



SUPPLEMENTAL

COUNCIL AGENDA: 5/19/09
ITEM: 4.3

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: May 13, 2009

Approved

Date

5-15-09

COUNCIL DISTRICT: 3

SNI AREA: N/A

SUBJECT: REQUEST TO RECLASSIFY \$450,000 OF AN EXISTING FUNDING COMMITMENT, APPROVE A LOAN INCREASE OF UP TO \$2,566,607, FORGIVE UP TO \$560,000 OF ACCRUED INTEREST, AND APPROVE A CONDITIONAL LOAN COMMITMENT IN THE AMOUNT OF UP TO \$3,123,330 FOR THE BELOVIDA AT NEWBURY PARK PROJECT

SUPPLEMENTAL REPORT

REASON FOR SUPPLEMENTAL REPORT

The purpose of this Supplemental Memorandum is to revise the City's original recommendation to provide a guarantee, and to instead provide a conditional loan commitment, to backstop the delayed funding from the California Department of Housing and Community Development's ("HCD") committed Infill Infrastructure Grant ("IIG") obligation of \$3,123,000 to the Belovida at Newbury Park ("Belovida") project.

BACKGROUND

Due to the State's budget problems, and related delays in providing committed funds to developers, many of the City's affordable housing projects have been delayed awaiting the availability of funds. Belovida, which received a commitment of IIG funds in the amount of \$3,123,330, has been one of the projects on hold. In an effort to move this project forward and position it to apply for other funds that are now available, CORE Affordable Housing LLC ("CORE"), the Belovida developer, requested that the City provide bridge financing until the IIG funds were available. Originally, Housing Department staff believed that HCD would require that this commitment be in the form of a guarantee, as opposed to a loan. However, HCD staff

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has since confirmed that a conditional loan commitment would be accepted, with the understanding that these funds are intended to be temporary financing until IIG funds become available. Staff received assurances from HCD staff that the funds would not be treated as additional project funding, which could reduce the need for the IIG commitment.

ANALYSIS

The City would prefer to provide CORE with a conditional loan commitment rather than a loan guarantee. The Housing Department has not provided a loan guarantee in the past, making this a new financing mechanism that would require additional effort to design and manage. Since HCD has now confirmed that a loan commitment is acceptable, staff is recommending that we provide the more standard conditional loan commitment. HCD has agreed to review the conditional loan commitment documents prior to execution to ensure that they are acceptable.

The City's loan commitment will be funded with 20% tax increment funds, which shall be reflected in the conditional loan commitment documents. The conditional loan commitment also will require that CORE comply with all of the terms of the State's IIG grant, and that CORE execute and comply with pertinent HCD agreements.

In order to minimize the risks to the Project's IIG grant funding, this commitment is expressly not part of the City's additional funding for the Project described in the City's Resolution, and CORE will be required to provide additional consideration for the City entering into the commitment.

Further, the Housing Department is requiring that CORE provide the City with written verification from HCD that confirms that: (1) the IIG funds will be awarded without a reduction in the awarded amount due to the City's conditional loan commitment or draws on the conditional loan, and (2) that the IIG funds may be used to repay any funds drawn from the conditional loan. This written verification will be obtained prior to the execution of the commitment.

By providing this conditional loan commitment, the City will help CORE access private sector funds, maximizing the likelihood that the project will start construction in the fall. As very few developments are moving forward at this time, it is in the City's best financial interest to use its resources to fully support this shovel-ready development.

COORDINATION

Preparation of this report was coordinated with the Office of the City Attorney.

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

CEQA: Resolution No. 74196, File No. PDC07-015.


LESLYE KRUTKO
Director of Housing

For questions please contact LESLYE KRUTKO, DIRECTOR OF HOUSING,
at 535-3851.