



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: May 19, 2009

SUBJECT: Release of Request For Proposals for Affordable Housing Development

Report in Brief

In the past, the City of Woodland has taken a “reactive” approach towards the development of affordable housing. Staff would like to take a “proactive” approach by soliciting developers for potential projects in preparation of a *possible* 2009 HOME funding round.

Staff recommends that the City Council approve Resolution No. ____ authorizing the release of a Request For Proposals (RFP) for Affordable Housing development, allowing the formation of a selection committee to review the proposals, authorizing the City Manager to sign any needed documents to implement the decision, and amending the budget as needed to receive grant funds.

Background

In the past, the City has taken a very “reactive” approach to its affordable housing rental program. Developers approached the City with potential projects and they were evaluated on their merits at that time. Although this approach did result in the construction of Sycamore Point Apartments, Terracina at Spring Lake Family Apartments, Fair Plaza Senior Apartments and the in-process project of Rochdale Grange, this process has been driven by irregular, sporadic and chance requests. Though the projects require substantial amounts of staff time and sometimes City financial assistance, the projects are not necessarily the best project or the highest priority for the City. Staff has felt that many of these projects could have been improved if there were competition for the limited amount of local, state and federal funds.

In addition, over the last 12 months, staff has had a noticeable increase in calls from developers soliciting City assistance for projects. The RFP process will allow the City to fairly assess these potential projects and prioritize them in a manner that provides the greatest impact and benefit.

Discussion

The RFP process allows the City to solicit for projects based on set criteria that is developed internally. It also allows for the City to do an in-depth assessment on these potential projects and pick the project that will provide the City with the greatest impact. This proactive approach also allows the City to have greater input on the type of housing, location, affordability levels, and whether or not it will be new construction or acquisition/rehabilitation project, and materials and design. In addition, when there is a competition, staff has found that it leads to a higher caliber of proposals. Developers tend to be more creative in projects and the financing structures when they are being compared to others. The RFP could also lay out a “road map” of potential projects to assist over the next few years. Staff can analyze the responses, and rank them on established criteria (e.g. acquisition/rehabilitation versus new construction), and then work on the list of preferable projects as funding comes available.

In addition, the RFP will allow the City to target sites and/or types of projects where they would like particularly to focus. Points could be awarded for projects that meet greater City need. Based on discussion with the Council, city management, and other departments, staff has developed a list of potential sites that could be identified in the RFP. The RFP will also identify the criteria for the project in terms of the site, density, acreage, total project cost, and amount of any requested subsidy.

Developer selection criteria also would include past development experience, experience with various funding sources, demonstrated financial feasibility if their preferred project site is selected, current workload, ability to finish a Woodland project site in a timely manner, references and financial capability.

The City could also identify incentives that can be offered to make the project more feasible. These incentives could include the HOME application for 2009; deferral of development impact fees until project completion; granting of a density bonus; an application for 9% or 4% tax credits; Mortgage Revenue Bonds; Energy Efficiency or Energy Tax Credits; and financial assistance from the Spring Lake Offsite Affordable Housing Fee. The last incentive is a fee that is paid on all market rate building permits in Spring Lake to meet the Specific Plan’s affordable housing requirements.

One caveat that should be mentioned is that the City is currently not eligible to apply for HOME funds due to missed deadlines on the Rochdale Grange project. Due to the current economic climate, many cities had projects that missed these deadlines as well. The State is looking at changing the regulations of the programs to *potentially* allow some of these cities to apply for HOME funds in 2009. City staff has had discussions with the State HOME Program representatives for a review the City’s eligibility for the program if this regulation change is approved. It is in anticipation of this regulation change happening, that staff would like to position a project in time for the August 15, 2009 application deadline.

Timing for issuance of an RFP is critical because the selected developer must prepare market studies, site environmental analyses (Phase I’s) preliminary title reports, and some design work. Staff anticipates the following time line if the Council approves the actions described herein:

- Release RFP May 20
- Proposals due June 1
- Review responses June 1-5
- Select Project June 6
- Submit HOME application to HCD August 15

It is recommended that the selection committee be comprised of:

- City Council representative or designee
- City Manager or his designee
- Affordable housing development expert from another jurisdiction
- RDA Manager
- Housing and Redevelopment staff member

The Council would select the project that is chosen when the HOME application is brought forward. Staff will also keep the Council informed of the progress of the RFP through the Council Weekly Newsletter that is distributed every Friday by the City Manager. Staff could also provide updates to the Affordable Housing Subcommittee.

Fiscal Impact

Development of a new affordable housing project could have a significant positive impact on the City. Based on the size of the approved project, it could create a new source of property tax revenue. All new affordable projects in the City of Woodland that request a Welfare Tax Exemption have to enter into a Payment In Lieu Of Tax (PILOT) Agreement. The PILOT Agreement assures that the City receives a payment from the project equal to the amount of property tax payment that the City would have received if this exemption had not been granted.

An award of HOME funds would create an additional \$4 million investment in the City. HOME grants come with \$50,000 in administrative funds that are paid to the City for processing the project through application, financing, project management and the HOME required long-term monitoring. These funds will pay Housing and Redevelopment staffing costs that would otherwise come from the General Fund.

It is not known at this time how much money the project would generate in development impact fees; however, using 100 units as an example, the City would see approximately \$1.5 million dollars in Development Impact Fees. If approved, it is anticipated that this project could begin by the fall of 2010.

Public Contact

Posting of the City Council agenda.

Council Committee Recommendation

The proposed process described herein has been favorably reviewed by the Affordable Housing Subcommittee.

Alternative Courses of Action

1. Approve Resolution No. ___ authorizing the release of a Request For Proposals for Affordable Housing development, allowing the formation of a selection committee to review the proposals, authorizing the City Manager to sign any needed documents to implement the decision, and amending the budget as needed to receive grant funds.
2. Cease further consideration of the issuance of a RFP for Affordable Housing development.

Recommendation for Action

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

Prepared by: Jamie McLeod
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Reviewed by: Cynthia Shallit
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP
Assistant City Manager

Mark G. Deven
City Manager

Attachment: Resolution Approving the Release of a Request for Proposals

RESOLUTION NO. _____
RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WOODLAND
TO APPROVE THE RELEASE OF A REQUEST FOR PROPOSALS (RFP)
FOR AFFORDABLE HOUSING PROJECTS

WHEREAS, the City has been very successful in the creation of affordable rental housing; and

WHEREAS, in the past the City has taken a more passive role in evaluating projects; and

WHEREAS, staff has had many inquiries from potential developers about affordable rental projects in the City, and

WHEREAS, staff feels this approach will give the City a higher caliber of projects;

NOW, THEREFORE, BE IT RESOLVED, the City Council hereby approves authorizing the release of a Request For Proposals (RFP) for Affordable Housing development, allowing the formation of a selection committee to review the proposals, authorizing the City Manager to sign any needed documents to implement the decision, and amending the budget as needed to receive grant funds.

PASSED AND ADOPTED this 19th day of May, 2009 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marlin H. "Skip" Davies, Mayor

ATTEST:

Sue Vannucci, City Clerk

APPROVED AS TO FORM:

Andrew Morris, City Attorney