

PALM DESERT HOUSING AUTHORITY STAFF REPORT

MEETING DATE: August 24, 2023

PREPARED BY: Jessica Gonzales, Housing Manager

REQUEST: HOUSING AUTHORITY: APPROVE A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A HOUSING AND LOAN AGREEMENT AND RELATED DOCUMENTS BETWEEN THE AUTHORITY AND A0358 MONTEREY, L.P., APPROVING A LOAN IN THE AMOUNT OF \$7,235,000 FOR THE CONSTRUCTION OF 176 A

RECOMMENDATION:

1. Approve a Resolution authorizing the execution and delivery of a Loan Agreement, Deed of Trust, Secured Promissory Note and Housing Agreement, in substantial form, between the Palm Desert Housing Authority and A0358 Monterey, L.P., a California Limited Partnership, and approving a loan in the amount of Seven Million Two Hundred Thirty-Five Thousand Dollars (\$7,235,000.00) from the Authority's Low and Moderate Income Housing Asset Fund to fund the construction of One-Hundred Thirty Nine (139) of the One-Hundred Seventy Four (174) affordable housing units comprising the proposed apartment project.
2. Authorize the Chairman and/or Executive Director, in consultation with legal counsel, to execute as appropriate and deliver, for and in the name of the Authority, the Loan Agreement, Deed of Trust, Secured Promissory Note and Housing Agreement presented to the Authority Board at this meeting, as the same may be modified by the Executive Director in consultation with legal counsel to the Authority, provided such modifications are materially consistent with the purpose of the Resolution.
3. Authorize the Chairman, the Executive Director, or their respective designees, in consultation with legal counsel to the Authority, to execute and deliver, for and in the name of the Authority, all other necessary or proper documents and instruments, and to do all things which they may deem necessary or proper to effectuate the purposes of the Resolution.

BACKGROUND/ANALYSIS:

On July 14, 2022, the Palm Desert Housing Authority ("Authority"), conditionally authorized and approved a loan commitment to Urban Housing Communities ("UHC"), in the amount of seven million two hundred thirty-five Thousand Dollars (\$7,235,000.00) from the Authority's Low and Moderate Income Housing Asset Fund ("LMIHAF") for the financing and construction of a 100% affordable multi-family apartment community project that will consist of one hundred seventy four (174) affordable units with two (2) on-site manager units in one phase (the "Project").

UHC has been awarded an allocation in the application submittal of February 2023 and received notification of such in June 2023. With the successful award to UHC, staff and legal counsel have negotiated and prepared such agreements and documents, as are required to effectuate the Authority's funding commitment for the Project. The documents consist of (i) a Loan Agreement, (ii) a Secured Promissory Note, (iii) a Deed of Trust and (iv) a Housing Agreement, each to be executed by A0358 Monterey, L.P., a California limited partnership, an affiliate of

UHC and the developer of the Project and borrower under the Loan Agreement.

In 2022, the Authority and developer agreed to restrict one-hundred seventy-four (174) units to 80% AMI and below. However, due to the complexities of the State requirements for using the LMIHAF money, it was determined that if the Authority restricts thirty-five (35) of the one-hundred seventy-four (174) units to low income (households earning up to 80% AMI), the Project will have an additional three million dollar (\$3,000,000) financial gap as the State low-income rents are significantly lower than the 80% AMI TCAC rents. Therefore, the Authority has agreed to provide seven million two-hundred thirty-five thousand dollars (\$7,235,000) of LMIHAF proceeds to the Project to fund one hundred thirty-nine (139) of the one hundred seventy-four (174) restricted units, which equates to approximately fifty-two thousand dollars (\$52,000) per unit. These units will be restricted for fifty-five (55) years as follows:

Unit Type	Extremely Low Income	59% AMI Low Income	Total Authority Restricted Units
1-Bedroom Units	5	24	29
2-Bedroom Units	37	22	59
3-Bedroom Units	51	0	51
Total Units	93	46	139

It should be noted that one hundred seventy-four (174) units will be restricted by a TCAC regulatory agreement with a term of fifty-five years (55). In addition, the City and the developer will simultaneously enter into a Housing Agreement which will restrict the thirty-five (35) units not restricted by the Authority (15 one-bedroom units, 19 two-bedroom units and 1 three-bedroom unit) to households earning up to 80% AMI. As a result, the City will receive Regional Housing Needs Assessment (“RHNA”) credit for ninety-three (93) extremely low-income units, nine (9) very low-income units, seventy-low (72) low income units and two (2) above moderate income units reserved for on-site property management; in addition to meeting the State requirements for using the LMIHAF money to assist this Project.

Strategic Plan:

One of the priorities of the City of Palm Desert’s (“City”) Envision Palm Desert Strategic Plan, as part of Land, Use, Housing and Open Space, is to facilitate development of high-quality housing for people of all income levels. This request meets that objective by diversifying the City’s housing stock for lower income households.

FINANCIAL IMPACT:

The fiscal impact of this request is the loan itself in the amount of Seven Million Two Hundred Thirty-Five Thousand Dollars (\$7,235,000.00) from the Authority’s Low- and Moderate-Income Housing Asset Fund, or \$52,000 per Authority restricted unit. This is a one-time loan; funds are available in Account Number 8734195-4663900. This transaction will not impact the City’s General Fund.

The developer’s sources of financing breakdown for the project are as follows:

Funding Source	Description	Total Project Cost
<i>Palm Desert Housing Authority Low- and Moderate-Income Housing Asset Fund</i>	Land Purchase and Construction Cost	\$7,235,000
Tax-Exempt Bonds	Permanent Loan	\$27,249,000
(4%) Federal Tax Credits	Investor Equity	\$45,704,127
State Tax Credits	Investor Equity	\$15,607,864
Housing Authority of the County of Riverside	87 Project Based Vouchers	\$ 0
Developer Land Loan	Repaid out of Residual Receipts	\$3,866,666
Deferred Developer Fee	80% of Dev Fee	\$9,566,194
	TOTAL	\$109,228,851

ATTACHMENTS:

1. Palm Desert Housing Authority Resolution No. HA-_____.
2. Housing Agreement
3. Loan Agreement
4. Secured Promissory Note
5. Deed of Trust
6. Notice of Affordability
7. Project Site Map