

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Lynn Goldberg, Planning & Building Director
DATE: March 1, 2016
SUBJECT: Consideration of a Lease Disposition and Development Agreement by and between the City of Calistoga and the Corporation for Better Housing

APPROVAL FOR FORWARDING:

Michael Kirn

Michael T. Kirn, Interim City Manager

1 **ISSUE:** Consideration of a Lease Disposition and Development Agreement by and
 2 between the City of Calistoga and the Corporation for Better Housing (CBH) in order to
 3 set forth the terms and conditions relating to (1) the developer's ground lease of 611
 4 Washington Street from the City, (2) the developer's development of the project, and (3)
 5 the developer's agreement to provide senior affordable housing on the property

6 **RECOMMENDATION:** Adopt a resolution to approve the following and authorize the
 7 City Manager to execute:

- 8 1. A Lease Disposition and Development Agreement (DDA) with CBH
- 9 2. A Ground Lease to CBH for \$1.00 per year for 75 years for the purposes of
 10 constructing and continuously operating a senior rental affordable housing
 11 project on the property
- 12 3. An Affordable Housing Agreement to limit the rents of the apartments to very low-
 13 and low-income levels, and limit the occupancy of the project to tenants with a
 14 minimum age of 62

15 **BACKGROUND:** On August 17, 2015, the City entered into an Agreement with CBH to
 16 negotiate the terms and conditions of a Lease Disposition and Development Agreement
 17 for the development of a senior rental housing project of approximately 30 units
 18 affordable to lower-income households on the City-owned property at 611 Washington.
 19 Subsequently, staff and the City Attorney entered into negotiations with CBH, which
 20 has led to the proposed DDA.

21 The Calistoga Planning Commission recently approved a design review application for
22 the project, as well as a density bonus and other affordable housing concessions/
23 incentives. The City is in the process of abandoning rights-of-way on the property to
24 facilitate its development.

25 **AGREEMENT PROVISIONS:** Primary provisions of the draft DDA include the following:

- 26 1. The developer is responsible for all costs associated with obtaining entitlements
27 and permits, and for construction and improvements on the project site.
- 28 2. The developer is responsible for the construction of 30 apartments on the
29 property, subject to the Schedule of Performance, and for the management and
30 long-term maintenance of the project.
- 31 3. The City must approve a financing plan, including a detailed pro forma,
32 demonstrating the financial viability of the project, and setting out in detail the
33 developer's plan for financing the costs of construction and development of the
34 project.
- 35 4. All units (with the possible exception of a manager's unit) must be rented at
36 affordable rents to very low- and low-income tenants with a minimum age of 62.
- 37 5. The developer must submit an annual report to the City with information on
38 households residing in the project and the amount of rent charged.
- 39 6. Resident services will be made available to tenants free of charge on a regular
40 basis and will cater to the demonstrated needs of the tenants (e.g. vocational
41 training, computer classes, nutritional classes). Residents will be granted priority
42 use of and access to the services and the project's community room. To the
43 extent permitted in connection with the reservation of Tax Credits, classes and
44 the community room will be made available to other members of the community.

45 **DISCUSSION:** The draft DDA ensures that the City's interests will be fulfilled and
46 protected. Approval of the DDA will greatly improve the project's chances of receiving
47 funding through the federal Affordable Housing Program and the state Affordable
48 Housing and Sustainable Communities program.

49 **ENVIRONMENTAL REVIEW:** The proposed DDA is exempt from the California
50 Environmental Quality Act (CEQA) under Section 15061 (b)(3) of the CEQA Guidelines.
51 A mitigated negative declaration of environmental impact was adopted for the project by
52 the Planning Commission on January 13, 2016.

53 **CONSISTENCY WITH COUNCIL GOALS AND OBJECTIVES:** Approval of the DDA in
54 furtherance of the development of low-income senior housing would be consistent with
55 Goal 7 of the City Council's goals and objectives for Fiscal Year 2015-16, which calls for

56 addressing the community's housing needs; and Objective 3 of that goal, which calls for
57 the promotion special needs housing for such groups as seniors.

58 **FISCAL IMPACT:** The project will pay approximately \$1.5 million in development
59 impact fees as well as plan check and construction inspection fees at the time of
60 building permit issuance. Staff time will be required to assist CBH with any project
61 funding applications.

62 **ATTACHMENT**

- 63 1. Draft resolution with Lease Disposition and Development Agreement (including
64 ground lease and affordable housing agreements)