

RESOLUTION NO. 2007-260

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE
TO APPROVE THE AFFORDABLE HOUSING LOAN PROGRAM GUIDELINES
AND AMEND THE FISCAL YEAR 2007-08 BUDGET**

WHEREAS, the City of Elk Grove (hereinafter also referred to as "City") City Council approved Resolution 2002-171 imposing an Affordable Housing Fee for all residential development in the City, with certain exemptions; and

WHEREAS, the City of Elk Grove imposes a Very Low Income Housing Fee for all non-residential development in the City, with certain exemptions; and

WHEREAS, the City adopted the Elk Grove General Plan on November 19, 2003 (hereinafter "General Plan"); and

WHEREAS, the City is required by State Housing Law to identify adequate sites for its housing needs and to provide policies and programs that facilitate the development of affordable housing; and

WHEREAS, Policy H-4 Action 1 of the Housing Element requires that staff focus time and financial resources supporting affordable housing for very low and low income households ; and

WHEREAS, Policy H-4 Action 2 of the Housing Element requires support of affordable housing development through direct financial assistance, regulatory incentives and land write-downs; and

WHEREAS, Policy H-8 Action 1 of the Housing Element requires all affordable development subsidized or required by the City to contain provisions that assure long-term affordability mechanisms (e.g., 55 years or more); and

WHEREAS, the Sacramento Area Council of Governments (SACOG) assigns fair-share numbers to the City of Elk Grove for new residential construction affordable to very low, low, moderate, and above moderate income levels through the Regional Housing Needs Allocation (hereinafter also referred to as "RHNA") process; and


WHEREAS; in order to protect the health, safety and welfare for the community and ensure that adequate housing for very low and low income households is provided in the City of Elk Grove, the City provides loans to developers of affordable housing development projects to assist in construction financing.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ELK GROVE HEREBY RESOLVES AS FOLLOWS:


1. Findings:
 - a. New residential development in the City that does not provide for housing opportunities for all income levels consistent with the City's RHNA (regional fair share allocation) reduces the City's ability to meet these needs in the future.
 - b. The City's projected need for affordable housing exceeds its current mix of housing, and to promote development of affordable housing the City issues loans from the Affordable Housing Fund Fee Program and Very Low Income Housing Trust Fund Fee Program.
 - c. Collections in the housing fund fee programs have decreased in the past year resulting in limited housing funds fees available for loans, and it is necessary to clarify and document the affordable housing loan program to issue loans in the future efficiently.
2. Use and Administration of Fees. The Affordable Housing Fund Fees and Very Low Income Housing Trust Fund Fees shall be used, and administered as described in items (a) through (c) below, but not in order of priority.
 - a. The housing fees will be used to provide loans to developers of affordable housing projects;
 - b. Affordable Housing Fees may be used to establish homeownership programs for the very low and low income groups;
 - c. The Affordable Housing Loan Program Guidelines, dated June 1, 2007, but updated periodically with City Manager approval, shall govern the affordable housing loan application process in the City.
 - d. The additional City staff time associated with participating in discussions and/or meetings with the Affordable Housing Loan Committee will be funded by revenues in the Affordable Housing Fund and/or Very Low Income Housing Trust Fund.

BE IS FURTHER RESOLVED that the City Council of the City of Elk Grove hereby amends the Fiscal Year 2007-08 budget to include an offset of \$10,000 from the General Fund, consisting of \$5,000 from the Affordable Housing Fund and \$5,000 from the Very Low Income Housing Trust Fund for the costs associated with staff working with the Affordable Housing Loan Committee.

PASSED AND ADOPTED by the City Council of the City of Elk Grove on this 14th day of November 2007.


JAMES COOPER, MAYOR of the
CITY OF ELK GROVE

ATTEST:


PEGGY E. JACKSON, CITY CLERK

APPROVED AS TO FORM:


SUSAN COCHRAN, CITY ATTORNEY

EXHIBIT A

AFFORDABLE HOUSING LOAN GUIDELINES



City of Elk Grove

Affordable Housing Loan Program Guidelines
November 14, 2007

I. BACKGROUND

The City of Elk Grove has two development impact fee programs which provide the financial resources to promote and assist in the development of new affordable housing in the City: the Affordable Housing Fund (AHF) fee program and the Very Low Income Housing Trust Fund (VLIHTF) fee program. The revenues for these funds come from development impact fees paid by project applicants at building permit issuance. Residential project applicants pay the AHF and non-residential project applicants pay the VLIHTF. Revenues in the AHF must be used to provide assistance with new rental residential development costs for very low and low income housing and may also be used for homeowner down payment assistance for very low and low income households. Revenues in the VLIHTF must be used to assist in the development of residential housing for very low income households only. Low income households are households that earn between 51-80% of area median income adjusted for household size. Very low income households are households that earn 50% or less of the area median income adjusted for household size.

