STAFF REPORT

DATE:	January	19.	2016
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то:	City Council
FROM:	Danielle Foster, Housing & Human Services Superintendent Adrienne Heinig, Administrative Aide Kelly Stachowicz, Assistant City Manager
SUBJECT:	Pacifico Affordable Housing Rehabilitation

Recommendation

Adopt the attached resolution (Attachment 1), which does the following:

- directs staff to proceed with transferring ownership of 1752 Drew Circle to Yolo County Housing (YCH),
- provides a \$500,000 permanent loan to the project
- provides a \$220,000 short-term bridge loan until the County of Yolo can provide its affordable housing funds to the project, with a term not to exceed 18 months.

Fiscal Impact

Yolo County Housing is requesting a \$500,000 permanent loan and a \$220,000 short-term bridge loan from the City of Davis. Staff is recommending that this \$720,000 in funding come from the City's Housing Trust Fund, which can only be used for the creation and preservation of affordable housing units.

- The \$500,000 loan would be provided at a 3% interest rate for a 30 year term and would be repaid through residual receipts based on adequate cash flow from the project.
- The \$220,000 short-term bridge loan would be provided at no-interest for a period not to exceed 18 months. Once the County of Yolo provides its \$220,000 contribution to the project, the City's bridge loan would be repaid in full. These funds would be provided through the City's Housing Trust Fund (Fund 160) in order to maintain this site's ability to cater towards student affordable housing needs in addition to the affordable housing needs of the general population.

The \$500,000 requested is within the scope of what the City anticipated providing for this project after the loss of the redevelopment agency and the reworking of the project. Prior to the loss of redevelopment funding, the City had committed \$200,000 to predevelopment funding and was in the process of negotiating a larger contribution to the project. Since the loss of redevelopment, the City provided a \$23,000 grant to the project for YCH to complete the necessary predevelopment work, adjust the scope, and generate the plans necessary to take this next step in the project's rehabilitation.

Council Goal(s)

Goal 5- Promote Community, Objective 5: Increase, maintain, and improve the supply of affordable housing in a post-Redevelopment era. Task B: Work with Yolo County Housing to complete the rehabilitation of Pacifico Affordable Housing.

Background

Through its former redevelopment agency, the City of Davis purchased Pacifico in 2010. This step was taken in order to preserve affordability of the project in the face of potential bank foreclosure due to inadequate revenue at the project. The City continues owning the apartment complex, but relies on Yolo County Housing to manage the property.

Shortly after taking ownership of the property, the City issued an RFP to select a developer to rehabilitate, take ownership of and manage the complex going forward. Via Resolution 10-160, the City Council selected Yolo County Housing as the developer of choice. As the result of a Request for Proposals process, the City worked with both the local California Center for Cooperative Development (CCCD) and Yolo County Housing (YCH) on management and programming of the property for about six months in 2011. There was difficulty in maintaining the original cooperative vision for this site given its size, at four three-story buildings with 97 rooms, and the site has instead focused more on affordable housing with incorporated cooperative principles, including use of residents on a resident council and as on-site management support. Subsequently, in 2011, the City Council passed Resolution 11-120 to authorize up to \$200,000 in pre-development funding to YCH for the project. YCH never actually drew from these funds, as the redevelopment agency was dissolved.

Under YCH's full management, the property and has taken it from a place with high vacancies and significant deferred maintenance to a site with zero percent vacancy and a waiting list in the two open buildings. The site's deferred maintenance was quickly brought up to present code. The two buildings that remain closed require substantial rehabilitation work and are poised for this rehabilitation project. As part of the project, the City would deed the property to Yolo County Housing, with an affordable housing covenant that requires affordability in perpetuity. The affordability requirements would be as follows:

Housing Types	Extremely Low	Very Low Income	Low Income (60%
	Income (35% AMI)	(50% AMI)	AMI)
Units- one to three		8 units- \$740 to	4 units- \$1,287/mo
bedroom		\$924/mo (one and two	(three bedroom)
		bedroom)	
Dorm-style Rooms- small to large	31 rooms - \$455/mo	9 rooms- \$625/mo	4 rooms- \$725/mo

Deeding the property to YCH is necessary to allow them the ability to leverage the property for the third funding source they will use in this rehabilitation. In addition to assistance from the City of Davis and County of Yolo, YCH will also receive a private bank loan. The City believes that providing ownership to YCH is beneficial in order to assist in this project's ability to

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leverage private financing and so that this more complicated, large project can continue to benefit from YCH's expertise.

As previously discussed and approved by the City Council, the rehabilitation of this project will include the substantial rehabilitation of two of Pacifico's buildings from a dorm-style building with shared living rooms, bathrooms, and kitchens, to two buildings with one to three bedroom apartments. The other two buildings will remain in dorm-style layout, with improved common areas through the conversion of a few rooms in each building and the removal of double rooms, which are difficult to rent. This mix of building types provides a variety of housing options to local students and families, while also providing a greater range of housing types to better secure this project's financial stability going forward. Transition of the two buildings and the elimination of double sized dorm-style rooms in the remaining dorm-style building, results in the following changes to project make-up:

Building	Before Rehabilitation	After Rehabilitation
Building A- Rehab to Apts	24 Rooms	13 Rooms, 6 Units
Building B- Rehab to Apts	24 Rooms	13 Rooms, 6 Units
Building C- Rehab remains	24 Rooms	22 Rooms
Dorm-style		
Building D- Rehab remains	25 Rooms	22 Rooms
Dorm-style		
Total	97 Rooms	70 Rooms

Draft floorplans of the design concept are included as Attachment 2. Once YCH has finalized the bank loan, the City would deed the property to them with recordation of the affordability covenant and loan deed of trusts for the permanent loan and temporary bridge loan. With all financing in place and depending upon weather, YCH would be able to start construction in late March to mid-April and estimates a construction period of 180 to 240 days. The City is anxious to finish this housing rehabilitation project, return the rehabilitated housing units online, and transfer this property to YCH so that this project can be completed. As part of this rehabilitation and transition, the property will be renamed as "Symphony Apartments," consistent with the musical theme of the neighborhood (e.g. Sharps and Flats, Allegre, etc.).

