



STAFF REPORT
3/25/2026

TO: Honorable Mayor and City Council Members

FROM: Celina Jimenez, Director of Economic Development

SUBJECT: Authorize Modification to the City's Commitment to Adjust Share of the Residual Receipts for the Affordable Housing Projects Developed by Chelsea Investment Corporation (Sixth Street Seniors Apartments) and Abode Communities (Villa Verde Apartments)

STAFF RECOMMENDATION:

Staff recommends that the City Council consider a modification to the City's commitment to adjust share of the Residual Receipts for the Affordable Housing Projects developed by Chelsea Investment Corporation (Sixth Street Seniors Apartments) and Abode Communities (Villa Verde Apartments).

BACKGROUND:

The City's CFD loans would be repaid through a residual receipts distribution which allows the project/s to repay principal and accrued interest when adequate cash flow is available for distribution. The City would typically receive a fifty percent (50%) share of the cash flow remaining after the Allowable Deductions, unless there are multiple government agencies funding the same project. In which case, the City shall receive proportional or pro-rata share of the residual receipts based on the City's amount of funds versus the total of all funds from all agencies. For example, the Allowable Deductions from the cash flow could be: (1) operating expenses calculated on an accrual basis; (2) debt service on senior project debt; (3) payments to the operating reserve fund; (4) payments to the replacement reserve fund; (5) actual deposits to the supportive services reserve fund; (6) repayment of General Partner Operating loan(s); (7) payment of deferred developer fees excluding any interest; and (8) payment of related party/third party fee.

DISCUSSION/ANALYSIS:

Residual receipts means the operating income remaining after payment of project expenses and fees, as defined in the loan documents – typically, operating expenses, reserve deposits, and project fees, in addition to must-pay debt (minimum debt service), including State loan mandatory interest payments and Ground Lease base rent. Residual receipts are split with other government lenders where required by law (for example, certain HCD programs or multiple government soft sources.)

The developers, Chelsea Investment Corporation and Abode Communities, are requesting that the City approve a modification to their commitment letters to provide a pro-rata share of Net Cash Flow between the City, the County, and the State for each of their projects: Sixth Street Senior Apartments and Villa Verde Apartments in order to comply with the project’s funding source allowed maximum annual payments per their respective funding commitments. The pro-rata share is as follows:

Chelsea Investment Corporation
<ul style="list-style-type: none"> ▪ City CFD 25.1% ▪ City TCC Loan 20.9% ▪ County HOME Loan 4%

Abode Communities – Part I CFD Loan
<ul style="list-style-type: none"> ▪ City CFD Loan – 26.99% ▪ HACR Land Loan – 1.52% ▪ HACR PLHA Loan – 6.59% ▪ HACR RDA Loan – 2.27% ▪ HACR Taxable Housing Bond – 0.49% ▪ HCD NPLH Loan – 12.15%

Abode Communities – Part II CFD Loan
<ul style="list-style-type: none"> ▪ City CFD Loan – 47.24% ▪ HACR Land Loan – 2.67%

ALTERNATIVES:

1. Authorize Modification to the City’s Commitment to Adjust Share of the Residual Receipts for the Affordable Housing Projects Developed by Chelsea Investment Corporation (Sixth Street Seniors Apartments) and Abode Communities (Villa Verde Apartments)
2. Not authorize

FISCAL IMPACT:

The City will not see a short-term direct fiscal impact from this request. The City is not currently receiving revenue from this project and their loan agreements will defer special assessment payments to the City for a term of 55 years. The payback amount will include simple interest at that time.

ATTACHMENTS:

1. Attachment 1 – Project Proformas
2. Attachment 2 – Prior City Commitment Letters