end of 2010, there is a distinct possibility that HCD could disencumber the City’s \$4 million HOME Grant. If this grant is disencumbered, then the City’s future HOME applications could be less competitive due to lack of performance. This would include \$50,000 of funds dedicated to Redevelopment and Housing staff that the City will receive for administration of the grant.

### **Public Contact**

Discussions with the developers and posting of the City Council agenda.

### **Alternative Courses of Action**

1. Approve Resolution No. \_\_\_ authorizing the deferral of MPFP and SLIF fees of approximately \$1,800,000 until Certificate of Occupancy for the Rochdale Grange project contingent on commitment from IndyMac Bank and their representatives to provide fee credits up to \$810,128. This commitment needs to be in a form acceptable to the Assistant City Manager and approved by the City Attorney.
2. Cease further consideration of the deferral of MPFP and SLIF Fees for the Rochdale Grange project.

**Recommendation for Action**

Staff recommends that the City Council approve Alternative No. 1.

Prepared by: Jamie McLeod  
Associate Housing Analyst

Reviewed by: Cynthia Shallit  
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP  
Assistant City Manager

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Mark G. Deven  
City Manager

Attachment: Resolution Approving Rochdale Grange Fee Deferral

**RESOLUTION NO. \_\_\_\_\_**  
**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND**  
**TO APPROVE THE DEFERRAL OF MPFP AND SLIF FEES UNTIL**  
**CERTIFICATE OF OCCUPANCY FOR THE ROCHDALE GRANGE**  
**PROJECT CONTINGENT ON COMMITMENT FROM INDYMAC BANK**  
**AND/OR THEIR DESIGNEE.**

**WHEREAS**, Neighborhood Partners is building a 44-unit very-low income rental complex to meet the Inclusionary Housing Program Requirements for a portion of the Spring Lake Central Map; and

**WHEREAS**, there is a financing gap for the project; and

**WHEREAS**, the City has a policy to defer fees to facilitate the construction of affordable housing; and

**WHEREAS**, IndyMac Bank and their representatives have agreed to commit fee credits up to \$810,128 if the City grants this deferment;

**NOW, THEREFORE, BE IT RESOLVED**, the City Council hereby approves the deferral of approximately \$1,800,000 MPFP and SLIF fees until Certificate of Occupancy for the Rochdale Grange project contingent on commitment from IndyMac Bank and their representatives to commit fee credits up to \$810,128 to fill any financing gap. This commitment needs to be in a form acceptable to the Assistant City Manager and approved by the City Attorney.

**PASSED AND ADOPTED** this 21st day of April, 2009 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Marlin H. "Skip" Davies, Mayor

ATTEST:

\_\_\_\_\_  
Sue Vannucci, City Clerk

APPROVED AS TO FORM:

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Andrew Morris, City Attorney