



SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY AGENDA REPORT



DEPARTMENT: Administrative Services

MEETING DATE: May 6, 2014

PREPARED BY: Lauren Vasquez, Senior Management Analyst

AGENDA LOCATION: SA AR-1

TITLE: Waiver of the Affordable Housing Obligation per the Disposition and Development Agreement between the Successor Agency to the Monrovia Redevelopment Agency and Colorado Commons, LLC, dated March 1, 2005, as Amended by the First Amendment to Disposition and Development Agreement dated July 15, 2008

OBJECTIVE: To discuss the options of the creation of affordable housing units by Colorado Commons, LLC. and the \$500,000 obligation of the Successor Agency, per the Disposition and Development Agreement between the Former Monrovia Redevelopment Agency and Colorado Commons ("DDA")

BACKGROUND: On March 1, 2005, the former Agency Board approved a Disposition and Development Agreement ("DDA") with Colorado Commons LLC, now known as PCCP Monrovia, LLC. ("Developer"), calling for the development of a 68-unit residential development located at the northeast corner of Primrose Avenue and Colorado Boulevard ("Project"). The development was completed in May 2008. At that same time, the economic recession hit and there was a decline in the for-sale residential market. As a result, the Developer requested consent to temporarily lease the units until the market recovered.

In July 2008, in a joint public hearing, the City Council and former Agency Board approved the First Amendment to the DDA with PCCP Monrovia, LLC. Under the Amendment, the Developer was permitted to lease the 68 unit Project, so long as they adhered to the following conditions:

- Seven of the units had to be leased at a rental rate affordable to families of moderate income as established by the Department of Housing and Urban Development.
- The Developer would be obligated to convert the Project back to "for sale units" when the market conditions recovered in Monrovia.
- At the time the leasehold Project converts back to for sale, the Developer would be obligated to expend a minimum of \$15,000 per unit in restoration to ensure the units were rehabilitated prior to sale.
- The Developer would sponsor a "rent-to-own" program that would allocate 15% of rent paid towards an account that could be applied to a down payment when the project is converted back to units for sale.
- Upon the fifth anniversary of the Amendment, the Developer would pay \$2,500 per month to address the lost property tax revenue that resulted from converting the Project to a leasehold property.

Since that Amendment, the California Supreme Court upheld Assembly Bill X1 26, which dissolved redevelopment agencies. The Successor Agency has been charged with winding down the affairs of the former Redevelopment Agency, including administering the enforceable obligations of the Agency.

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Earlier this year, the Developer indicated that they were ready to proceed with converting the leasehold Project back to ownership. They will adhere to all obligations per the Amendment and are slated to open their sales office at the end of the month.

ANALYSIS: Per the DDA, the Developer has an obligation to sell at least seven of the housing units to moderate income households at prices set forth in the Agreement. The Successor Agency has an obligation to make a loan (second mortgage) to each purchaser of the affordable units. The total obligation of this Homebuyer Assistance Program is \$500,000. Each loan under this program would be deposited into escrow for the sale of each of the affordable units and would be paid to the Developer for a portion of the purchase price.

Staff was prepared to move forward with the DDA and planned to use funds from the Housing Bond Fund to fulfill its obligation. Unfortunately, the Department of Finance has informed Staff that they will not allow any expenditures from the City's housing bond funds. The next option would be using the Successor Agency's tax increment revenue to pay the \$500,000.

The Successor Agency receives bi-annual payments from the County to pay all bills related to the dissolution of the former Monrovia Redevelopment Agency. These funds are the property tax increment amounts the former agency once received prior to the dissolution.

There are timing and financial concerns with putting the \$500,000 affordable housing obligation on the next payment approval cycle, which would not allow the Successor Agency to make the payment until January 1, 2015. The timing issue is that the Developer has informed Staff that they cannot wait until 2015 to move forward. The financial concern is that the money the City receives to pay the Successor Agency bills is a fixed amount, so by adding \$500,000 to the list further delays loans that the City made. Further, this obligation may delay the payment of City loans the Successor Agency is obligated to pay, and it will delay pass thru payments to our local school districts.

At this point, Staff is recommending that the Successor Agency amend the Disposition and Development Agreement to waive the Developer's obligation to provide the seven affordable units due to the financial implications mentioned above. One important mitigating factor to the loss of the seven affordable housing units is that the Monrovia Housing Authority is now positioned to sell three properties that can be sold for affordable housing opportunities. In addition, proceeds from these sales can be used to reinvest back into the affordable housing market, in addition to programs such as the MAP program.

ENVIRONMENTAL IMPACT: None

FISCAL IMPACT: The \$500,000 payment associated with upholding the Affordable Housing Obligation would reduce the funds available to meet Successor Agency obligations, which may delay the repayment of City loans and pass-thru payments with the local school districts.

OPTIONS: The following options are presented for consideration:

1. Approve the waiver of the Affordable Housing Obligation. This will allow the developer to move forward with the slated sale of the housing units and will allow the Successor Agency to payback the city loans as currently scheduled.
2. Reject the waiver of the Affordable Housing Obligation and direct Staff to add the \$500,000 obligation onto Successor Agency enforceable obligations. This action would place timing and financial concerns as stated in the report above.

RECOMMENDATION: Staff recommends that the Board approve the waiver of the Affordable Housing Obligation per the Disposition and Development Agreement between the Successor Agency to the Monrovia Redevelopment Agency and Colorado Commons, LLC.

AGENCY ACTION REQUIRED: If the Board concurs, the appropriate action would be a motion to approve the waiver of the Affordable Housing Obligation per the Disposition and Development Agreement between the Successor Agency to the Monrovia Redevelopment Agency and Colorado

Commons, LLC, dated March 1, 2005, as Amended by the First Amendment to Disposition and Development Agreement dated July 15, 2008, and authorize the Executive Director to execute the necessary documents in a form approved by the Successor Agency Attorney.