

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: February 13, 2025

PREPARED BY: Veronica Chavez, Director of Finance

SUBJECT: SELF-HELP PROJECT CLOSE OUT AND FINANCIAL SUPPORT

RECOMMENDATION:

Authorize payment of \$65,000 to Coachella Valley Housing Co. to provide financial support to close out the Affordable Housing Self-Help Project from the City's Housing Mitigation Funds.

BACKGROUND/ANALYSIS:

In May 2020, the City Council authorized the Development and Disposition Agreement (DDA) with the Coachella Valley Housing Coalition (CVHC) for the transfer of vacant land to support the construction of fourteen (14) single-family detached homes. These homes were made available through the Self-Help program. They were to be sold at an affordable housing price to qualified very low- or low-income first-time homebuyers employed within Palm Desert's jurisdiction. To ensure the homes remained affordable, the City also provided homebuyer assistance loans to eligible buyers.

The DDA outlined the conveyance of the vacant land to CVHC for \$560,000 (the "Purchase Price") via Grant Deed. In addition, the City Council approved a loan of \$350,000 to assist income-qualified homebuyers with the affordability of the homes. Prior to construction, CVHC approached the City for an additional subsidy, citing increased costs resulting from the pandemic. The additional loan, not to exceed \$355,000, brought the City's total contribution to \$1,265,000.

Self-Help 14 Homes - Financial Breakdown:

Category	Land Donation	Loans/Subsidy	Total City Contribution
Initial Subsidy (Buyers)	\$560,000	\$350,000	\$910,000
Change #1 -Subsidy (Buyers)		\$355,000	\$1,265,000
Change #2 -Subsidy (CVHC)		\$65,000	\$1,330,000

On October 30, 2024, CVHC hosted a Housewarming Event for the families who purchased the 14 homes, marking the successful completion of the project. The event was well-attended and celebrated the culmination of the partnership that made this development possible.

However, during the coordination of the final escrow closings, CVHC informed the City that, despite their best efforts, they were facing an additional budget shortfall after final payments to all vendors. Throughout the project, City staff worked diligently to ensure that cost estimates were accurate and that funding was adequate. At the outset, CVHC had adjusted its bid to ensure project viability, removing contingencies. Unfortunately, this led to unforeseen costs

when utility-provided maps turned out to be inaccurate, resulting in additional expenses that would have been covered by the contingency funds, had they not been eliminated to meet the budget.

After several discussions between City staff and CVHC and given the intrinsic value of providing these homes to income-qualified families in a highly desirable Palm Desert location, staff recommends sharing in the cost overrun by contributing \$65,000, which represents half of the additional funds CVHC initially requested.

Legal Review:

This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

Funds are available in the Housing Mitigation Fund Account Number 2144490-4390101. The additional payment will bring the City's total contribution to \$1,330,000 for the development of the 14 Self Help homes, or \$95,000/home on average. There is no impact to the General Fund with this action.

ATTACHMENTS:

1. CVHC Request for Additional Funding