



Community Redevelopment Agency Staff Report

DATE: MARCH 25, 2009

CONSENT CALENDAR

SUBJECT: APPROVAL OF AMENDMENT NO. 1 TO AN OWNER PARTICIPATION AGREEMENT ("OPA") WITH COACHELLA VALLEY HOUSING COALITION DBA DESERT HIGHLAND ASSOCIATES, LP FOR \$400,000 IN ADDITIONAL PROJECT FINANCING AND REDUCTION OF THE LOAN INTEREST RATE FOR THE DEVELOPMENT OF A 57-UNIT APARTMENT PROJECT, LOCATED ON 4.45 ACRES AT 555 ROSA PARKS ROAD IN THE DESERT-HIGHLAND GATEWAY ESTATES NEIGHBORHOOD, INCREASING AGENCY FINANCIAL PARTICIPATION TO \$1,600,000 IN GAP FINANCING, MERGED PROJECT AREA NO. 1

FROM: David H. Ready, Executive Director

BY: Community & Economic Development Department

SUMMARY

RECOMMENDATION:

Adopt Resolution No. _____, OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS APPROVING AMENDMENT NO. 1 TO AN OWNER PARTICIPATION AGREEMENT ("OPA") WITH COACHELLA VALLEY HOUSING COALITION DBA DESERT HIGHLAND ASSOCIATES, LP TO PROVIDE \$400,000 IN ADDITIONAL ASSISTANCE AND REDUCTION OF THE LOAN INTEREST RATE FOR THE DEVELOPMENT OF THE ROSA GARDENS APARTMENTS, A 57-UNIT APARTMENT PROJECT ON A 4.45 ACRE SITE AT 555 ROSA PARKS ROAD IN THE DESERT-HIGHLAND GATEWAY ESTATES NEIGHBORHOOD, INCREASING THE AGENCY FINANCIAL PARTICIPATION TO \$1,600,000 IN GAP FINANCING, MERGED PROJECT AREA NO. 1.

STAFF ANALYSIS:

Coachella Valley Housing Coalition ("CVHC") has processed an application for an affordable housing project to be developed in collaboration with the Community Redevelopment Agency on a 4.45 acre site owned by CVHC at 555 Rosa Parks Road in the Desert-Highland Gateway Estates Neighborhood. CVHC and the Agency have a long and successful history of partnering on projects filling the need for affordable housing for families in Palm Springs. CVHC, which has owned the property for several years, wanted to make a contribution to the many exciting new projects and initiatives taking place in the Desert Highland Gateway Estates neighborhood, including the City's proposed College of the Desert West Valley Educational Center, and wanted to contribute to the continued revitalization and growth of the neighborhood.

ITEM NO. RA5.

CVHC has received national recognition for providing attractive, service-enriched affordable housing for low-income households. For example, in conjunction with the Agency, CVHC successfully completed 140 units in Coyote Run Phase One in 1993 and opened the second 66-unit phase in 2006. In addition, CVHC and the Agency completed a number of single-family units including the award winning Cottonwood-Chuckwalla project in 2003.

CVHC will develop 57 family apartments on the Site which had been modified from 59 units due to the State HOME funding award. The project is a mix of one, two, three and four bedroom units and will include their typical site amenities such as pool, community room, laundry, tot lots, etc. The project will also supply a rich variety of community services modeled after Coyote Run, which shall include computer classes, after school programs, ESL classes, health education, and music and arts programs.

Similar to Coyote Run 2, the financing structure utilizes 4% Tax Credits, MHP, HOME, with CalHFA Bonds for construction financing as well as Agency funds. Based on the project's initial budget projections, CVHC requested an Agency contribution of \$1.2 million, or approximately 10% of the total development budget. Ultimately, the project budget increased to over \$15 million, reducing the percentage of Agency participation.

The Agency approved an Owner Participation Agreement in February 2008 (Res. No. 1350, A0531c) that committed the original \$1.2 million as part of the development project. Since the original approval, CVHC has proceeded with the final design and permitting of the project, but had requested an additional \$400,000 in Agency assistance to construct a required 60 inch storm water drainage line from west to east across the property, as well as acquire a small adjacent parcel on McCarthy for a discharge basin and the construction of a concrete spillway at the street for the discharge of the storm water.

The development of the Rosa Gardens project may have potentially qualified for the federal Neighborhood Stabilization Program (NSP) funds because of the neighborhood impact. However, the timing of the NSP funds does not coincide with the timing of the project's financing, as Palm Springs was not qualified as a direct NSP recipient under HUD's guidelines, and must apply through the State's program. It will be a couple of months, if not longer, before funds would be available through the State program.