The City Affordable Housing Loan Program assists affordable housing developers by providing loans for development financing. The loans are intended to be "gap" financing. The "gap" is defined as the difference between total development cost and the maximum potential project funding raised from private and public sources other than Elk Grove's AHF and VLIHTF.

Thus, the public purpose of the City's housing loan funds is to provide financial assistance to income-targeted housing that a for-profit or non-profit developer cannot secure from non-city sources, helping to assure financial feasibility of the project.

II OVERVIEW OF PROGRAM GOALS

The Affordable Housing Loan Program goals, consistent with the City of Elk Grove's General Plan Housing Element, are as follows:

- a) Increase the supply of affordable housing through new construction;
- b) Ensure long-term affordability of very low and low-income housing;
- c) Encourage the development of well designed, high quality and energy efficient residential projects that meet the needs of individuals and families as well as seniors;

- d) Maintain quality living environments for residents of assisted affordable developments and surrounding properties;
- e) Focus time and resources first to multifamily housing affordable to very low and low income households, then to zero lot line or reduced setback single-family housing, corner duplexes, and second dwelling units affordable to very low and low income households;
- f) Support homeownership programs;
- g) Support the development of apartment and/or single family (below market rate) development projects;
- h) Encourage the production of the maximum number of units to be in compliance with the state mandated Regional Housing Needs Allocation (RHNA) requirement, determined by the Sacramento Area Council of Governments (SACOG) for the City.
- i) The current RHNA housing unit goals for the period between 2000 and 2007 are as follows:

Income Category	2000-2007 RHNA
Very Low	3,509
Low	2,316
Subtotal	5,825
Moderate	2,606
Above Moderate	4,568
TOTAL	12,999
<i>Note: RHNA goals will be updated on a seven year basis. New RHNA goals for the 2006-2013 planning period are expected in early 2008.</i>	

III. GENERAL PROGRAM AND POLICIES

The administration of the Affordable Housing Loan Program shall be guided by the following policies and procedures:

- a. Loan applications will be processed on a first-come, first-serve basis
- b. All loans are intended to be gap financing
- c. Developers may apply for a loan using the City application forms. (Note: the City is unable to accept new loan applications from proponents of currently funded projects that are not in compliance with loan terms until issues are remedied by the applicant.)
- d. Applications will be reviewed for completeness and staff will work with the applicant to identify the items required for completing the loan application. Underwriting will commence only with complete loan applications.
- e. Loans applications will be underwritten by staff; the underwriting process will include: (1) Analysis of project pro-forma, (2) Review of due diligence documents (including third party appraisal reports and market studies), and (3) negotiation of loan terms

- f. Housing staff will submit within a reasonable time frame a recommendation for loan approval or denial based on adherence to loan program policies and due diligence to the Affordable Housing Loan Committee.
- g. The Affordable Housing Loan Committee will perform an independent review of the loan application, return the loan package to Housing staff for re-negotiation or make a recommendation for loan approval or denial to the City Council.

IV. LOAN FUNDING CRITERIA:

Project Readiness

Project readiness will be a critical factor, as indicated by site control, supporting documentation of other private/public financial commitments and managing partners, and the status of the project's development review applications.

- a. SITE CONTROL. The property must be in the control of the applicant, through fee title, executed lease agreement or lease option of sufficient length, an enforceable contingent purchase and sale agreement or option, or a development and disposition agreement with a public agency.
- b. PROJECT DEVELOPMENT REVIEW. Loan applicants are strongly encouraged to submit their development review application(s) concurrently or soon after submitting an affordable housing loan application.
- c. CONSTRUCTION COMPLETION. Projects are expected to be constructed within a short timeframe of receipt of development and affordable housing loan approvals.

Units and Subsidies

- a. Projects that maximize the development of affordable units per site are preferred.
- b. Projects located in close proximity to services, shopping and public transportation are encouraged.
- c. The proposed project must have the purpose of addressing the goals outlined in the City's Housing Element, and the RHNA requirements determined by SACOG.

