



**STAFF REPORT**  
**6/25/2025**

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

**FROM:** Celina Jimenez, Director of Economic Development

**SUBJECT:** Adopt Resolution No. 2025-36 Authorizing a Conditional Loan Commitment Letter to Defer Local Development Impact Fees for the Sixth Street Senior Apartments Affordable Housing Project in the Amount of \$1,179,044

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**STAFF RECOMMENDATION:**

Staff recommends that City Council consider approving Resolution No. 2025-36 authorizing a Conditional Loan Commitment Letter to defer local development impact fees for the Sixth Street Senior Apartments affordable housing project in the amount of \$1,179,044.

**BACKGROUND:**

Chelsea Investment Corporation ("Developer") has obtained site control for a proposed low income housing project with the intention of constructing a 53-unit affordable multifamily development with 4,742 square feet of commercial space, carports and related improvements known as the 6th Street Senior CIC, LP Apartments (the "Project") with expected entitlement in the name of 6<sup>th</sup> Street Seniors CIC, LP. The project includes properties with APNs 778-113-001 and 778-113-002.

The project will provide a substantial public welfare benefit to the City through the mitigation of housing shortages in the City and State. To make the project financially viable and allow the Developer to facilitate financing arrangements for the project, the developer needs to defer these local development impact fee payments. To defer these assessments, the developer is asking the City to enter into a conditional loan and prepayment agreement letter that will defer the payments from the project for 55 years. The full amount of the assessments will be payable out of residual receipts generated by the project, secured by a Promissory Note and Deed of Trust against the property at the end of 55 years or sooner if the project is sold or refinanced.

**DISCUSSION/ANALYSIS:**

The letter shall serve as an enforceable funding commitment for the loan with the following terms:

1. Loan Amount - \$1,179,044
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.\*

\*Free cash flow will be stipulated in the agreement consistent with standard financial definitions and will specifically exclude any equity items such as but not limited to partnership distributions, profit pay outs, partner guaranteed payments or any other equity/capital distribution as defined by Generally Accepted Accounting Principles. Free cash flows will also specifically exclude reserve balances except for reasonable operating reserves which will not exceed one year of operating expenses as measured by the immediately preceding fiscal year.

With final loan approval subject to the following conditions:

1. The Developer secures all project financing.
2. The Developer obtains all necessary City and other regulatory approvals.
3. The Developer agrees to complete all off-site improvements specified in grant, funding and City agreements along with related applications and supporting detail documents.

### **FISCAL IMPACT**

The City is not currently receiving assessment revenue from this project and this conditional loan commitment will defer payments to the City for a term of 55 years. The City will be deferring these assessments for 55 years under the terms of the conditional loan commitment letter receiving a payback of approximately \$1,179,044 including interest at that time.

### **ATTACHMENTS:**

1. Resolution No. 2025-36
2. Attachment A - Conditional Loan Commitment Letter