



DALY CITY HOUSING DEVELOPMENT FINANCE AGENCY

AGENDA

REGULAR MEETING

COUNCIL CHAMBERS – 333 90TH STREET

MONDAY, AUGUST 14, 2017– 7:00 P.M.

For those wishing to address the Agency Board on any Item on the Agenda or under Public Appearances/Oral Communications, please complete a Speaker Card located at the entrance to the Council Chambers and submit to a Staff Member as early in the meeting as possible.

Persons with disabilities who require auxiliary aids or services in attending or participating in this meeting should call the office of the City Clerk at 991-8078 as soon as possible.

CALL TO ORDER:

ROLL CALL:

APPROVAL OF MINUTES:

April 10, 2017

COMMUNICATIONS:

1. 4619 Brunswick Senior Apartments Funding Request

PUBLIC APPEARANCE – ORAL COMMUNICATIONS:

NOTE: Speakers are limited to two minutes, unless modified by the Chair.
The Board cannot take action on any matter raised under this item.

ADJOURNMENT:

DALY CITY HOUSING DEVELOPMENT FINANCE AGENCY
MEETING MINUTES
April 10, 2017

The meeting was called to order by Chairperson at 7:00 P.M.

ROLL CALL: Commissioners Present:

Glenn Sylvester, Chairperson
Ray Buenaventura
Judith Christensen
Michael Guingona

Patricia Martel, Executive Secretary/Director
Rose Zimmerman, General Counsel
K. Annette Hipona, Assistant Secretary

MINUTES:

Special Meeting of February 27, 2017

It was moved by Commissioner Buenaventura seconded by Commissioner Guingona, and carried to approve the Special Meeting minutes of February 27, 2017.

RESOLUTION:

Adjusting 2016-2017 Daly City Housing Development Finance Agency Budget

Betsy Zobell, Housing Community Development Director, reviewed the agenda report with the Commissioners.

It was moved by Commissioner Guingona, seconded by Commissioner Buenaventura and carried by roll call vote to approve the following resolution:

HFA-43 Authorizing Adjustment to Their 2016-2017 Budget

ADJOURNMENT:

It was moved by Chairperson Sylvester, seconded by Commissioner Christensen and carried to adjourn the meeting of the Daly City Housing Development Finance Agency at 7:04 P.M.

Approved this _____ 14th _____ day
of _____ August _____ 2017.

Assistant Secretary

Chairperson



August 14, 2017

SUBJECT: 4619 Brunswick Senior Apartments Funding Request

Recommended Action

Deny an application for \$2.5 million in Housing Trust Funds to subsidize development of a 206-unit affordable senior project located at 4619 Brunswick.

A. BACKGROUND

Entitlements- On December 15, 2015 the City Council approved Use Permit UPR-7-14-9291, which provided development entitlements for 206-unit senior housing development at 4619 Brunswick Street. At the time of entitlement, the developer, Alexis Gevorgian of AMG & Associates, LLC indicated his project would be financed with Low Income Housing Tax Credits and Tax Exempt Bonds and would not require any local jurisdiction subsidy. The project was entitled with a 75 percent parking reduction and density bonus concessions in consideration of the provision of affordable senior housing units. The conditions of approval for the project required the developer to enter into an Affordable Housing Agreement memorializing the terms of affordability for the 206 units.

Affordable Housing Agreement - The Conditions of Approval for 4619 Brunswick require the developer to execute and record a 55-year affordable housing deed restriction against the property (“Affordable Housing Agreement”). In April of 2016 staff initiated discussions with the developer regarding this agreement by drafting a term sheet of basic deal points to be reflected in the AHA. After considerable discussion regarding caps on rent increases, cost recovery for the City’s compliance monitoring efforts, definition of age restrictions and provision of resident services, the AHA with Daly City Pacific Associates was executed on August 7, 2017.

Funding Gap - In April of 2017, staff received correspondence from the developer indicating that due to national economic factors, his project was facing a \$4 million funding gap, and requesting assistance from the City to identify resources and strategies to help close the gap. On July 5, 2017 staff met with Alexis Gevorgian at which time he described various forms of assistance the City could offer including deferment of developer fees and provision of Housing Trust Funds. On July 24 staff received a 100+ page application for \$2.5 million in funding from the Daly City Housing Trust fund for the project from the Central Valley Coalition for Affordable Housing (CVCAH), a development team member.

