



CITY OF POMONA AND POMONA HOUSING AUTHORITY

STAFF REPORT

February 3, 2020

To: Honorable Mayor and Members of the City Council and Chair and Members of the Pomona Housing Authority

From: James Makshanoff, City Manager

Submitted By: Kirk Pelser, Deputy City Manager

SUBJECT: PUBLIC HEARING ON THE ADOPTION OF RESOLUTIONS OF THE HOUSING AUTHORITY BOARD AND CITY COUNCIL APPROVING THE SALE OF POMONA HOUSING AUTHORITY PROPERTIES LOCATED AT 592 WEST MISSION BOULEVARD (APN'S 8341-010-914, 915, 916, 917, 918, 919, 920 & 921) AND OF AN AFFORDABLE HOUSING DISPOSITION & DEVELOPMENT AGREEMENT WITH JHC-ACQUISITIONS LLC, FOR DEVELOPMENT OF A 57 UNIT AFFORDABLE HOUSING PROJECT

RECOMMENDATION:

It is recommended that the City Council/Pomona Housing Authority adopt the resolutions stated in the title above. (Attachment1-Housing Authority Resolution No. 2020-16 and Attachment 2-City Resolution No. 2020-12); and

Authorize the City Manager to execute the Affordable Housing Disposition & Development Agreement (Attachment 3) and all necessary associated documents, in substantially the form submitted herein.

EXECUTIVE SUMMARY:

The Pomona Housing Authority, in its capacity as the Pomona Housing Successor Agency (the "Authority"), is the fee owner of approximately 1.43 acres of real property located at the southwest corner of West Mission Boulevard and South Park Avenue (the "Site") In order to provide for development of the Site, the Authority entered into an Exclusive Negotiating Agreement with JHC- ACQUISITIONS LLC on March 6, 2019, in order to negotiate for the sale of the Site. After conducting a public hearing on the matter, approval of the Resolution and an Affordable Housing Disposition & Development Agreement (the "DDA") will allow the Authority to sell the Site to JHC-ACQUISITIONS LLC, (the "Developer") for development of a 57 unit affordable housing project. The Developer's commonly known name is Jamboree Housing, a non-profit developer of affordable housing.

PUBLIC HEARING NOTICE:

California Health & Safety Code section 33433 requires that public hearing be noticed and held to consider the sale of the Site. To comply with these requirements, notice of tonight's Public Hearing was published on January 20, 2020 and again on January 27, 2020.

FISCAL IMPACT:

The Authority will sell the Site to the Developer for the purchase price and provide a \$3,400,000 land loan to the Developer with the following loan terms:

- A 55-year loan term from the date on which the Developer's construction financing converts to a permanent loan
- 3.00% simple interest rate
- Annual payments of 50% of residual receipts (prorated between the other soft financing sources)
- Any outstanding balances will be due and payable at the end of the 55-year term

PRIOR COUNCIL ACTIONS:

On March 6, 2019, the Council/Housing Authority approved an Exclusive Negotiation Agreement ("ENA") with the Developer.

On January 7, 2019, the Authority, directed staff to bring back an ENA with the Developer for consideration by the Council/Housing Authority.

BACKGROUND & DISCUSSION:

In 2012, the City of Pomona designated the Authority as the Housing Successor for the former Pomona Redevelopment Agency. The former Redevelopment Agency used proceeds from the issuance of the Tax Allocation Housing Bonds (Taxable Bonds), which are supported by low/mod housing set-aside property tax increment revenue, to purchase the 1.43 acre Site in October 2010. The Site was transferred to the Authority on February 1, 2012 per the Housing Asset Transfer list as was approved by the State of California's Department of Finance. The Authority approved an ENA with the Developer in March 2019 which called for the Developer to develop a 57 unit affordable housing project on the Site.

The purpose of the Agreement is to implement the Authority's objective of improving and increasing the supply of affordable housing in the City of Pomona. Due to the funding source used to purchase and develop the Site, the proposed conveyance of the Site to the Developer is subject to the reporting requirements imposed by Health & Safety Code Section 33433. Specifically, Section 33433 requires the conveying entity to prepare a report that summarizes the financial terms associated with the disposition transaction for the Site. A copy of the required

33433 Report can be found in Attachment 4. A summary of the 33433 Report's details are found below:

Scope of Development

The proposed scope of development can be described as follows:

1. The Site is comprised of approximately 1.43-acres of vacant land and is located within the Midtown Segment of the Corridors Specific Plan, which allows for a variety of commercial development including office, service/support and retail uses as well as mixed-uses such as live-work units, and residential multifamily and attached single-family development. The proposed Project is a legally conforming use.

2. The Project will have a total gross building area (GBA) of approximately 70,433 square feet. The following breaks out the proposed GBA:

Gross Living Area	44,725 square feet
Community Room/Leasing Area	5,700 square feet
Common Area	<u>20,008 square feet</u>
Total Area	70,433 square feet

3. The building will be three stories and will provide 83 surface parking spaces.

4. The Project will include the following unit mix:

One-bedroom units	22
Two-bedroom units	20
Three bedroom units	<u>15</u>
Total units	57

5. The Developer is proposing to allocate the units to the following income categories (one unit will be occupied by a professional on-site manager)

	1-Bdrm Units	2-Bdrm Units	3 - Bdrm Units	Total
Extremely Low Income	4	3	3	10
Very Low Income	8	1	0	9
Moderate Income	10	16	11	37
Total Units	22	20	14	56

6. The Developer has partnered with Tri-City Mental Health Center to provide 10 units for Special Needs Housing Program (SNHP) recipients. Tri City will infuse \$2.8 million of SNHP funds into the project for these units and Tri-City will also provide wrap around social services and case management for these residents. The developer will also apply for six project-based VASH vouchers for qualified veterans.

