



Folsom City Council Staff Report

MEETING DATE:	December 14, 2021
AGENDA SECTION:	New Business
SUBJECT:	Resolution No.10776 - A Resolution of the City of Folsom Approving an Affordable Housing Loan in the Amount of \$6,860,000 from the City’s Housing Funds to Mangini Place Affordable, LP, Authorizing the City Manager to Execute Loan Agreement and Related Documents for the Construction of 152 Affordable Housing Units at the Mangini Place Multifamily Affordable Housing Development, and Appropriation of Funds
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Move to Adopt Resolution No. 10776 - A Resolution of the City of Folsom Approving an Affordable Housing Loan in the Amount of \$6,860,000 from the City’s Housing Funds to Mangini Place Affordable, LP, Authorizing the City Manager to Execute Loan Agreement and Related Documents for the Construction of 152 Affordable Housing Units at the Mangini Place Multifamily Affordable Housing Development, and Appropriation of Funds.

BACKGROUND / ISSUE

Mangini Place Apartments project is a highly amenitized master planned community comprised of 152 income restricted family rental housing residences. The project site is located on the 6.07-acre site at the northwest corner of Savannah Parkway and Mangini Parkway (14776 Mangini Parkway) within the Folsom Plan Area. Mangini Place Apartments will have access to a master planned system of trails, parks and bicycle paths and will be within walking proximity to Mangini Ranch Elementary school, Mangini Park (a planned and funded public park) and a master planned Transit Corridor with a fully planned dedicated Bus Rapid Transit System.

FIGURE 1: MANGINI PLACE PROJECT SITE



On January 26, 2021, staff requested City Council direction regarding affordable housing loan funding requests for two separate projects: the USA Properties, Inc. (USA) Sage at Folsom multifamily senior apartment project and the St. Anton Communities, LLC (St. Anton) Mangini Place affordable apartment project. Historically, the City had received affordable housing fund requests sequentially and thus had analyzed and brought those individual requests forward for City Council consideration. In each previous circumstance, the City's available housing funds exceeded the individual requests. In 2020, the City had two requests for affordable housing funds, which collectively exceeded the available housing fund balance at the time of approximately \$7,437,000. As such, staff provided project information, analysis by TDA Consulting, Inc. (a national provider of affordable housing consulting services), and a preliminary recommendation to the City Council regarding the two affordable housing projects' funding requests for consideration and direction. Given that USA had entitlements in place and was further along in the process, the City Council reviewed and preliminarily approved the funding request for USA's Sage project. In addition, City Council supported a future affordable housing loan for the Mangini Place project and directed staff to come back with a specific funding plan for Mangini Place once the project was further along in the process and additional housing funds became available.

On August 11, 2021, the Mangini Place project received "private activity bond" allocation from the California Debt Limit Allocation Committee ("CDLAC").

On August 18, 2021, the project, which includes development of six three-story apartment buildings, featuring 90 one-bedroom, 22 two-bedroom, and 40 three-bedroom units was approved by the Planning Commission. With more than 25 percent of the units designated as three-bedroom, this project is categorized as “Large Family” and targets family households. Two of the 152 units will be manager units and the remaining 150 units are to be income and rent restricted to households with incomes between 30 percent and 70 percent of the Area Median Income for Sacramento County.

POLICY / RULE

Financial support of affordable housing projects is consistent with the City’s Housing Element Goal of facilitating affordable housing.

ANALYSIS

Affordable Housing Needs Analysis

The Mangini Place project is a 152-unit 100 percent affordable multifamily, The development includes one, two, and three-bedroom floor plans, with a density of approximately 33.3 dwelling units per acre and will serve low and very-low-income households. The City’s recently adopted (August 24, 2021) Housing Element, which implements the City's "fair share" of the regional affordable housing needs allocated to the City by SACOG, calls for 2,226 very low-income units and 1,341 low-income units over the eight-year period from 2021 to 2029. This Project will provide 150 units toward meeting that goal. In addition, the project furthers Housing Element Goal H-5 which calls for the City *to provide a range of housing services for Folsom residents with special needs, including seniors, persons with disabilities, single parents, large families, the homeless, and residents with extremely low incomes.* Not only does the project provide housing for 40 three-bedroom units for large family households, 15 of the total units will be for households with extremely low incomes.

