

**MINUTES OF THE CITY COUNCIL
SPECIAL MEETING
Wednesday, October 27, 2010**

CALL TO ORDER/ROLL CALL

Mayor Scherman called the Special City Council meeting of October 27, 2010 to order at 5:06 p.m.

Present: Mayor Scherman, Vice Mayor Detrick, Council Members Davis and Hume

Absent: Council Member Cooper (arrived at 5:10 p.m.)

CLOSED SESSION

There were no public requests to speak.

The City Clerk announced the following closed session items prior to Council adjourning to closed session at 5:07 p.m.:

A) CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code § 54956.8

Property Description: 10401 Grant Line Road
Elk Grove, CA 95624
APN: 134-0220-022-0000

City Negotiators: Laura Gill, City Manager

Negotiating parties: Gyan Kalwani and Julie Kalwani and
Kenneth Johnston, Successor
Administrator of the Estate of Samuel
Johnston, Sr.

Under negotiation: Price and Terms

B) CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code § 54956.8

Property Description: 10535 E. Stockton Boulevard
Elk Grove, CA 95624
APN: 134-0510-023-0000

City Negotiators: Laura Gill, City Manager

Negotiating parties: Peter Saetes

Under negotiation: Price and Terms

C) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to Government Code §54956.9(a):

One (1) Matter:

1. M&H Realty Partners Affiliated Fund III L.P. v. City of Elk Grove,
Superior Court of California, Sacramento
Case No. 34-2010-00088251

D) CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:

Significant exposure to litigation pursuant to subdivision (b) of Government Code § 54956.9:

Three (3) Matters

The City Council reconvened at 6:16 p.m. with all Members present. Mayor Scherman announced that no reportable action was taken in closed session.

REGULAR AGENDA ACTION ITEM/RECOMMENDATION

3.1 SUBJECT: Consider accepting a recommendation from the Affordable Housing Loan Committee to approve a conditional financial commitment for the proposed affordable housing apartment project known as Laguna Ridge Apartments located at the northwest corner of Big Horn Boulevard and Civic Center Drive

RECOMMENDATION:

Adopt resolution approving a conditional loan commitment of an amount determined appropriate by Council from the City's Affordable Housing Fund and Very Low Income Housing Trust Fund.

With the aid of an overhead presentation (filed), Jennifer Estrella, Senior Finance Analyst, provided an overview of the staff report and recommendation. The Affordable Housing Loan Committee (AHLC) met on October 20 intending to discuss two projects under review, Laguna Ridge Apartments and Waterman Square Phase II, though two days before the meeting the Waterman Square Phase II Project was requested to be withdrawn by the applicant. The AHLC discussed the loan amount of \$9.7 million requested for Laguna Ridge Apartments and voted in favor to recommend the project for a loan. The AHLC did not specify the amount of the loan as the committee believed the Council would consider the final loan amount at a future meeting. At the October 20 meeting, USA Properties was in attendance and noted their submittal of an application to the City, with a requested loan for \$5.6 million. Ms. Estrella noted that \$14.7 million was currently available in the Affordable Housing Fund, and the total of both loans is over \$15.3 million.

Ms. Estrella reviewed the Laguna Ridge Apartments project and request which was to build 204 units, of which 203 would be affordable housing units. The average subsidy would be approximately \$48,000 per unit. The loan would be a 4% simple

interest loan for a period of 38 years. She noted, in terms of project development readiness, that the applicant submitted a development review application on August 25. The developers had requested a rezone over the property from RD-30 to RD-20, and at the Planning Commission meeting of October 21, the applicant requested and received a continuance. Ms. Estrella noted that the conditional loan commitment, if approved, would stand for one year until the applicant could comply with California Environmental Quality Act requirements, obtain entitlements, and secure other financing.

City Manager Laura Gill explained the item was scheduled on a special meeting agenda as the City received word from the applicant that they faced a deadline of November 4 to have documents to close escrow on the property. The evening's special meeting provided an opportunity for consideration of the matter by the Council before that deadline.

In reply to Vice Mayor Detrick inquiring on methods to close the financing gap, as current project requests exceed current funds available, Assistant City Manager Rebecca Craig described that applicants could consider fee deferrals or the City could identify other sources of funds. If the City chose to identify other funds, she noted staff would make that recommendation of alternative sources to the Council when subsequent projects come forward for consideration.

Council Member Davis inquired as to the timing of current fee deferrals in place from other projects that would add to the Affordable Housing Fund.

Ms. Craig outlined that fee deferrals are interest free for three years and are expected to be paid within five years. Most of the projects that initiated fee deferrals to the Affordable Housing Fund were commercial projects that occurred within the last one to two years, indicating that payments would begin in two to four years.

PUBLIC COMMENT:

Lynn Wheat raised concern that Council approval of the conditional loan commitment, at the proposed project zoning, would preclude the Planning Commission from effectively reviewing and ruling on the project for consistency with the General Plan. She believed that the Planning Commission would recommend denial, since the proposed zoning change is inconsistent with the General Plan, but that as the Council supports the project moving forward, the rezone would be approved through the appeal process. Ms. Wheat noted that if the goal of the City is to reach status as a larger City, it will need to adhere to the General Plan in order to implement and provide higher density projects that will be required of a larger metropolitan area. She asked that if additional funds can be allocated that the City consider funding a project that would meet the higher density zoning. She believed that if this project moves forward at the reduced zoning it would set a precedent for future development projects to continue rezoning and degrading the effectiveness of the Zoning Map and General Plan.

Steve Gall, representing USA Properties, thanked the Council for their consideration of all current project applications and appreciated discussion on the status of the Affordable Housing Fund. He expressed that his organization would continue working with staff to process their current application and work towards solutions to ensure adequate funding was identified to bring the project to fruition.

Council Member Davis viewed the Laguna Ridge Apartments project as consistent with the criteria established with respect to funding projects that are in proximity to amenities, light rail, and job centers. He believed the USA Properties project also met these criteria, and looked forward to that project being brought forward. Mr. Davis asked if the project applicant could explore all options to bring a higher density project.

Council Member Hume observed that action on the loan keeps the City in-line with compliance with the Housing Element of the General Plan to provide affordable housing in the City. He re-iterated that project specifics were not the topic of discussion at this juncture, and there would be further review by the Planning Commission and Council of the project.

Vice Mayor Detrick voiced preference to see that options are explored to provide funding to both projects, and asked the applicant to consider options to bring a higher density project.

Motion: M/S Cooper/Hume to adopt **Resolution No. 2010-221 approving a conditional loan commitment up to an amount of nine million, seven hundred thousand dollars (\$9,700,000.00) for the Laguna Ridge Apartments affordable housing development from the City's Affordable Housing Fund and Very Low Income Housing Trust Fund. ***The motion passed by the following vote: Ayes: 5; Noes: 0.*****

ADJOURNMENT

With no additional business to conduct, the October 27, 2010 Special City Council meeting was adjourned 6:32 p.m.


JASON LINDGREN, CITY CLERK

ATTEST:


SOPHIA SCHERMAN, MAYOR