Developer Responsibilities

The Agreement requires the Developer to accept the following responsibilities:

1. Developer will purchase the Site from the Authority, in an “As-Is” condition, for the fair market value of \$3,400,000 (Purchase Price). The Purchase Price is equal to the current appraised value.
2. Developer will be solely responsible for constructing and operating the Project buildings and developing the Site in accordance with the Scope of Development and the Schedule of Performance. Developer will also be responsible for all costs and expenses associated with the Project.
3. Developer shall design, construct and maintain the Project in accordance with all environmental mitigation measures and requirements, if any, of the City’s General Plan and Zoning Ordinance, and all permits and entitlements granted to the Developer
4. At completion, 56 of the 57 units will be restricted to Extremely-Low, Very-Low and Moderate Income households at Extremely-Low, Very-Low and Moderate Income rents, as defined by the California Health and Safety Code, and defined in the Regulatory Agreement, for a period of 55 years from the date of issuance of a Certificate of Completion for the Project.
5. Prior to close of escrow, Developer must provide the Authority with the following:
 - a. Demonstration that Developer has secured a bona fide award of Tax Credits and Senior Financing in amounts sufficient to provide for development of the Project and in accordance with the amounts and timing provided in the Project Budget/Proforma.
 - b. Developer shall have obtained approval from the City for the requested entitlements for all improvements to be constructed on the Site.
 - c. Deposited into Escrow the PCO Statement, Grant Deed, Notice of Agreement, Regulatory Agreement, Construction Financing Security Instrument, Land Loan Note, Land Loan Deed of Trust, Subordinate Loan(s) Security Instrument, Subordination Agreement, Subordinate Loan Land Use Restriction Agreements.
 - d. Shall not be in material Default in any of its obligations.
 - e. Shall have obtained approval by the Authority of the affirmative fair housing Marketing Plan.
6. Developer will satisfy all conditions necessary to ensure that the Project conforms to all applicable CEQA and, if applicable, NEPA requirements.
7. Developer shall submit up to four consecutive applications to the California Tax Credit Allocation Committee (TCAC) to secure Tax Credit financing, beginning with the March 2020 application round. However, the Developer and Authority have agreed to meet and confer after two unsuccessful rounds.

Authority Responsibilities

The Agreement imposes the following responsibilities on the Authority:

1. Authority agrees to sell the Site to Developer for the Purchase Price and provide a \$3,400,000 Land Loan to the Developer with the following loan terms:

- a. A 55-year loan term from the date on which the Construction Financing Converts to the Permanent Loan;
 - b. A 3.00% simple interest rate;
 - c. Annual payments of 50% of residual receipts (prorated between the other soft financing sources);
 - d. Any outstanding balances will be due and payable at the end of the term; and
 - e. Subordinated to the conventional permanent loan.
2. Prior to close of escrow, Authority must provide the Developer with the following:
 - a. Deposited into escrow executed Grant Deed, FIRPTA Affidavit, Notice of Agreement, Regulatory Agreement, Subordination Agreement.
 - b. Shall not be in Material Default in any of its obligations.
 - c. Provided a written approval to the Developer for the Marketing Plan.
3. Authority is to approve any Property Manager that is not the Developer. Authority will also have the ability to require the Developer to hire a third-party management company acceptable to the Authority if there are problems with the management company.
4. If the six VASH vouchers are not approved for the Project or are not renewed in the future, the Developer can increase the affordability restrictions so that Low Income Households can rent the six units at the Low Income Affordable Rent.
5. The Authority will have the ability to remove the property manager if there are property management issues.
6. The Authority Regulatory Agreement will be placed on the Property for a term of 55 years from the Certificate of Completion date, and will be subordinated. The Authority Regulatory Agreement will restrict the units as follows:
 - a. Not less than four (4) of the 1-bedroom units, three (3) of the 2-bedroom units, and three (3) of the 3-bedroom units are to be restricted to Extremely-Low Income Households;
 - b. Not less than eight (8) of the 1-bedroom units and one (1) of the 2-bedroom units are to be restricted to Very-Low Income Households; and
 - c. Not less than 10 of the 1-bedroom units, 16 of the 2-bedrom units and 11 of the 3-bedroom units are to be restricted to Moderate Income Households.

Environmental Review

Under California Government Code section 65583.2(i), the phrase “use by right” shall mean that the local government’s review of the owner-occupied or multifamily residential use may not require a conditional use permit, planned unit development permit, or other discretionary local government review or approval that would constitute a “project” for purposes of Division 13 (commencing with Section 21000) of the Public Resources Code. In this case, the proposed multifamily residential use consisting of 57 affordable housing units is considered a “use by right” and therefore does not constitute a “project” for purposes of Division 13 (commencing with Section 21000). Therefore, the proposed use and associated activity are not subject to the California Environmental Quality Act (“CEQA”).

ATTACHMENTS:

1. Housing Authority Resolution No. 2020-16
2. City Council Resolution No. 2020-12
3. DDA between the Pomona Housing Authority and JHC-ACQUISITIONS LLC. (Exhibit A to both Resolutions)
4. Summary Report Prepared Pursuant to Health & Safety Code Section 33433
5. Preliminary Project Site Plan