



CITY OF CLEARLAKE

City Council

STAFF REPORT

SUBJECT: Discussion and Consideration of Providing City Financing to Complete the 36th Avenue Road and Storm Drainage Construction Project

MEETING DATE: Nov. 3, 2022

SUBMITTED BY: Alan D. Flora, City Manager

PURPOSE OF REPORT: ☐ Information only ☒ Discussion ☒ Action Item

WHAT IS BEING ASKED OF THE CITY COUNCIL:

The City Council is being asked to authorize the City Manager to develop and Execute a Loan Agreement for Completion of the 36th Avenue Road Project.

BACKGROUND/DISCUSSION:

In 2020 the City negotiated a deal with Lexington Construction in order to incentives the development of market rate housing in the City. The deal provided 18 former Redevelopment Agency lots to Lexington at a reduced rate of \$1,000 each. The developer agreed to construct a new road and storm drainage improvements in the area and to build new single-family homes. The project area is on 36th Avenue between Eureka Avenue and Phillips Avenue. Unfortunately, the developer suffered from a number of personal and professional setbacks and the project has been a struggle to keep moving.

There is a new development team in place, which does not include the original principal, and they have made some progress towards completion of the two houses that were originally started and some road work has been done. However, the developer have approached the City on multiple occasions to see if we can assist them in completing the larger project.

Due to the shortage of regular Council meetings scheduled for the remaining calendar year, staff propose Council consideration of a framework agreement and authorize the City Manager to complete a deal based on that framework to complete the project.

The terms under consideration would be to provide up to \$300,000 to the developer for construction of the new roadway, storm drainage improvements and any remaining utility work necessary to complete the road. The funds would not be transferred directly to the developer but invoiced by and paid directly to the contractor(s) by the City. The loan would be secured by a loan agreement with a 3% interest rate and full payment due within 24 months. Further security would be provided by property liens and/or personal guarantees from the developer. The funding for the loan would be provided from the City's housing fund and would not impact the general fund.

While I even hesitate to recommend the Council consider this type of arrangement, it has taken two years to *nearly* complete two homes and see a measurable impact on the roadway. The problems with the previous developer have caused significant delays, additional costs for the development team, difficulties for the City,

utility providers and other property owners in the area. We really need to identify a way to get the improvements in the public right of way complete, as well as accomplish the development of additional quality market rate housing. Fortunately, the City is in a position to provide the needed support to accomplish these goals.

OPTIONS:

1. Authorize the City Manager to Develop and Execute a Loan Agreement for Completion of the 36th Avenue Road Project.
2. Provide alternative direction to staff.

FISCAL IMPACT:

☐ None ☒ up to \$300,000 Budgeted Item? ☐ Yes ☒ No

Budget Adjustment Needed? ☒ Yes ☐ No If yes, amount of appropriation increase: \$300,000

Affected fund(s): ☐ General Fund ☐ Measure P Fund ☐ Measure V Fund ☒ Other: Fund 290 – Housing Fund

Comments:

STRATEGIC PLAN IMPACT:

- ☒ Goal #1: Make Clearlake a Visibly Cleaner City
- ☐ Goal #2: Make Clearlake a Statistically Safer City
- ☒ Goal #3: Improve the Quality of Life in Clearlake with Improved Public Facilities
- ☒ Goal #4: Improve the Image of Clearlake
- ☒ Goal #5: Ensure Fiscal Sustainability of City
- ☐ Goal #6: Update Policies and Procedures to Current Government Standards
- ☒ Goal #7: Support Economic Development

SUGGESTED MOTIONS: Move to authorize the City Manager to develop and execute a loan agreement for completion of the 36th Avenue Road Project.

☐ **Attachments:**