City Housing Funds

As of November 2021, the City’s total unencumbered housing fund balance available for affordable housing projects is \$9.97 million and is comprised of four separate funds, as summarized in Table 1 below:

Table 1 – Folsom Housing Funds		
Housing Fund Name	Source	Fund Balance
Housing Trust Fund (Fund 221)	Commercial Fees	\$1,265,283
Folsom Housing Fund (Fund 238)	Inclusionary In-lieu Fees	\$8,538,583
Oaks at Willow Springs (Fund 274)	Willow Springs Inclusionary Fee	\$24,059
Bonds Fund (Fund 280)	Former Redevelopment Bonds	\$140,293
Total		\$9,968,218*

*In addition to providing affordable housing financial subsidies, Total includes funds utilized for consulting services, special reports, and other housing related activities.

It is important to note, of the four types of housing funds, only the Folsom Housing Fund (Fund 238) and the Housing Trust Fund (Fund 221) are expected to generate future City housing funds. During the past year, the City collected over \$5.6 million in inclusionary in-lieu fees as a result of the thriving new single-family housing development (primarily in the Folsom Plan Area) and approximately \$6,857.00 in housing trust fund fees associated with new commercial development. In addition to providing affordable housing loans, these funds are used for other housing related activities such as the Housing Element Update and housing financing consulting services.

Over the last 18 years the City has utilized housing funds to provide affordable housing loans to support multiple affordable housing projects. A summary of projects and funding amounts is included as Attachment 4.

Funding Analysis

In evaluating the applicant's request for an affordable housing loan in the amount of \$6.86 million to facilitate the development of a 152-unit affordable multifamily housing project, the City's affordable housing loan consultant, TDA conducted a detailed review of the developer's updated financial proforma projections and project funding information. The project's assumptions, methodologies, and calculations were reviewed and evaluated for reasonableness and accuracy. In addition, secondary sources of information were consulted to confirm or validate the project pro forma and additional information was requested of the developer to clarify or support specific items in the pro forma. Based on TDA's analysis and recommendations, the loan amount of \$6.86 million was supported as a reasonable amount to support the project; however, a couple of modifications to the specific terms of the City's affordable housing loan were recommended by TDA. Most notably was the addition of a net cost savings/increased sources provision that allows the City to reduce the City's loan amount in the event that that total project sources are in excess of project costs.

The total project development costs are estimated to be approximately \$63.1 million with the majority of the funding assumed to come from a noncompetitive four percent Tax Credit Equity program and a permanent loan. The City loan will carry a three percent simple interest rate for a 35-year term. Furthermore, as is common practice for repaying affordable housing loans, payments on the City's loan equal to 50 percent of residual cash flow will be deferred as indicated in the summary below.

Loan Terms

A term sheet outlining the conditions of the loan has been prepared and is included in the staff report (Attachment 3). Key specifics of this term sheet include:

1. Loan amount of \$6,860,000
2. 3% simple interest
3. 35-year repayment term

4. Repayment equal to 50% of residual cash flow.
5. City's loan will be deferred until the earlier of i) 15 years following Permanent Loan Conversion or ii) repayment of the Deferred Developer Fee, provided further that the Deferred Developer Fee note shall carry no interest.
6. At expiration of the loan term, 100% of the principal balance of the loan and all accrued interest will be due and payable.
7. Net cost savings provision in the event project sources are in excess of uses for the project.

The City loan will be in second place, behind the permanent construction loan. Staff recommends that the first commitment of dollars be tied to the developer receiving approval of the other sources of funding.

