



**REPORT TO REDEVELOPMENT AGENCY
BOARD**

AGENDA ITEM

TO: REDEVELOPMENT AGENCY BOARD

DATE: July 21, 2009

SUBJECT: Rochdale Grange Owner Participation Agreement

Report in Brief

In 2006, the City applied for and received a grant of HOME funds for the Rochdale Grange project. This project fulfilled a portion of the Inclusionary Housing Requirement for the Spring Lake Central Map that was being developed by Reynen and Bardis. As part of the execution of the grant, the Agency has had to and is expecting to expend tax increment funds to facilitate grant administration.

Staff recommends that the Agency Board approve Resolution No. _____ authorizing the Executive Director to execute an Owner Participation Agreement (OPA) between the Agency and Neighborhood Partners to ensure payment of Agency expenditures for the construction of the Rochdale Grange project as described herein.

Background

In 2006, the City applied for HOME funds on behalf of Neighborhood Partners, a Davis affordable housing developer, and Reynen and Bardis (R&B), a developer of housing in Spring Lake. The HOME grant would allow Neighborhood Partners to develop a 44-unit very-low income rental-housing complex to fulfill a portion of R&B's Inclusionary Housing Requirement imposed by the Spring Lake Specific Plan. The application was successful and the City was awarded \$ 4 million towards the project.

Under the HOME Program, the City was eligible to receive \$50,000 to reimburse for Agency staff time spent on this project. Generally, the allocation is made in the application, but due to an oversight by Neighborhood Partners, it was erroneously left out. In addition, due to elevated concerns about the project from HCD, the Agency has been requested to hire outside consultants to prepare the Environmental Assessment (EA), prepare the necessary documents to finish the setup and close out of the grant, as well as provide ongoing labor standards compliance oversight during construction. The work on the EA to date has cost \$4,000. Hiring an Administrative Subcontractor for the project setup and closeout is estimated to be approximately \$20,000. The labor compliance consultant is estimated to be approximately \$30,000. The HCD representative has indicated she

wants consultants with more specialized experience than City staff to work on these particular aspects of the project.

Neighborhood Partners, the developers of this project, as well as the receiver for R&B and Indymac Bank, the lender on the entire Spring Lake Central Project, support funding these specialized services in order to keep the project moving forward and preserve the HOME funding provided by HCD.

Discussion

The use of an OPA is common in many redevelopment projects. The OPA is a document that allows the Redevelopment Agency to receive reimbursement for funds expended to support a project under agreed upon terms and conditions. The security for the reimbursement or loan is typically a lien on the property in the form of a Deed of Trust. By placing a lien on the property, the Agency can call the loan in default if the terms of the agreement are not met. Moreover, it ensures that the loan amount will be reimbursed fully. Essentially, the OPA will allow the Agency to provide a short-term loan that will be paid in full at permanent financing, which is expected by January 2011.

Using established consultants who have done many of the tasks HCD requires to begin the project will help to expedite the process of getting the project to construction. HCD staff has indicated that they will scrutinize the submissions less if the documents are prepared by experts who have worked closely with HCD in the past. Although this will add a little more to the cost of the project, the costs could be made up if the project can get to construction this year. In addition, due to lower than expected construction costs, these additional items can be absorbed by the project budget with minimal concern about further funding. On April 21, 2009, the City Council did grant a fee deferral on this project that was contingent on a dedication of Spring Lake Infrastructure Fund Fee Credits if the project has a funding gap. Indymac Bank and the receiver for the bank understand the need for hiring these consultants to move the project forward and do not object to a fee credit dedication if necessary to repay the loan.

The resolution presented for the Agency Board's approval will formalize the terms and conditions of the OPA described herein. The costs that will be reimbursed are already included in the Housing program's FY 10 budget and would normally be expended on an inclusionary housing project of this scale. The conditions associated with the OPA will insure that the Agency's expenses are fully reimbursed.

Fiscal Impact

Redevelopment/Housing staff are currently paid out of the Redevelopment Housing Set-Aside fund for staff time spent on this project, which will be replenished when the \$50,000 becomes available. The Agency has already expended the \$4,000 out of Housing Set-Aside funds for the consultant to prepare the EA and will pay \$30,000 for the labor standards compliance specialist. The only remaining expense would be the hiring of the Administrative Subcontractor, which is estimated to be

\$15,000-\$20,000. There will also be a one-time charge for the first year PILOT fee (Payment in Lieu of Property Taxes) of about \$15,000. Future PILOT fees will be paid out of residual receipts.

The final terms will be negotiated with Neighborhood Partners; however, staff is proposing a \$100,000 loan at an interest rate of 3% compounded interest, due and payable when permanent financing is secured, or in twelve months, whichever occurs first. As started previously, these costs are already included in the FY 10 Housing budget and will not place an additional burden on the Housing program. There is no impact on the General Fund.

Public Contact

Posting of the Council/Agency Agenda

Alternative Courses of Action

1. Approve Resolution No. _____ authorizing the Executive Director to execute an Owner Participation Agreement (OPA) between the Agency and Neighborhood Partners to ensure payment of Agency expenditures for the construction of the Rochdale Grange project as described herein.
2. Do not approve the execution of an OPA

Recommendation for Action

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

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Redevelopment/Housing
Analyst II

Reviewed by: Cynthia Shallit
Redevelopment Manager

Reviewed by: Barry Munowitch, AICP
Deputy Director

Mark G. Deven
Executive Director
Attachment: Redevelopment Agency resolution

RESOLUTION NO. _____
RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF
WOODLAND
TO APPROVE THE EXECUTION OF AN OWNER PARTICIPATION
AGREEMENT FOR THE ROCHDALE GRANGE PROJECT

WHEREAS, the City applied for and received a four million dollar HOME grant from HCD for the Rochdale Grange Project; and

WHEREAS, as part of the grant the Agency will be reimbursed for staff time that has been spent on the project; and

WHEREAS, HCD has requested that the Agency hire various consultants to expedite the project, and

WHEREAS, the Agency needs to implement an agreement with Neighborhood Partners to ensure that all Agency costs will be recovered;

NOW, THEREFORE, BE IT RESOLVED, the Redevelopment Agency Board Council hereby approves the execution of an Owner Participation Agreement between Neighborhood Partners and the Agency to ensure reimbursement of expenditures on the project.

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

AYES:

NOES:

ABSENT:

ABSTAIN:

Marlin H. "Skip" Davies, President

ATTEST:

Sue Vannucci, Secretary