CVHC has been successful in syndicating the tax credits for the project, even in a historically bad market. Historic low tax credit rates have squeezed the project's equity financing even further, creating additional stress on the project's pro forma. However, the financing is due to close at the end of March, requiring the additional Agency contribution to close the gap and revision to the Agency's Loan from a simple interest of one percent (1%) per annum to zero. The interest reduction on the loan is a tax deduction for the tax credit investor, US Bank. In the competitive 4% bond transactions for low-income housing tax credits, these investor deductions effects the amount of losses the investor can factor into their yield. This OPA amendment provides for the additional funds necessary to allow the project to close the construction loan and move forward to construction.

FISCAL IMPACT:

This Amendment increases the Agency's contribution in the project from \$1.2 million to \$1.6 million. The Agency's current annual Housing set-aside funds is approximately \$3,000,000. Since all of the units currently are, and would continue to be, restricted to low- and very-low income residents, the Agency per-unit subsidy would increase to about \$28,000.



DALE E. COOK, JR.
Community Development Administrator



THOMAS J. WILSON
Assistant City Manager - Development Services



DAVID H. REABY, Esq. Ph.D.
Executive Director

Attachment: Resolution
Amendment No. 1 to the Owner Participation Agreement

RESOLUTION NO. _____

A RESOLUTION OF THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALM SPRINGS APPROVING AMENDMENT NO. 1 TO AN OWNER PARTICIPATION AGREEMENT ("OPA") WITH COACHELLA VALLEY HOUSING COALITION DBA DESERT HIGHLAND ASSOCIATES, LP TO PROVIDE \$400,000 IN ADDITIONAL ASSISTANCE AND REDUCTION OF THE LOAN INTEREST RATE FOR THE DEVELOPMENT OF THE ROSA GARDENS APARTMENTS, A 57-UNIT APARTMENT PROJECT ON A 4.45 ACRE SITE AT 555 ROSA PARKS ROAD IN THE DESERT-HIGHLAND GATEWAY ESTATES NEIGHBORHOOD, INCREASING THE AGENCY FINANCIAL PARTICIPATION TO \$1,600,000 IN GAP FINANCING, MERGED PROJECT AREA NO. 1

WHEREAS, the Community Redevelopment Agency of the City of Palm Springs (the "Agency") has established an affordable housing setaside fund in accordance with Section 33000 et. seq. of the California Health and Safety Code; and

WHEREAS, the funds are earmarked for the acquisition, construction, or rehabilitation of affordable housing to benefit the community; and

WHEREAS, Rosa Gardens Apartments, proposed for low-income families, was approved on February 13, 2008 by the Palm Springs Planning Commission; and

WHEREAS, the property developers, Coachella Valley Housing Coalition dba Desert Highland Associates, LLC, sought Agency financial assistance to cover a portion of the development cost; and

WHEREAS, the property developers, Coachella Valley Housing Coalition and Desert Highland Associates, LLC, have received project funding from State HOME funds and the State Multi-Family Housing Program (MHP) and will submit a Low Income Housing Tax Credit (LIHTC) application to the California Tax Credit Allocation Committee for the July, 2008 application round and have requested Agency assistance to strengthen the application; and

WHEREAS, the Developer and Agency entered an Owner Participation Agreement in February 2008 to provide the Project \$1,200,000 in Agency financing; and

WHEREAS, while all of the units are income-restricted under agreements with HOME and MHP, the Developer shall agree to restrict, through a Regulatory Agreement approved with the Owner Participation Agreement, the rents on 49% of the proposed units (57) to levels affordable to families with incomes no more than 60% of Area Median Income (AMI); and

WHEREAS, the Developer has requested an additional \$400,000 in Project assistance and the Loan's interest rate reduction in Project assistance.

NOW THEREFORE BE IT RESOLVED by the Community Redevelopment Agency of the City of Palm Springs, as follows:

SECTION 1. The above recitals are true and correct and incorporated herein.

SECTION 2. This Amendment No. 1 to an Owner Participation Agreement with Desert Highland Associates, LLC is hereby approved and incorporated herein by this reference.

SECTION 3. The Executive Director, or his designee, is hereby authorized to execute on behalf of the Agency the Amendment and other documents necessary to the Agreement, and make minor changes as may be deemed necessary, in a form approved by Agency Counsel.

PASSED, APPROVED, AND ADOPTED THIS _____ DAY OF MARCH, 2009.

STEVE POUQUET, CHAIRMAN

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, do hereby certify that Resolution No. _____ is a full, true and correct copy, and was adopted at a regular meeting of the Palm Springs City Council on the _____ day of _____, 2008, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

1
2 **RECORDING REQUESTED BY AND**
3 **WHEN RECORDED MAIL TO:**

4 Community Redevelopment Agency of the
5 City of Palm Springs
6 P.O. Box 2743
7 Palm Springs, CA 92263
8 Attn: Assistant Secretary

SPACE ABOVE THIS LINE FOR RECORDERS USE

9 **FIRST AMENDMENT TO THE OWNER PARTICIPATION AGREEMENT**
10 **BETWEEN**
11 **THE COMMUNITY REDEVELOPMENT AGENCY**
12 **OF THE CITY OF PALM SPRINGS**
13 **AND**
14 **DESERT HIGHLAND ASSOCIATES, LP**

15 **PALM SPRINGS MERGED REDEVELOPMENT PROJECT AREA NO. 1**

16
17 This First Amendment to the Owner Participation Agreement (the "First
18 Amendment") is entered into effective this _____ day of
19 _____, 2009, by and between the Community Redevelopment Agency of
20 the City of Palm Springs (hereafter referred to as the "AGENCY") and Desert
21 Highland Associates, LP, a California limited partnership (hereafter referred to as the
22 "DEVELOPER").