Overall, TDA's in-depth analysis of the Mangini Place project financial proformas and project details indicates that the requested \$6.86 million dollar loan is reasonable. In addition, it is important to note that the per-unit cost for the City loan is approximately \$45,733 per affordable unit, which (as shown in Table 2 below) is less than other affordable housing projects that have received financial assistance from the City. The primary reason for the lower per unit cost is a result of the COVID-19 relief package passed by Congress in December 2020 that included a permanent 4% floor for of Low-Income Housing Tax Credits (LIHTC) projects' tax credit rate. This is a significant change to affordable housing underwriting and serves to increase the amount of equity that a given affordable housing development project can generate from the syndication of Low-Income Housing Tax Credits. As such, the Mangini Place project has a reduced City subsidy request.

Table 2 - Affordable Housing Per Unit Cost Comparison		
Project Name	Number of Affordable Units	Price per Affordable Unit
Mangini Place	150	\$45,733
Bidwell Place	75	\$55,333
Bidwell Pointe	100	\$53,000
Parkway Apartments	71	\$65,915
Forestwood Apartment	55	\$54,545
Granite City	80	\$51,000

Development Impact Fee Deferral

The developer has also requested deferral of City-imposed development impact fees (development impact fees from non-City agencies remain payable unless deferred by the imposing agency). Staff supports the developer's request to defer the Project's development impact fees under Chapter 16.60 of the Folsom Municipal Code, which allows the City Council to approve deferral of City-imposed development impacts fees not to exceed 75 percent of the total amount of the impact fees applicable to low income and/or very low-income units in a

“qualified residential project”. In order to be a “qualified residential project” under Chapter 16.60, the residential development project must have all required discretionary development approvals and entitlements and include at least 10 percent of its total units affordable to very low-income households, and at least 30 percent of its units affordable to low-income households. The entire Mangini Place project is a “qualified residential project”.

The estimated total amount of City-imposed development impact fees applicable to the Mangini Place project is approximately \$8,366,223.00 and 75 percent of that amount (\$6,274,667.25) is eligible for deferral. Pursuant to Section 16.60.030 and 16.60.040(F), the maximum fee deferral period is 15 months from the date of building permit issuance, and the deferred fees are due and payable upon the close of permanent loan financing or upon the expiration of the maximum fee deferral period, whichever is earlier. The processing and the deferral of development impact fees will comply with the requirements of Chapter 16.60 of the Folsom Municipal Code, and a development impact fee deferral agreement satisfactory to the City Attorney will be required in order to secure repayment of the deferred fees.

FINANCIAL IMPACT

Funding for the requested affordable housing loan for this project is available from the City’s housing funds. The majority of funding, \$5,860,000, will come from the Folsom Housing Fund (Fund 238), with the remaining \$1,000,000 from the Housing Trust Fund (Fund 221). An appropriation will be required in the amount of \$6,860,000. Funding for the project does not impact the City’s General Fund.

The above-identified funding will only be provided upon proof, satisfactory to the City, that St. Anton has financing commitments from all other sources of project financing necessary to fund the project.

ENVIRONMENTAL REVIEW

The Mangini Place Apartments project is exempt from environmental review under Government Code Section 65457 and Section 15182 of the California Environmental Quality Act Guidelines.

ATTACHMENTS

1. Resolution No. 10776 - A Resolution of the City of Folsom Approving an Affordable Housing Loan in the Amount of \$6,860,000 from the City’s Housing Fund to Mangini Place Affordable, LP, Authorizing the City Manager to Execute Loan Agreement and Related Documents for the Construction of 152 Affordable Housing Units at the Mangini Place Multifamily Affordable Housing Development, and Appropriation of Funds
2. Loan Term Sheet
3. Site Plan and Project Rendering
4. Summary of City of Folsom Affordable Housing Loans

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", with a long horizontal flourish extending to the right.

