

## **TOWN COUNCIL STAFF REPORT**

Subject: Authorize the execution of a letter of commitment for loan and funding in the amount of \$5,032,000 related to the construction of 148 units of affordable housing on The Parcel.

Meeting Date: May 25, 2022

Written by: Sandra Moberly, Community and Economic Development Director

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### **RECOMMENDATION:**

Staff recommends the Town Council authorize the Town Manager to execute loan documents in the amount of \$5,032,000 for land/DIF loans as well as gap financing for construction of affordable housing on The Parcel.

### **BACKGROUND:**

The Town has been working with Pacific West Communities (PWC) on the construction of Phase 1 of The Parcel affordable housing project and the planning for Phase 2. The Design Review for Phase 2 is scheduled to be considered by the Planning and Economic Development Commission on June 8 and PWC intends to submit for State funding in early July. In order to submit for funding, the Town must execute documents showing a commitment to provide a land and DIF loan as well as gap funding for the project.

### **ANALYSIS/DISCUSSION:**

#### ***DIF Loan***

This commitment includes the estimate of Development Impact Fees (DIF) under Town Control in the amount of \$415,263. The terms assumed are a loan period of 55 years, at 3% interest and payments based on residual receipts from the project. The DIF loan does not include DIF fees collected by the Town for other agencies (MCWD, MLFPD, or MCOE).

#### ***Land Loan***

This commitment includes an amount equal to the land purchase price of \$800,000. The terms assumed are a loan period of 55 years, at 3% interest and payments based on residual receipts from the project. A final appraisal will be prepared to confirm the price.

#### ***Gap Funding***

In addition to the DIF and land loan the project will still need \$3,816,737 in gap funding to complete construction of Phase 2. The Town Council has set aside \$2,200,000 in funding to date and will need to set aside \$1,616,737 in funding over the next 18 months to fully fund the project gap. The terms assumed are a loan period of 55 years, at 3% interest and payments based on residual receipts from the project.

### ***Summary***

A letter of commitment for loan in the total amount of \$5,032,000 is required for the funding application and staff has included a draft of the letter as Attachment 1. The DIF loan will need to be funded around the time of the building permit issuance and the gap funding will be due upon completion of the project. The schedule will be dependent on the award of funding and will be reimbursed using residual receipts over time.

### **RECOMMENDATION**

Staff recommends Town Council authorize the execution of a letter of commitment for loan in the amount of \$5,032,000 documents related to the construction of 148 units of affordable housing including 2 manager units and 146 affordable units on Phase 2 of The Parcel subject to final review and approval by the Town Attorney.

### **ATTACHMENTS**

Attachment 1: PWC Loan Request Letter

Attachment 2: Draft Town Loan Commitment Letter