B. DISCUSSION

On July 31, 2017 staff met with the Affordable Housing Committee comprised of Vice-Mayor Jusyln Manalo and Councilmember Judith Christiansen. The Committee considered a variety of

policy and procedural issues in its consideration of CVCAH's request for financial assistance from the City for development of 4619 Brunswick.

1. Provision of Affordable Housing Trust Funds - Several aspects of the Brunswick project are of concern to the Committee in forming a recommendation regarding use of Housing Trust funds. In February 2016 the Affordable Housing Committee reviewed and approved the Affordable Housing Trust Fund Spending Plan, a document that sets basic policies the City's investment of the Trust Fund in Affordable Housing Activities. The Brunswick project request is inconsistent with several of these policies, including:
 - Projects that have been pledged a density bonus are ineligible for Trust Fund financing
 - Senior housing will not be considered for Trust Fund financing given that the Trust Fund's primary revenue source is impact fees, which are based on a nexus study that documents the affordable housing needs of new employees that are generated by the occupants of new market rate housing
 - Preference will be given to non-profit, mission-driven developers
 - Due Diligence - Provision of affordable housing subsidies is based on due diligence evaluation of a project's actual need for subsidy. This involves consideration a detailed underwriting analysis.

C. FISCAL IMPACT

The developer's request for a long term deferral of developer fees will result in the loss of \$1,120,927 in AB 1600 fees which might otherwise have been used to support development and maintenance of streets, infrastructure and community facility needs directly attributable to the project. Under Section 66007 of the Government Code, the City is required to grant this deferral.

Deferral of building permit fees, estimated at \$839,205 would result in a loss of revenue needed by the City to recover General Fund costs associated with the staff time devoted to plan review and building inspection directly related to the proposed project. The City is not required by law to defer or waive building permit fees.

The current balance in the City Housing Trust Fund that is not already committed to other projects and activities is \$2.5 million. If these funds were offered to the project at 4619 Brunswick, it would eliminate the City's ability to subsidize other affordable housing activities for the foreseeable future, including housing for very low-income households currently in development by Habitat for Humanity.

D. RECOMMENDATION

Pacific West Communities is a for-profit developer utilizing the Low Income Housing Tax Credit program to develop affordable housing. A review of the developer pro forma provided to CTAC indicates the developer will realize a total of \$9 million in developer fees. While the proposed project will provide 206 units of senior housing, a total of 90% of the units will target households

with incomes at 60 percent of the median (\$55,000 per year for a household of one person) and rent for \$1,383 per month. This does not necessarily address a critical senior housing need in Daly City where the majority of seniors seeking affordable housing have incomes well below the 60 percent of median level.

In addition, as described above, the project does not meet the criteria for Daly City Housing Trust Fund investment described in the Affordable Housing Trust Fund spending plan.

Through the entitlement process, the developer has already received several concessions for open space requirements and height limitations which staff estimates, conservatively, will enable the developer to increase the unit count by 120 units and realize additional profit of several million dollars. He has also been granted a 121 space parking reduction, thereby decreasing his development costs by an estimated \$4.2 million. He has indicated his intention to seek a long term deferral of \$1,120,927 in AB 1600 Public Facilities Fees. Collectively, the concessions that City has or will provide to the developer represent a subsidy of over \$10 million.

When all aspects of the project are considered, the net public benefit generated to Daly City by the senior housing development proposed for 4619 Brunswick is questionable. The Affordable Housing Committee recommends that Housing Trust Funds be reserved for affordable housing developments that truly meet the needs of low income Daly City residents, provide an acceptable level of resident services, do not over compensate developers and represent a solid addition to the City's affordable housing assets. Overall, the Committee finds that the project proposed for 4619 Brunswick Street does not meet the threshold requirements for consideration of a Daly City Housing Trust Fund investment and does not warrant further consideration. Staff recommends denial of the application for \$2.5 million in Housing Trust Funds for the project at 4619 Brunswick.

Respectfully submitted,



Betsy ZoBell
Housing and Community
Development Supervisor



Patricia E. Martel
City Manager