Pam Johns, Community Development Director

Attachment 1

Resolution No. 10776 - A Resolution of the City of Folsom Approving an Affordable Housing Loan in the Amount of \$6,860,000 from the City's Housing Fund to Mangini Place Affordable, LP, Authorizing the City Manager to Execute Loan Agreement and Related Documents for the Construction of 152 Affordable Housing Units at the Mangini Place Multifamily Affordable Housing Development, and Appropriation of Funds

RESOLUTION NO. 10776

A RESOLUTION OF THE CITY OF FOLSOM APPROVING AN AFFORDABLE HOUSING LOAN IN THE AMOUNT OF \$6,860,000 FROM THE CITY'S HOUSING FUND TO MANGINI PLACE AFFORDABLE, LP, AUTHORIZING THE CITY MANAGER TO EXECUTE LOAN AGREEMENT AND RELATED DOCUMENTS FOR THE CONSTRUCTION OF 152 AFFORDABLE HOUSING UNITS AT THE MANGINI PLACE MULTIFAMILY AFFORDABLE HOUSING DEVELOPMENT PROJECT, AND APPROPRIATION OF FUNDS

WHEREAS, St. Anton Communities, LLC (St. Anton) is the developer of the proposed Mangini Place project, located at the northwest corner of the intersection of Savannah Parkway and Mangini Parkway in the Folsom Plan Area, is in the process of securing funding necessary to build the 152-unit multifamily 100% affordable housing affordable to extremely low-, very low- and low-income households ("Project"); and

WHEREAS, the Project received "private activity bond" allocation from the California Debt Limit Allocation Committee ("CDLAC") on August 11, 2021; and

WHEREAS, St. Anton has requested an affordable housing loan from the City of Folsom in the amount of \$6,860,000 in order to assist with Project financing; and

WHEREAS, providing financial assistance to affordable housing projects is consistent with the Goal H-3: Facilitating Affordable Housing in the City's Housing Element; and

WHEREAS, the request for an affordable housing loan of \$6,860,000 is appropriate given the Project's costs and development expenses; and

WHEREAS, funding for the requested affordable housing loan is available from the City's housing funds, with \$5,860,000 coming from the Folsom Housing Fund (Fund 238) and \$1,000,000 from the Housing Trust Fund (Fund 221); however, an appropriation will be required; and

WHEREAS, the primary term of the affordable housing loan will be 35 years at three percent simple annual interest, to be repaid with a share of residual cash flow to be generated from the Project with repayment terms subject to approval by the Finance Director; and

WHEREAS, receipt of all loan repayments will be deposited into the City's Housing Fund (Fund 238) and the Housing Trust Fund (Fund 221) will be used to provide future assistance for affordable housing.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Folsom hereby approve an affordable housing loan, in the amount of \$6,860,000, to Mangini Place Affordable, LP, a California limited partnership, to construct the 152-unit affordable multifamily project known as the Mangini Place, located at the northwest corner of the intersection of

Savannah Parkway and Mangini Parkway in the Folsom Plan Area (14776 Mangini Parkway), subject to the borrower entering into an affordable housing loan agreement in a form acceptable to the City Attorney.

BE IT FURTHER RESOLVED that deferral of up to 75% of City-imposed development impact fee applicable to the Mangini Place project for up to 15 months from the date of building permit issuance is hereby approved, subject to the developer entering into a development impact fee deferral agreement acceptable to the City Attorney.

BE IT FURTHER RESOLVED that the City Manager is authorized to execute an affordable housing loan agreement, and other related documents, consistent with and in furtherance of this Resolution.

BE IT FURTHER RESOLVED that the Finance Director is directed to appropriate \$5,860,000 from the City’s Housing Fund (Fund 238) and \$1,000,000 from the Housing Trust Fund (Fund 221) to provide an affordable housing loan for the construction of the Mangini Place project.

