



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Approve HOME Investment Partnership Act (HOME) Loan Agreement with MP East Maude Associates, L.P., an affiliate of MidPen Housing Corporation, for a Loan of \$1.3 Million to Develop MidPen Armory Apartments at 620 E. Maude in Sunnyvale

BACKGROUND

The project to be assisted with this HOME loan is one of two “homeless housing” projects approved by the Onizuka Local Reuse Authority (LRA) as part of the Onizuka Base Reuse Plan. On June 26, 2013, the City approved a long-term ground lease of a portion of the City property located at 620 E. Maude Avenue (former site of the Sunnyvale Armory), to MidPen Housing Corporation (“MPHC”), a California non-profit public benefit corporation, which will develop 58 affordable housing units at the site.

In FY 2012-13, MPHC submitted a proposal to the City for a loan of \$1.3 million in HOME funds to assist the development of MidPen Armory Apartments, which will include 57 units of affordable housing for lower-income households and a manager’s unit. The project will provide 29 units of housing affordable to lower-income households, plus 29 units reserved for homeless applicants, of which ten (10) will be designated for participants in the County’s Mental Health Services Program (MHSA Program units).

On May 7, 2013, (RTC 13-107), as part of the 2013 Action Plan hearing, Council approved the conditional loan commitment of \$1.3 million in HOME funds to MPHC for the MidPen Armory Apartments project. The HOME loan commitment was conditioned on completion of the federal environmental review under the National Environmental Policy Act (NEPA) and City receipt of funding approval from HUD. The NEPA review was completed in May, and the City received HUD authorization to award HOME funds to the MidPen Armory Apartments project in June of 2013. In addition, MPHC has received the necessary City development permits, and has secured all other required matching funds, except for its tax credit award. MPHC applied for tax credits in March, and its application received a perfect score. MPHC expects to receive the final award letter shortly after the loan committee meeting on June 11, 2014.

Staff is recommending Council approval of the HOME Loan Agreement (Attachment 1) at this time so that the HOME loan documents can be signed and recorded soon after MPHC has received the tax credit award for the project. The City must commit the HOME funds by July 30, 2014 or it risks incurring sanctions imposed by the U.S. Department of Housing and Urban Development (HUD), such as possible re-appropriation of the funds.

EXISTING POLICY

Housing and Community Revitalization Sub-element, Goal A, Policy A.2:

Facilitate the development of affordable housing through regulatory incentives and concessions,

and/or financial assistance.

Housing and Community Revitalization Sub-element, Goal E, Policy E.6:

Participate in the County Collaborative on Affordable Housing and Homeless Issues to provide a continuum of care of services and facilities for the homeless. Facilitate and sponsor the provision of housing for homeless people if the Onizuka base conversion plan is approved by the federal agencies. Support local service providers that offer facilities and support services to homeless individuals and families, and persons at risk of homelessness.

2010-2015 HUD Consolidated Plan:

Goal A: Assist in the creation, improvement, and preservation of affordable housing for lower-income and special needs households.

ENVIRONMENTAL REVIEW

The City completed its environmental review of the project pursuant to the National Environmental Policy Act (24 U.S.C. Section 4321 et seq.) and its implementing regulations ("NEPA"), and made a Finding of No Significant Impact for the project.

The City also reviewed the project pursuant to the California Environmental Quality Act ("CEQA") on April 30, 2013, and approved a Negative Declaration pursuant to Public Resources Code Section 21080(c). All appeal periods under NEPA and CEQA have expired.

DISCUSSION

The HOME Loan Agreement (Attachment 1) is consistent with the conditional funding award approved by Council in 2013, and sets forth the terms under which the City may provide \$1.3 million in HOME funds to assist the development of MidPen Armory Apartments. The loan terms include: 3% simple interest accrual, with annual residual receipts payments due based on excess cash flow, if any, and a 55-year term. The loan agreement also requires the development to comply with the HOME affordability requirements for a 55-year term. However, the ground lease agreement between the City and MPHC requires the site to be committed for affordable housing for 90 years.

The borrower is a limited partnership created solely for this project: MP East Maude Associates, L.P. The general partner of this limited partnership is MP East Maude, LLC, an affiliate of MPHC. MPHC recently assigned its ground lease interest to MP East Maude Associates, L.P., pursuant to a MPHC board resolution adopted on May 30, 2013. Loan documents (deed of trust, promissory note, and regulatory agreement) required to secure the Loan Agreement will be consistent with the terms of the Loan Agreement, and in a form approved by the City Attorney.

Approval of the HOME Loan Agreement between the City and MP East Maude Associates, L.P. will help to create affordable rental housing for very low-income households for at least 55 years. MidPen Armory Apartments will provide 58 new affordable housing units to the City housing stock in an area that is centrally located, with 29 of the housing units reserved for homeless applicants, and with supportive services provided on site. Construction of the project is expected to begin in late December 2014, with completion approximately one year later.

FISCAL IMPACT

This project will not impact the City's General Fund. The HOME loan will be funded from the City's HOME fund for affordable housing funded by federal grants and loan payments. In May 2013,

Council approved a loan of \$1,300,000 in HOME funds for this project. If these funds are not committed to and expended on this project in a timely manner, they will expire and may be re-appropriated by HUD.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Approve the HOME Loan Agreement between the City of Sunnyvale and MP East Maude Associates, L.P. in substantially the form provided in Attachment 1, and authorize the City Manager to execute the agreement and associated loan documents in final form as approved by the City Attorney.

Prepared by: Katrina L. Ardina, Housing Programs Analyst

Reviewed by: Hanson Hom, Director, Community Development

Suzanne Isé, Housing Officer

Approved by: Robert A. Walker, Interim City Manager

ATTACHMENTS

1. HOME Investment Partnerships ("HOME") Program Loan Agreement between the City of Sunnyvale and MP East Maude Associates, L.P.