



# CITY OF CARSON

## Legislation Text

File #: 2017-104, Version: 1

### Report to City Council and Housing Authority

Tuesday, February 21, 2017

Special Orders of the Day

#### SUBJECT:

**A JOINT PUBLIC HEARING TO CONSIDER ADOPTING CARSON HOUSING AUTHORITY RESOLUTION NO. 17-06-CHA AND CITY OF CARSON RESOLUTION NO. 17-022 APPROVING A DEVELOPMENT AND LOAN AGREEMENT BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND 21205 CARSON ARTS LP, FOR A 46 UNIT AFFORDABLE HOUSING DEVELOPMENT AT 21205 MAIN STREET (CITY COUNCIL AND HOUSING AUTHORITY)**

#### **I. SUMMARY**

This action is to consider approval of Carson Housing Authority Resolution No. 17-06-CHA (Exhibit No. 1) and City Council Resolution No. 17-022 approving a Development and Loan Agreement (Agreement) by and between the Carson Housing Authority (Authority) and 21205 Carson Arts, LP (Developer) (Exhibit No. 2). The Agreement is for development of 45 units of affordable housing with leasing preference for artists and one (1) manager's unit at the privately-owned 1.8-acre property located at 21205 Main Street (Property) (Exhibit No. 3).

The Agreement describes the Authority's financial assistance to acquire the property and develop the proposed project. In addition to providing a \$4,200,000 loan to the Developer to acquire the land, the Agreement also provides cash assistance in the form of a \$2,800,000 grant to the Developer's non-profit partner. The loan will be evidenced by a promissory note and secured by a Deed of Trust.

#### **II. RECOMMENDATION**

TAKE the following actions:

1. OPEN the joint Public Hearing, TAKE public testimony and CLOSE the joint Public Hearing.
2. WAIVE further reading and ADOPT RESOLUTION NO. 17-06-CHA, "A RESOLUTION OF THE CARSON HOUSING AUTHORITY MAKING CERTAIN FINDINGS AND APPROVING A DEVELOPMENT AND LOAN AGREEMENT BY

AND BETWEEN THE CARSON HOUSING AUTHORITY AND 21205 CARSON ARTS, LP RELATING TO THE DEVELOPMENT OF THE PROPERTY LOCATED AT 21205 MAIN STREET.”

3. WAIVE further reading and ADOPT RESOLUTION NO. 17-022, “A RESOLUTION OF THE CITY OF CARSON MAKING CERTAIN FINDINGS AND APPROVING A DEVELOPMENT AND LOAN AGREEMENT BY AND BETWEEN THE CARSON HOUSING AUTHORITY AND 21205 CARSON ARTS, LP RELATING TO THE DEVELOPMENT OF THE PROPERTY LOCATED AT 21205 CARSON STREET.”
4. AUTHORIZE the Mayor/Chairman to execute the Disposition and Development Agreement and all related documents following approval as to form by City Attorney/Authority Counsel.

### **III. ALTERNATIVES**

1. MODIFY the agreement and APPROVE as modified.
2. TAKE another action deemed appropriate.

### **IV. BACKGROUND**

The purpose of the Agreement (Exhibit No. 4) is to implement the Authority’s objective of improving and increasing the supply of affordable housing in the City of Carson. The Developer proposes an “artist colony” housing project that would include 45-units of affordable housing (including one manager’s unit), with leasing preference to artists; and 4,981 square feet of art related community space (Project).

The product type ranges from one-bedroom to three-bedroom units. All units are designed to market rate quality. As part of the Project, the Developer will also provide upgraded project amenities such as art related community space including a gallery, a digital media lab, a performance space and creative workspaces. Additional amenities include open outdoor courtyards, gardens and laundry facilities. The Project will seek to obtain LEED Gold designation and will include the following green features; drought tolerant landscaping, cool roof, low flow plumbing fixtures and energy star appliances. The site plan is detailed below:

- 21 one-bedroom units, 625 square feet
- 13 two-bedroom units, 775 square feet
- 12 three-bedroom units, 1,050 square feet
- Community space/art related space, 4,981 square feet
- Courtyard with gardens
- 71 at grade parking spaces (under podium)

The Authority will restrict 23 units in specific income categories for SB 341 purposes. The Housing Authority Regulatory Agreement restricting income affordability levels will be recorded against the Property to specify the terms of affordability restrictions of the units to extremely low, very-low, and low income residents. These terms will be in effect for a minimum of 55 years following the issuance of the Certificate of Occupancy. Affordability restrictions are as follows:

- 9 units at Extremely-low Income
- 14 units at Very-Low Income/Low Income up to 60%

The units will also be restricted by Cal ReUSE and a TCAC regulatory agreement as follows:

- 9 units at 30% AMI
- 5 units at 35% AMI
- 5 units at 40% AMI
- 5 units at 45% AMI
- 21 units at 60% AMI

The Authority will assist in the development of the Project by providing financial assistance. The proposed Project also depends on receiving a 9% Tax Credit Allocation Committee (TCAC) low income housing tax credit award. The Agreement allows the Developer to apply for the competitive TCAC award up to four times. If the Developer does not secure a TCAC award by the fourth round, the Agreement may be terminated.