PASSED AND ADOPTED this 14th day of December 2021 by the following vote:

- AYES:** Councilmember(s):
- NOES:** Councilmember(s):
- ABSENT:** Councilmember(s):
- ABSTAIN:** Councilmember(s):

Michael D. Kozlowski, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

Attachment 2

Loan Term Sheet

Loan Term Sheet
Mangini Place Apartments
City of Folsom
November 23, 2021

1. Lender: City of Folsom, a municipal corporation
2. Borrower: Mangini Place Affordable, LP, a California limited partnership, composed of
 - i. General Partners
 1. St. Anton Mangini Place Affordable, LLC (Co-GP)
 2. PacH Anton South Holdings, LLC (Managing GP) (Parent Company: Pacific Housing, Inc.)
 - ii. Limited Partners
 1. Bank of America, N.A. or its affiliate – Investor Limited Partner
 2. Bank of America CDC Special Holding Company, Inc. -Special Limited Partner
3. Loan Amount: \$6,860,000
3. Purpose: Construction and operation of a 152-unit 100% rent- and income-restricted property. The planned affordability mix is 15 extremely low-income (30% AMI), 15 very low-income (50% AMI), 84 low-income (60% AMI), 36 low-income (70% AMI), and two (2) exempt manager's units.
4. Timing of Funding: The City's loan will be funded upon closing of the primary construction loan closing.
5. Interest Rate: 3% simple per annum
 - a. Annual Payments: Repayment of the principal amount of the loan together with accrued interest will be to the extent "Residual Cash Flow" exists. Principal and interest payments equal to fifty percent (50%) of "Residual Cash Flow" are due beginning on May 1st of each year until the loan is fully repaid. Notwithstanding, annual payments on the City's loan will be deferred until the earlier of i) 15 years following Permanent Loan Conversion or ii) repayment of the Deferred Developer Fee, provided further that the Deferred Developer Fee note shall carry no interest.
6. Residual Cash Flow: Residual Cash Flow is identified as all income generated by the project after:
 - a. Payment of typical operating expenses for the project, including:
 - i. Property management fee not to exceed 3%
 - ii. Advertising, legal, accounting, security, and other general office administration expenses
 - iii. Payroll, benefits, and payroll taxes
 - iv. All utilities
 - v. All repair and maintenance costs
 - vi. Property insurance
 - vii. Property taxes, business licenses, and permits
 - b. Replacement reserve replenishment: cash deposited into a reserve for capital replacements of project improvements in such reasonable amounts as are required by the project lenders, including the City, and/or tax credit investor

- c. Senior amortizing debt service agreed to by the City as of initial closing.

For purposes of the Borrower's accounting and tax records, distributions of Residual Cash Flow may be characterized pursuant to the Amended and Restated Limited Partnership Agreement as may be amended on project financing.

Notwithstanding, for the purpose of determining the deferral of annual payments on the City's loan, Residual Cash Flow shall be characterized as follows:

- a. First, for payment of an Asset Management Fee to the Limited Partner in the amount of no more than \$10,000 for the first year and escalating at no more than 3% per year thereafter;
- b. Second, for payment of a Partnership Management Fee to the non-profit Managing General Partner (MGP) for their management duties in an amount equal to 1.00% of the project's gross annual income for the previous calendar year. MGP fee is capped at \$32,000 per year, but eligible for up to a 2% annual increase based on the Consumer Price Index. The annual adjustment shall never exceed 2%;
- c. With all remaining Residual Cash Flow used as payment toward any outstanding Deferred Developer Fee.

Upon distribution of \$3,372,813 (or such deferred developer fee evidenced by the final cost certification prepared by an independent CPA and implementation of the net cost savings/increased sources provision herein) in excess of any amounts related to items (a) and (b) above, the deferral period shall end, and annual payments shall begin. For the sake of clarity, the City will accept submission of the cost certification prepared for and submitted to the California Tax Credit Allocation Committee (TCAC) as part of the Borrower's Form 8609 Request.

These categories as listed above shall not materially change without written approval of the City for the purposes of calculating the annual payment.

