



STAFF REPORT
4/23/2025

TO: Honorable Mayor and City Council Members

FROM: Celina Jimenez, Director of Economic Development

SUBJECT: Adopt Resolution No. 2025-16 Authorizing a Conditional Loan Commitment for the Sixth Street Senior Apartments Affordable Housing Project for CFD 2005-1 Special Assessment District

STAFF RECOMMENDATION:

Staff recommends that City Council consider approving Resolution No. 2025-16 authorizing the City to enter into a conditional loan commitment for the Sixth Street Senior CIC, LP Apartments affordable housing project, allowing for the prepayment of special assessments for law enforcement, fire and paramedic services 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 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 a new entity to be formed conducive to the type of project contemplated ("to be formed entity"). The project includes properties with APNs 778-113-001 and 778-113-002.

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 \$1,555.55 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 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 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 refinanced.

DISCUSSION/ANALYSIS:

The City agrees to enter into a conditional affordable housing loan commitment wherein the City agrees to loan "to be formed entity" funds for the prepayment of special assessments under the following terms:

1. Loan Amount - \$8,290,440.63 *
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***.

*Based on CFD amount for fiscal year 24/25 of \$1,555.55 presuming 2% average annual CIP increases. Agreement amount to be updated to reflect current CFD rate at time of project completion. Special assessments exceeding the loan/prepayment amount within the 55-year term will be included in the applicable year levy.

**Interest will be calculated on the accrued unpaid special assessment balance each year.

***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 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 a 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.

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 \$84,093.03. The City will be deferring these assessments for 55 years under the terms of the agreements receiving a payback of approximately \$8,290,440.63 including interest at that time.

ATTACHMENTS:

1. Resolution No. 2025-16
2. Exhibit A - Conditional Loan Commitment Letter