



AGENCY: City Council
MEETING DATE: July 24, 2023
DEPARTMENT: Public Works
PRESENTED BY: S McCormick
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of City Council Resolution Approving Loan Agreement with Fort Bragg South Street LP to Assist with the Development of The Plateau and Authorizing City Manager to Execute Same (Amount Not To Exceed: \$2,280,000; Account No 176-0000-1306)

ISSUE:

Danco Communities (“Danco”) develops, builds, and manages affordable residential housing facilities. In 2014, the City first partnered with Danco on the Cottages at Cypress – a twenty-five-unit, single-story affordable housing project for seniors earning 50% or less of the Area Median Income (AMI). Following the completion of the Cottages at Cypress, City staff worked with Danco on several potential site options before Danco settled on the large parcel located at the end of South Street (APN 018-340-04 / 018-340-06). Planning Commission approved the first iteration of the project known as “The Plateau” on January 10, 2018.

As an affordable project, an important financing component is Tax Credit Financing. Danco submitted a tax credit application in the spring of 2018, but the application failed because the project did not have sufficient sources of non-tax credit financing. The City was committed to seeing this project built, and dedicated staff resources to help Danco secure various non-tax credit funding to be competitive for Tax Credit Financing.

Initially, the City attempted to use Community Development Block Grant (CDBG) program funds for off-site improvements. However, CDBG did not consider a tax credit funded project “shovel ready” because CDBG wants the tax credit funding committed before funding the project and the Tax Credit bonding agency wants CDBG funds committed before approving their funding. To align the project with the current policies and objectives of State funding programs, the project was reconfigured to include Permanent Supportive Housing Units.

The final project design is based on a pocket neighborhood concept and includes 68 residential units (20 Permanent Supportive, 23 Senior; and 25 Workforce Family with a manager’s unit and common structures). It opened to tenants in November 2022, and received the following City support to help finance the project:

- **Tax Credit Financing.** The California Tax Credit Allocation Committee (TCAC) allocates federal and state tax credits to the developers of these projects. Corporations provide equity to build the projects in return for the tax credits. TCAC verifies that the developers have met all the requirements of the program and ensures the continued affordability and habitability of the developments for the succeeding 55 years.
- **Housing Trust Funds.** City Council authorized a loan of \$250,000 at 3% interest for a 55-year term from the City’s Housing Trust Fund.

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- **Project Based Vouchers.** The City dedicated 20 project-based vouchers for the Permanent Supportive Housing Units.
- **Homeless Early Action Planning (HEAP).** The City applied for, and Mendocino County Continuum of Care awarded, \$3 million in HEAP funds.
- **Infill Infrastructure Grant (IIG).** The City sponsored an IIG program request to fund improvements to South Street and Kemppe Way and was awarded \$3,089,000.
- **Permanent Local Housing Allocation Competitive Component (PLHACOM).** The City signed on as a co-applicant and was awarded \$2,400,000.

ANALYSIS:

In September 2022, the City of Fort Bragg, Community Revitalization and Development Corporation, and Danco Communities entered into Agreement No. 21-PLHACOM-17075 with the Department of Housing and Community Development for \$2,400,000 of PLHACOM program funds. \$2,280,000 would be delivered in the form of a low-interest, deferred loan as evidenced through the attached Promissory Note, Deed of Trust, and Regulatory Agreement. A 5% Administration Fee of \$120,000 will be retained by the City to recover costs associated with this effort.

RECOMMENDED ACTION:

Approve Resolution for PLHACOM loan to Fort Bragg South Street LP, a California limited partnership created to develop the Plateau project for which Danco serves as a co-administrative general partner.

FISCAL IMPACT:

City costs will be partially recovered with the 5% Administrative Fee (\$120,000).

CONSISTENCY:

The Project is consistent with numerous goals, policies and programs of the City's Housing Element, as evidenced by the following:

Goal H-2 Expand affordable housing opportunities for persons with special needs such as the elderly, the disabled, and households with very low to moderate incomes, and first time homebuyers.

Policy H-2.1: Available Funding Sources. Utilize County, State, and Federal programs and other funding sources that provide housing opportunities for lower-income and special needs households.

Policy H-2.2: Encourage Senior Housing. Encourage affordable and market rate senior housing projects to be developed with density bonuses and flexible parking standards where consistent with maintaining the character of the surrounding neighborhood.

Policy H-2.4: Increase Affordable Housing Development. Encourage the construction of housing units which are affordable to households with very low to moderate incomes.

Policy H-2.8: Emergency and Transitional Housing. Continue to support emergency shelters, transitional housing and supportive housing within the City.

IMPLEMENTATION/TIMEFRAMES:

Following Council approval PLHACOM loan documents will be notarized, recorded by Mendocino County, and dispersed at the earliest date.

ATTACHMENTS:

- Resolution
- Loan Document

NOTIFICATION:

- Danco/South Street LP
- State Grant Management HCDR II, Eric Gonzalez
- City of Fort Bragg "Notify Me" e-subscriber list: Affordable Housing; Finance & Budgeting; Homeless