Next Steps

Based on informational requests, comments, and feedback from the workshop, staff will return in coming months with individual action items for City Council consideration.

Attachments

- Resolution Authorizing Transfer of Pacifico to Yolo County Housing and Provision of a \$500,000 Permanent Loan and \$220,000 Short-term Bridge Loan for Rehabilitation of the Project
- 2. Pacifico Draft Floorplans

RESOLUTION NO. 16-___, SERIES 2016

RESOLUTION AUTHORIZING TRANSFER OF THE PACIFICO AFFORDABLE HOUSING PROPERTY AT 1752 DREW AVENUE TO YOLO COUNTY HOUSING FOR ITS OWNERSHIP AND REHABILITATION OF THE SITE, INCLUDING AUTHORIZATION OF A \$500,000 PERMANENT LOAN AND A \$220,000 SHORT-TERM BRIDGE LOAN TO YOLO COUNTY HOUSING FOR REHABILITATION OF THE PACIFICO AFFORDABLE HOUSING PROJECT

WHEREAS, the Pacifico Affordable Housing project was acquired by the City of Davis in 2010 after it had ongoing occupancy challenges and City loan suspensions, required City advancement of funds to maintain project affordability, went into default on the City's project loan, and went to a foreclosure sale on a private loan; and

WHEREAS, the City received proposals in 2010 from affordable housing providers interested in partnering with the City to maintain the affordability of the housing at the Pacifico property and the City selected Yolo County Housing for the rehabilitation of the project; and

WHEREAS, the City had initially intended to provide assistance to the project and a \$200,000 predevelopment loan, which were subsequently infeasible due to the loss of redevelopment funding, resulting in additional time needed for Yolo County Housing to revise the scope of the project and increase its occupancy to entice private banking investment in the rehabilitation project; and

WHEREAS, Yolo County Housing has successfully adjusted the scope of the project, increased funding from other sources, including additional public funds from the County of Yolo in the amount of \$220,000 (which will repay the City's short-term bridge loan) and a favorable bank loan from First Northern Bank; and

WHEREAS, the City, as existing property owner, has been contracting with Yolo County Housing since 2010 for the management, maintenance, and marketing of the Pacifico affordable housing project in order to ensure the project's long-term affordability and viability within the City's affordable housing program; and

WHEREAS, the City is interested in Yolo County Housing becoming owner of the property in order to leverage the other necessary financing for the rehabilitation project and ensure ongoing success of the property as a newly envisioned Symphony Apartments.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Davis that it authorizes and directs staff to complete the following:

1. Transfer of the Pacifico affordable housing property at 1752 Drew Avenue to Yolo County Housing, subject to adequate documentation that the necessary funding is in place, compliance with the requirements of this resolution, and recordation of an affordable housing covenant that is in perpetuity and is consistent with the following affordability chart:

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Housing Types	Extremely Low Income (35% AMI)	Very Low Income (50% AMI)	Low Income (60% AMI)
Units- one to three		8 units- (one and two	4 units- (three
bedroom		bedroom)	bedroom)
Dorm-style Rooms- small to large	31 rooms	9 rooms	4 rooms

NOW, THEREFORE, BE IT FURTHER RESOLVED by the City Council of the City of Davis that it authorizes two loans, not to exceed \$720,000, from the City's Housing Trust Funds (Fund 160) to Yolo County Housing for the Pacifico rehabilitation project, and further authorizes the following terms, actions, and requirements, as detailed below:

- 2. Execution of loan documents with Yolo County Housing for \$500,000 to be used for construction expenses and the permanent financing of the Pacifico rehabilitation project. Terms of this loan shall be as follows:
 - a. A 30-year term with 3% simple interest, initiating amortization once rehabilitation of the project is complete, and repaid by the project through residual receipts.
 - b. Plans for adequately funding project reserves consistent with industry standards and completing ongoing project need assessments to understand project reserve needs going forward.
- 3. Execution of loan documents with Yolo County Housing for \$220,000 to be used as a shortterm loan, with a term of 18 months, until other affordable housing funds from the County of Yolo can be provided to the project and the City's loan can be repaid. Terms of this loan shall be as follows:
 - a. An 18-month term with no interest that is required to be repaid when funds from the County of Yolo are provided to the project or the term expires, whichever is first.
- 4. Execution of all necessary agreements and budget adjustments that are required to provide the \$500,000 permanent loan and \$220,000 short-term loan, as detailed in Item 3.
- 5. Rehabilitation work for this project shall commence no later than June 2017.
- 6. If City conditions are not met, the project and funding commitments revert back to the City.
- 7. The City will hire a construction monitoring consultant of its choosing, at its own cost, to review the project plans and construction costs prior to development, participate during the construction process, and review the final project at completion in an effort to ensure high-quality construction at this site that will produce sustainable and durable housing units that will not require future city subsidy.

PASSED AND ADOPTED by the City Council of the City of Davis this 19th day of January, 2016 by the following vote: AYES:

NOES:

ATTEST:

Dan Wolk Mayor

Zoe S. Mirabile, CMC City Clerk



