Use of City Funds

Loans provided by the City are intended to be gap financing. Upon review of a loan application, the City will consider the developer's ability to leverage City funds, maximizing other sources of project financing. Loan applicants are responsible for preparing accurate development cost estimates for their proposed projects. While the City can assist with questions related to City administered development impact fees, the loan applicants are responsible for estimating all project costs, including fees charged by all entities. If applicants submit a loan application early in the development process, where cost estimates may be premature or not fully known, the City cannot be responsible for assisting in additional gap financing if any project costs, including fees, increase at a later time. Should project costs increase after City affordable housing loan approval, applicants are expected to secure revenue to cover such increased costs from non-city sources.

Conditional Funding Commitments and Funding Commitments

CONDITIONAL FUNDING COMMITMENTS. Loan applicants for projects which have not yet received approval of their Development Review application may obtain a Conditional Funding Commitment from the City Council. With a Conditional Funding Commitment, the loan amount and loan terms approved for a proposed project will be reserved for a maximum period of one year, then the loan commitment automatically terminates if project entitlements are not received. Without exception, all conditions must be met to later obtain a Funding Commitment. Should the applicant need additional time to secure development entitlements, a written letter of request documenting the reasons for the request must be submitted to the City Planning Director for consideration for an additional six months to complete the entitlement process and execute the City loan. If a loan applicant seeks further consideration from the City of their proposed project after termination of a Conditional Funding Commitment, the loan applicant must submit a new loan application. After project entitlements are received, draft loan documents will be prepared by City staff for City Council review.

FUNDING COMMITMENTS. City Council will provide a Funding Commitment after Development Review entitlements are approved. The City loan documents associated with a proposed project will be reviewed by City Council at the time a Funding Commitment is approved.

Project Performance

Agreements for bond financing, investor equity, and other financial sources for project development must be fully executed/closed within four months of obtaining a Funding Commitment. The City loan closing will be concurrent with the primary source of financing (i.e. first mortgage lender) for the project.

All building permits for a proposed project must be obtained within twelve months of obtaining a Funding Commitment. An extension of up to an additional six months may be allowed with written approval of the Planning Director, based upon documentation of circumstances beyond the control of the applicant.

Long Term Affordability Requirements

All housing units financed by the AHF and VLIHTF carry affordability restrictions into the future. If tax credits and/or State bond financing are also used to finance a project, the City's length of affordability requirements will match those with the longest affordability requirements.

Loan Repayment

City loans are expected to be repaid. The City will prioritize projects that can provide repayment at the earliest point during the loan term.

V. MATERIAL CHANGES TO THE PROJECT

Any changes to the project's design, including but not limited to unit count, unit configuration, etc. and/or financial structure subsequent to the submittal of the loan application and/or receipt of a Conditional Funding Commitment and Funding Commitment must receive City's prior written approval; otherwise, the City reserves the right to withdraw its Loan Commitment.

VI. PROPERTY MANAGEMENT

- a. MANAGEMENT PLAN. A comprehensive management plan must be approved by the City prior to loan closing. The plan must address rental procedures, maintenance schedule and standards, eviction procedures and overall day-to-day operations including safety and security. The loan agreement will specify all the provisions to be included in the management plan. The City requires approval of the management firm 1) as part of the Fund Commitment process and 2) upon any subsequent change.
- b. PROJECT OPERATING REPORTS. In order to monitor the operating condition of projects in receipt of City financial assistance, the City requires receipt of the project's annual audited financial statement, consistent with generally accepted accounting principles (GAAP) including the balance, deposits and withdrawals from the replacement reserves and operating reserves. The City also requires that project quarterly financial statements and rent rolls be provided by loan recipients.
- c. PROPERTY INSPECTIONS. The City will perform property inspections of all projects financed with City funds one or more times during a calendar year. Only properties with operational issues are likely to have multiple City property inspections in a calendar year.

**CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2007-260**

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

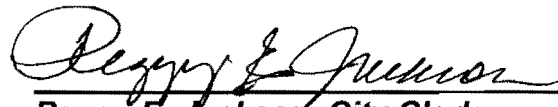
I, Peggy E. Jackson, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on November 14, 2007 by the following vote:

AYES : **COUNCILMEMBERS:** **Cooper, Leary, Scherman, Hume, Davis**

NOES: **COUNCILMEMBERS:** **None**

ABSTAIN : **COUNCILMEMBERS:** **None**

ABSENT: **COUNCILMEMBERS:** **None**



**Peggy E. Jackson, City Clerk
City of Elk Grove, California**