23
24 RECITALS

25
26 WHEREAS, the AGENCY approved an Owner Participation Agreement
27 ("OPA") in February 2008 (Res. No. 1350, A0531c) that committed the original \$1.2
28 million as part of the development project.

1 WHEREAS, the AGENCY and the DEVELOPER entered into the OPA dated
2 March 28, 2008;

3 WHEREAS, pursuant to the OPA, DEVELOPER proposed to develop a 59 unit
4 affordable apartment project (the "Project") on a certain parcel of approximately 4.45
5 acres located at 555 Rosa Parks Road, in the City of Palm Springs, more particularly
6 described in the attached Exhibit A;

7 WHEREAS, under the terms and conditions of the OPA, the AGENCY has
8 agreed to provide to DEVELOPER Agency Financial Assistance in the amount of
9 \$1,200,000 (the "Agency Contribution") and DEVELOPER has agreed to restrict to
10 make no fewer than 49% of the units available to families below 60% of Area Median
11 Income; and

12 WHEREAS, the DEVELOPER requested that the Agency provide \$400,000 in
13 additional Agency Financial Assistance to provide for the construction of certain on-
14 site flood control structures.

15 NOW, THEREFORE, in consideration of the foregoing, and the promises and
16 mutual covenants and conditions hereinafter set forth, the AGENCY and the
17 DEVELOPER do hereby agree as follows:

- 18 1. Section 101, Purpose of this Agreement, is hereby amended as to
19 adjust the number of rental dwellings within the rental housing complex
20 from fifty-nine (59) to fifty-seven (57) which had been modified due to
21 the State's HOME funding award of \$4.1 million.
 - 22 2. Section 212, Project Loan, is hereby amended as to provide for
23 \$1,600,000 in total Agency Financial Assistance.
 - 24 3. All references to interest rate in the loan documents executed in
25 connection with the OPA shall be revised from "1%" to "zero".
 - 26 4. All other terms and conditions of the OPA remain unmodified and in full
27 force and effect.
- 28

1 This Agreement may be signed by the different parties hereto in counterparts,
2 each of which shall be an original but all of which together shall constitute one and
3 the same agreement.

4 //

5 IN WITNESS WHEREOF, the AGENCY and the DEVELOPER have executed this
6 First Amendment as of the date first above written.

7
8 ATTEST: COMMUNITY REDEVELOPMENT AGENCY
9 OF THE CITY OF PALM SPRINGS,
10 CALIFORNIA

11 By: _____
12 James Thompson,
13 Assistant Secretary

14 By: _____
15 David H. Ready, Esq. Ph.D.
16 Executive Director

17 **APPROVED AS TO FORM**

18 By: _____
19 Agency Counsel

20 Desert Highland Associates, LP
21 a California limited partnership

22 By: Coachella Valley Housing Coalition,
23 Its General Partner

24 By: _____

25 By: _____

26
27 (All signatures on this page need to be notarized)
28

State of California)
)ss.
County of Riverside)

On _____ before me, _____
Date Name and Title of Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Signature of Notary Public

State of California)
)ss.
County of Riverside)

On _____ before me, _____
Date Name and Title of Officer

personally appeared _____
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Signature of Notary Public

EXHIBIT "A"

LEGAL DESCRIPTION OF THE SITE

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE CITY OF PALM SPRINGS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 34, TOWNSHIP 3 SOUTH, RANGE 4 EAST, SAN BERNARDINO BASE AND MERIDIAN, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION;

THENCE SOUTH 00° 08' WEST, ON THE WESTERLY LINE OF SAID SOUTHEAST QUARTER, 460 FEET;

THENCE SOUTH 89° 38' 20" EAST, PARALLEL WITH THE NORTH LINE OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION, 430 FEET;

THENCE NORTH 00° 08' EAST, PARALLEL WITH THE WEST LINE OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION, 460 FEET, TO THE NORTH LINE OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION;

THENCE NORTH 89° 38' 20" WEST, ON SAID NORTH LINE, 430 FEET, TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM ONE-SIXTEENTH OF ALL COAL, OIL, GAS AND OTHER MINERAL DEPOSITS AS RESERVED IN THE PATENT EXECUTED BY THE STATE OF CALIFORNIA RECORDED MAY 22, 1936, IN BOOK 282, PAGE 274, OF OFFICIAL RECORDS.