



**STAFF REPORT**  
**7/12/2021**

**TO:** Honorable Mayor and City Council Members

**FROM:** Nathan Statham, Finance Director

**SUBJECT:** Resolution No. 2021-49, Conditional Loan Commitment for CFD 2005-1 Special Assessments for the Tripoli Apartment Affordable Housing Development

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**STAFF RECOMMENDATION:**

Staff recommends that City Council approve resolution 2021-49 authorizing the City Manager to enter into a conditional loan approval along with a prepayment and loan agreement for the Tripoli Apartment Affordable Housing Development "Development" allowing for the prepayment of special assessments for law enforcement, fire and paramedic service once the development is annexed into Community Facilities District 2005-1.

**BACKGROUND:**

Chelsea Investment Corporation ("Developer") has obtained site control for a proposed low income housing development with the intention of constructing a 108-unit affordable multifamily development with 3,600 square feet of commercial space, carports and related improvements known as the Tripoli Apartments (the "Project") with expected entitlement in the name of a new entity to be formed conducive to the type of project contemplated ("to be formed entity"). The project includes 51-392 Cesar Chavez Street and adjacent properties to be acquired for the project.

The City Council of the City of Coachella, by Resolution No. 2005-93, authorized the creation of the City of Coachella Community Facilities District 2005-1 (the "CFD") and by Resolution No. 2005-94, authorized the levy of a special tax for properties within the CFD (the "Special Assessment"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, to finance a portion of the cost of providing law enforcement, fire and paramedic services within the CFD. The Project will be annexed into the CFD as a condition of approval, requiring the Developer to pay an annual special assessment in the amount of \$1,255.59 per certified dwelling unit per year increasing annually based on the annual adjustment of the Consumer Price Index.

The project will provide a substantial public welfare benefit to the City through the development of the Project as affordable housing. To make the project financially viable and allow the Developer to facilitate financing arrangements for the project, the developer needs to defer these annual special assessment payments. To defer these special assessments, the developer is asking the City to enter into a loan and prepayment agreement that will defer the special assessment payments from the project for 55 years. The Full amount of the assessments will be payable at the

end of 55 years or sooner if the project is sold or generates sufficient available cash flows to allow for repayment.

**DISCUSSION/ANALYSIS:**

The conditional loan approval is proposed under the following terms:

1. Loan Amount - \$13,636,075.
2. Loan Term - 55 years.
3. Interest - 3% simple per annum.
4. Repayment – in full at end of loan term, sale or refinance.
5. Annual Payments - 50% of residual cash flow.

With final loan approval subject to the following conditions:

1. The Developer agrees to enter into a concurrent prepayment agreement in the same amount as the loan agreement. Monies received under the affordable housing loan agreement will be directly paid to the City in prepayment of CFD taxes due.
2. The Developer agrees to annex the property into the CFD.
3. The Developer agrees to applicable modification of the CFD to permit prepayment agreement.
4. The Developer secures all project financing.
5. The Developer obtains all necessary City and other regulatory approvals.
6. The Developer agrees to complete all off-site improvements specified in grant, funding and City agreements along with related applications and supporting detail documents.

To facilitate project funding the Developer is applying for an Infill Infrastructure Grant from the Department of Housing and Community Development (IIG). As part of the IIG application process, the developer has requested a letter under Senate Bill 35 stipulating that the City will streamline the approval process per the requirements of SB 35. A copy of the requested letter is attached hereto for reference.

**FISCAL IMPACT:**

The City will not see a direct fiscal impact from these agreements. The City is not currently receiving special assessment revenue from this project and this agreement will defer special assessment payments to the City for a term of 55 years. The annual special assessment payments for all units, using current year rates, is \$138,316. The City will be deferring these assessments for 55 years under the terms of the agreements receiving a payback of \$13,636,075 excluding interest at that time.

**EXHIBITS:**

1. Conditional Loan Commitment Letter
2. SB 35 Planning Process Letter