

City of Calistoga

Staff Report

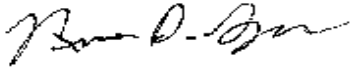
TO: Honorable Mayor and City Council

FROM: Richard Spitler, City Manager

DATE: February 17, 2015

SUBJECT: Consideration of the Possible Purchase of a .74 acre parcel located at 611 Washington Street for an Affordable Housing Development

APPROVAL FOR FORWARDING:



Richard D. Spitler, City Manager

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2 **ISSUE:** Consideration of a Resolution authorizing the City Manager to negotiate a

3 possible purchase of a .74 acre parcel located 611 Washington Street for an affordable

4 housing development.

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6 **RECOMMENDATION:** Adopt Resolution.

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8 **BACKGROUND:**

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10 In October 2014 the Corporation for Better Housing (CBH) contacted the City of Calistoga

11 asking if the City would be interested in granted them funds to purchase the property

12 located at 611 Washington Street to develop a senior, affordable housing project. CBH is

13 an experienced affordable housing developer. They are presently developing of the

14 Calistoga Family Apartments located at 1710 Washington Street.

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16 CBH has a purchase contract for this property in the initial amount of \$650,000 but has

17 the ability to assign the contract. Close of escrow was scheduled for January 23, 2015;

18 however, it was extended an additional 60 days to March 24th (there is presently \$25,000

19 deposit in escrow). The contract allows up to four 60 day extensions. The second and

20 third extensions require \$7,500 per extension and the fourth requires \$10,000. The

21 additional escrow monies are not applicable to the sales price; so by exercising the

22 extensions the price increases by the amount of the additional deposits (i.e., \$5,000 to

23 \$30,000).

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25 Calistoga Affordable Housing, Inc. previously had a purchase contract on this property.
26 They submitted a conceptual plan to the Planning Commission for an 18 unit affordable
27 housing project in 2012. They let the purchase agreement lapse for lack of funding to
28 purchase the property. At that time the City did not have sufficient funds to purchase the
29 property. On June 23, 2014 CBH entered into a similar purchase agreement with the
30 property owner.

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33 **DISCUSSION:**
34 Since CBH has the ability to assign the contract, an alternative would be for CBH to
35 assign their purchase agreement to the City thereby enabling the City to purchase the
36 property for affordable housing. In return, they would like the opportunity to find funding to
37 build and manage the property as an affordable housing project.

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39 CHB would like to build another affordable housing rental project but for seniors only. The
40 project would have 30 units total with mostly one bedroom units. 34 parking spaces
41 would be on-site. The building would be 3 stories (35 to 40 feet high). See Attachment 4.
42 They would seek funding from various sources including tax credits, Home Loan Funds,
43 among others. If the City is financially involved, it can influence the type of housing built.

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45 The Calistoga Housing Element identifies the subject property as a "Housing Opportunity
46 Site". It also has Goals and Policies that are applicable, as shown in Attachment 5.

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48 The property is zoned R-3 Residential/Professional Office District. The project would
49 need several incentives, including a density bonus, as it has more units than the
50 allowable 20 units per acre. They would also need a parking space reduction (justified by
51 the senior population) and a building height increase allowance. The units would be
52 handicapped adapted to allow easy conversion to those in need. An elevator would be
53 installed. A 750 sf community room would be included. Rents would be restricted to
54 affordable rates, probably in the very low income range. See Attachments 3 & 4.

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56 The zoning does allow other types of affordable housing such as family housing or
57 workforce rental housing. However, there is concern that due to the small size of the
58 parcel that there would be insufficient parking to have a 30 unit project and to meet the 2
59 parking spaces per unit that is normally required. If not senior housing, some other type
60 of housing which would have a low parking demand is advisable, as there is insufficient
61 street parking in the area. The alternative would be to reduce the number of units down to
62 12 which was what was previously approved under the Rossi apartment project in 2006.
63 However, there is concern that if the number of units is reduced to this level that funding
64 would not be available to subsidize the project to meet affordable rental guidelines.

65
66 The property adjoins the Napa River and some of the acreage is unusable. However, the
67 proposed site plan appears to take this into consideration. There are trees that would

68 need to be removed but a recent study indicates that they are compromised already. A
69 drainage area would have to be filled in. The wastewater generated by the project would
70 have to be pumped up to the sewer trunk line on Washington Street.

71
72 There is no recent appraisal to staff's knowledge. However, the asking price (\$650,000
73 plus) appears to be close to market. An appraisal will be conducted prior to the City
74 entering into a purchase agreement.

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76 Staff is requesting City Council direction on whether to proceed with purchase of this
77 property for development of affordable housing or to grant funds to allow CBH to
78 purchase. If the Council has an idea of what kind of housing they prefer it would be
79 helpful, although this decision could be made later. If negotiations are successful the
80 decision to accept an assignment of the purchase agreement and purchase of the
81 property would be brought back to the Council at public meeting. Any development of the
82 property would be subject to the normal environmental review and entitlement process
83 with public hearing before the Planning Commission.

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86 **FISCAL IMPACT:** The City's Housing Trust Fund presently has \$503,998 in funds. The
87 purchase of this land for affordable housing development would be an eligible use.
88 Additional funds to purchase the property to meet the established price could be
89 borrowed from the General Fund (at least \$150,000). The General Fund could be paid
90 back by new Housing Trust Funds such as from the Silver Rose project (\$496,000) after
91 they pay into this fund.

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93 **ATTACHMENTS**
94 1- Draft Resolution
95 2- January 20, 2015 letter from Corporation for Better Housing
96 3- Air photo of Project Property
97 4- Site Plan for senior housing
98 5- Schematic of three story apartment
99 6- Applicable Housing Element Goals and Objectives4

RESOLUTION NO. 2015-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, AUTHORIZING THE CITY MANAGER TO NEGOTIATE A POSSIBLE PURCHASE OF A .74 ACRE PARCEL LOCATED 611 WASHINGTON STREET FOR AN AFFORDABLE HOUSING DEVELOPMENT

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WHEREAS, the Corporation for Better Housing has approached the City of Calistoga about the granting of funds to purchase of a .74 acre parcel located at 611 Washington Street, Calistoga for the purpose of developing affordable housing; and

WHEREAS, the City of Calistoga Housing Element has several goals and objectives which encourage the development of affordable housing, including listing of the subject parcel as a possible affordable housing site; and

WHEREAS, the Calistoga City Council reviewed the staff report at its February 17, 2015 regular meeting and received public comment on the same; and

WHEREAS, the City Council finds it is in the public interest and benefit to consider the possible acquisition of 611 Washington Street, Calistoga to further development of the property for an affordable housing use.

NOW THEREFORE BE IT RESOLVED, that the City Council hereby authorizes the City Manager to negotiate the terms for a potential assignment of a purchase agreement for the .74 acre parcel located at 611 Washington Street, Calistoga from the Corporation for Better Housing to the City of Calistoga; and

NOW THEREFORE BE IT FURTHER RESOLVED, that, should the terms for the assignment of the purchase agreement be mutually agreeable between the two parties, the City Manager shall place the potential assignment of the purchase agreement and the purchase of 611 Washington Street, Calistoga on a regular City Council meeting for their consideration.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this **17th day of February 2015**, by the following vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

CHRIS CANNING, Mayor

ATTEST:

KATHY FLAMSON, City Clerk