7. Term: 35 years from Permanent Loan Conversion. Balance of loan will be due on sale.
8. Balloon Payment: At the expiration of the loan term, 100% of the principal balance of the loan and all accrued interest will be due.
9. Refinancing: In the event of refinancing, the City will subordinate to the new senior loan on substantially similar terms as the original financing.
10. Conditions: The funding of the City loan is conditioned on the following:
 - a. The project has secured the unconditional commitment of all funding sources necessary to develop the project pursuant to the pro forma, including the construction loan, the permanent loan, and 4% tax credit equity
 - b. The Borrower has fee ownership of the land (the developer currently holds fee simple title of the land)
 - c. The project has secured all building permits or permit-ready letters and is ready to begin construction
 - d. In the event of cost overruns in development of the project, the Developer will defer as much of its estimated developer fee as IRS requirements permit prior to requesting any

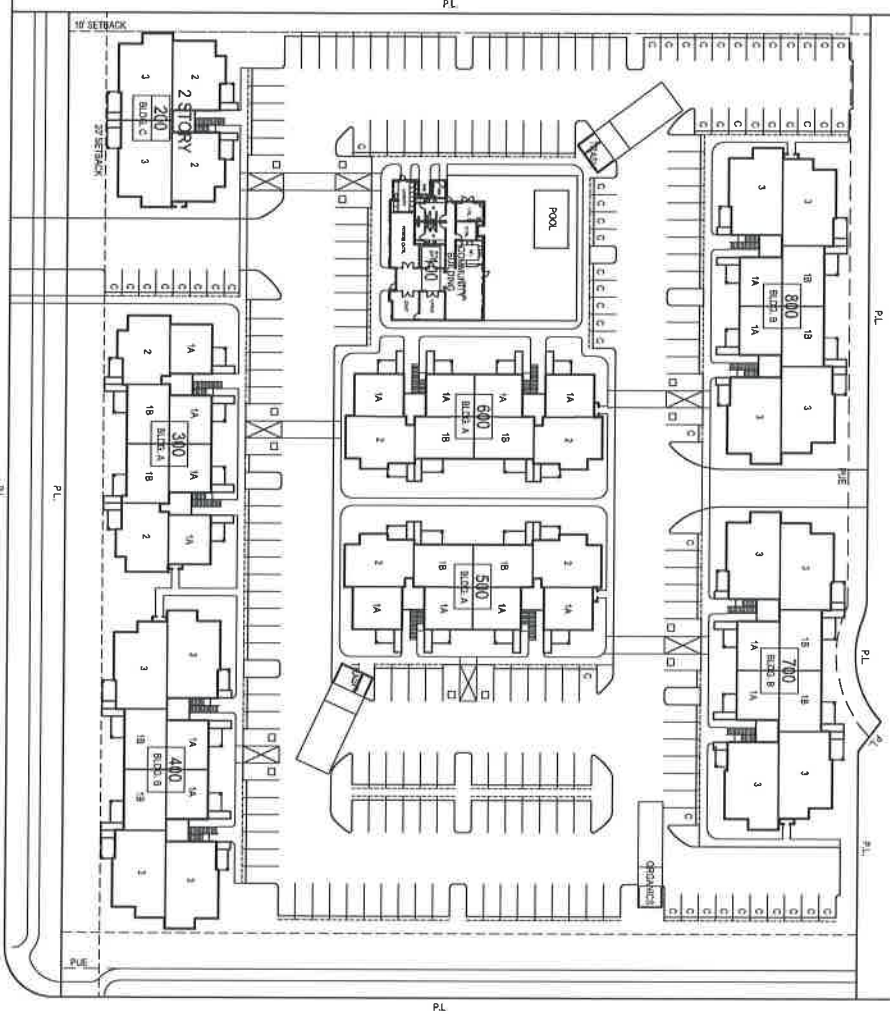
additional funding from the City.

