



STAFF REPORT
12/8/2021

TO: Honorable Mayor and City Council Members

FROM: Nathan Statham, Finance Director

SUBJECT: Prepayment and Loan Agreement Amendments for CFD 2005-1 Special Assessments – Coachella Valley I Affordable Housing Project

STAFF RECOMMENDATION:

Staff recommends that City Council approve resolution 2021-78 amending the previously approved prepayment and loan agreements (“Agreements”) with CVDH, LP “Developer” for the Coachella Valley I Affordable Housing Project “Project”.

EXECUTIVE SUMMARY

City Council previously adopted resolution 2021-11 in February of 2021 approving Agreements to defer special assessments from the City’s Public Safety CFD 2005-1 (“CFD”) in the amount of \$3,794,000 for a period of fifty-five years to facilitate project financing. In order to meet the Developer’s funding deadline of December 17, 2021, certain modifications to the agreement have been requested most of which are considered not to be substantive in nature. The Developer is making a substantive change request that the agreement be executed prior to the project being annexed into the CFD with annexation becoming a requirement for the issuance of a certificate of occupancy. The expectation of the Agreements previously approved by Council was that the Project would be annexed into the CFD prior to execution of the Agreements.

The Developer is required to obtain voter approval to annex the project into the CFD. The Developer will be unable to obtain a voter referendum prior to the December 17, 2021 funding deadline. Resolution 2021-11 allowed City staff to make certain non-substantive changes to the agreement documents to accommodate the planning/financing process, but the annexation change adds significant risk that the City will not collect prepaid funds under the agreements due to uncertainty over the outcome of a resident vote to annex into the CFD. It is possible that the resident voters elect not to annex into the CFD. Given the substantive nature of this change, staff is asking for City Council approval prior to proceeding with the execution of the agreements. Given the significant benefits of the project to the community, staff is recommending that Council approve the execution of the agreements prior to project annexation to meet the December 17, 2021 funding deadline. If this request is not approved, the Developer will have to start the funding application and approval process over with no guarantee of receiving project funding.

BACKGROUND:

The Community Housing Opportunities Corporation (“CHOC”) owns property in the City of Coachella that is being developed into a low income housing complex. The property currently has twenty existing multifamily affordable housing residential units. CHOC intends to redevelop the existing units and increase the total number of units to fifty-six affordable housing units. CHOC has formed CVDH LP as the ownership organization for the Project (“Owner”).

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, City Council previously approved a prepayment and loan agreement to defer special assessments for the City of Coachella Community Facilities District 2005-1 which levies a special tax for properties within the CFD to finance a portion of the cost of providing law enforcement, fire and paramedic services within the CFD.

In the course of obtaining financing and planning approvals for the project, City staff made the Developer aware in July of 2021 that voter approval is required to annex properties into a CFD when there are registered voters residing in the annexation area. The more common development situation is that the property is vacant and a land owner vote is required to annex the property into the CFD. In this instance, the Owner was expecting to be the single vote required for the annexation into the CFD as the sole owner. Given that voter approval is required, the Owner will be unable to annex the property into the CFD prior to execution of the Agreements by the City and still meet funding deadlines to secure lending for the project. The voter referendum process has not been started by the Developer.

FISCAL IMPACT:

The City was not expecting to see a direct fiscal impact from these agreements in that the City is not currently receiving special assessment revenues from the Project; however, if the property is not annexed into the CFD the City will not receive \$3,794,000 in special assessments associated with the project that would otherwise be generated over the next fifty-five years.

ATTACHMENTS:

Resolution 2021-78

Resolution 2021-11 (includes agreement documents as previously approved)