Under the Agreement, the Authority is to provide the Developer with a loan to acquire the Property from a private land owner. The Developer currently has the Property under contract and requires the Authority's loan of \$4,200,000 to close escrow (Note). The Note shall be secured by a deed of trust and will have a 3.0% simple interest rate with a 55 year term starting at receipt of Certificate of Occupancy. The Developer shall make annual payments on the Note by April 1, based on 50% of the net cash flow generated from the previous calendar year. Any outstanding Note balance shall be due and payable at the end of the Note term. However, if the Developer does not receive a TCAC award and the Agreement is terminated, the Note shall become due and payable within two years.

In addition to providing a loan for Property acquisition, the Authority will provide project development assistance in the amount of \$2,800,000 (Cash Assistance). The Authority will provide the Cash Assistance from its Tax Exempt Bond funds and shall therefore provide the Cash Assistance as a grant to the Developer's non-profit partner (Grant Recipient). Pursuant to the terms of the Agreement, the Grant Recipient shall loan the Cash Assistance to the Developer. The grant loan documents, which are part of the Agreement, shall have a term of not more than fifty-five (55) years with a simple interest rate not to exceed three percent (3%) with payments due to the Grant Recipient solely from Project residual receipts. Furthermore, the grant loan documents shall provide that any default under the Agreement or the regulatory agreement shall be a default under the Grant Recipient's loan to the Developer. The Grant Recipient loan documents shall at all times

remain subordinate to the Agreement, the deed of trust, and the regulatory agreement.

The approximate total development cost of the proposed project is estimated at \$24.47 million. The use of housing funds for development of this affordable housing development exempts the Project from prevailing wage requirements. In the event that the Developer is required to or is determined to be responsible for paying prevailing wages for the Project, Developer will indemnify the Authority from potential prevailing wage requirements and responsibility.

The proposed Project was also reviewed under the requirements of the California Environmental Quality Act (CEQA). Pursuant to CEQA, the City of Carson (City) reviewed the environmental impacts of the proposed project and a Mitigated Negative Declaration (MND) (Exhibit No. 5) was prepared and made available for public review from January 19, 2017 through February 20, 2017. The potentially significant impacts identified in the MND, including cultural resources, hazards and hazardous materials, and noise will be reduced to less than significant through implementation of mitigation measures. All mitigation measures from the MND will be incorporated into the conditions of approval of entitlements. Specific environmental issues are described below.

- Cultural Resources: The project site has been previously graded during previous development of the site. Any buried archaeological and/or paleontological resources would have been uncovered at the time of the initial grading of the project site. To ensure protection of archeological and paleontological resources, specialized monitors will be invited to the site prior to and during ground disturbance.
- Hazards and Hazardous Materials: The Phase I and Phase II site analysis indicate contamination to on-site soil and groundwater underlying portions of the subject property, and potential impacts may have migrated off-site. To mitigate these impacts, a soil contamination remediation plan is required to ensure proper remediation, removal and disposal of contaminated soils from the site and obtaining a “No Further Action” approval from the Los Angeles County Fire Department Site Mitigation Unit Voluntary Oversight Program.
- Noise: A noise analysis was conducted and determined that noise from construction equipment may exceed the required noise thresholds. To mitigate these impacts, a noise mitigation plan is required to reduce construction noise to within the allowable levels for residential uses throughout construction. Periodic monitoring by the Planning Division or designee will ensure compliance.

A copy of the MND is on file and available at the office of the City’s Planning Department.

Support of affordable housing projects is consistent with the City of Carson’s Housing

Element and with the Redevelopment Agency Plan and related Five-Year Implementation Plan. A financial gap analysis prepared by Keyser Marston and Associates determined that the financial gap assistance provided for this Project is appropriate. The amount of Authority assistance also takes into consideration that the Developer is providing high-quality affordable housing for the community. Adoption of Authority Resolution No. 17-05-CHA (Exhibit No. 6) amends the Authority budget to appropriate Authority funds to make the loan as specified in the Agreement and the Note.

## **V. FISCAL IMPACT**

The Authority loan for the purchase price of \$4,200,000 will be funded from the Authority's FY 2016/17 budget.

In addition the Authority will expend \$2,800,000 from the Housing Authority's tax exempt bond funds in account 55-70-790-967-6058/01029-00 as financial assistance to the Grant Recipient during the course of construction. The \$2,800,000 in financial assistance for this Project will be included in the proposed FY 17-18 Authority budget. Total Authority assistance for this Project is \$7,000,000.

## **VI. EXHIBITS**

1. Authority Resolution No. 17-06-CHA. (pgs. 6-8)
2. City Council Resolution No. 17-022. (pgs. 9-11)
3. Vicinity Map. (pg. 12)
4. Development and Loan Agreement. (pgs. 13-139)

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