11. Net Cost Savings/Increased Sources: Following completion of construction Borrower shall submit to City a cost certification prepared by a qualified independent CPA acceptable to City setting forth the total sources and uses for the Project. To the extent the Cost Certification shows that project sources are in excess of project costs (assuming a deferred developer fee of \$3,372,813), 50% of such an amount shall be used to reduce the City's loan and 50% to reduce deferred developer fee. Further, for purposes of this evaluation and notwithstanding the manner in which the Borrower characterizes such receipts for tax or accounting purposes, "net operating income" collected by the Borrower prior to the date of permanent loan conversion shall be treated as a project source.
12. Reporting: Developer will provide the City with annual audited financial statements for the project demonstrating compliance with the formula for the distribution of cash flow.
13. Security: City's loan will be secured by a deed of trust junior to construction and permanent financing sources set forth.

Attachment 3

Site Plan and Project Rendering

- 90 1 BR. UNITS
- 22 2 BR. UNITS
- 40 3 BR. UNITS
- 152 TOTAL UNITS
- 168 STD. PARKING
- 13 ACCESSIBLE
- 53 COMP. PARKING
(25%, 30% ALLOW.)
- 214 TOTAL PARKING
- 214 REQUIRED



SITE PLAN
1" = 32'



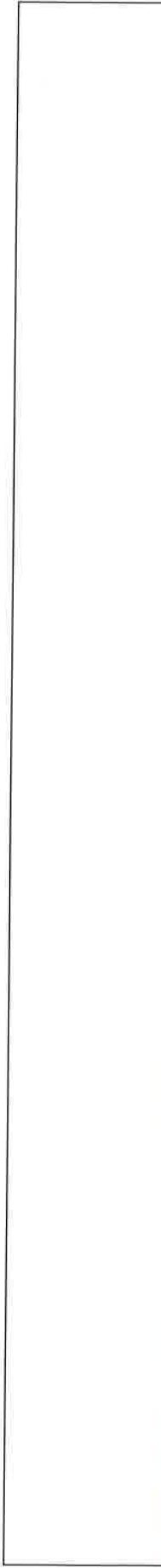
MANGINI PARKWAY

SAVANNAH PARKWAY

GRABER - ROSKUSSEN
ARCHITECTS
1701 L Street, Suite 100
Folsom, CA 95630
Tel: 916.439.1100
Fax: 916.439.1101

MANGINI PLACE AFFORDABLE
152 UNIT APARTMENT PROJECT
MANGINI PARKWAY
FOLSOM, CALIFORNIA

DATE OF ISSUE: 1/15/2010
DATE OF REVISION: 1/15/2010
A 1
SITE PLAN





GARDNER - RASMUSSEN

 ARCHITECTS

MANGINI PLACE AFFORDABLE

152 UNIT APARTMENT PROJECT

 MANGINI PARKWAY

 FOLSOM, CALIFORNIA

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PROJECT NO. 2015-001

DATE OF PRINT: 10/15/15

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 ARTISTIC

 RENDERING

Attachment 4

Summary of City of Folsom Affordable Housing Loans

AFFORDABLE HOUSING LOAN SUMMARY- December 2021

		Folsom		Housing Trust	Oaks at	Totals
		Folsom Housing	Successor Agency	Housing Trust	Willow Springs	
		Fund 238	Fund 279	Fund 221	Fund 274	
Vintage Willow Creek	2005	\$ 861,875	\$ 1,175,625			\$ 2,037,500
Creekview Manor	2007	1,400,000				1,400,000
Forestwood	2011	2,500,000		500,000		3,000,000
Mercy Village (remodel)	2009	1,215,000				1,215,000
Granite City	2012	555,000		582,000	2,529,055	4,066,055
Bidwell Pointe	2019	5,300,000				5,300,000
Bidwell Place	2021	4,150,000				4,150,000
Parkway (Petersen Place)	2019	4,680,000				4,680,000
Scholar Way (Sage)	2021	2,750,000				2,750,000
		\$ 23,711,875	\$ 1,175,625	\$ 882,000	\$ 2,529,055	\$ 28,598,555

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