



REPORT TO CITY COUNCIL

Approved by:

Department Director

Arnaldo Rodriguez, City Manager

Council Meeting of: November 6, 2019

Agenda Number: D-3

SUBJECT: Consideration of a Request by the Madera Opportunities for Resident Enrichment and Services (MORES) to Allow Prepayment of the Special Tax Associated with Community Facilities District 2005-01 for the Downtown Madera Veterans and Family Housing Project (DMVFHP).

RECOMMENDATION:

Staff recommends that the City Council authorize, by minute order, the prepayment of the special tax for the DMVFHP in the amount of \$6,910.32 per unit, for a total prepayment amount of \$331,695.36. The prepayment will cover assessments for a 30-year term, through approximately June 30, 2050.

SUMMARY:

The DMVFHP, which included the completion of a General Plan amendment, rezoning, two precise plans and environmental documentation, was approved in October of 2018. The project cumulatively allows for the development of two residential projects encompassing a total of 48 affordable housing units to be constructed on two sites located at the intersection of North C Street and East 5th Street. The project is required to annex into Community Facilities District 2005-01 and to pay the special tax associated with the District. As an alternative to the annual assessment of the special tax which typically occurs, the developer has proposed to prepay the special tax for a period of 30 years. The prepayment amount would be \$6910.32 per unit, for a total prepayment amount of \$331,695.36, collected prior to the issuance of building permits along with development impact fees. After reviewing the request, staff believes the proposed prepayment is a reasonable accommodation for the affordable housing project.

DISCUSSION:

New residential projects in Madera are required to annex into Community Facilities District (CFD) 2005-01. This CFD is the mechanism used by the City to collect special tax assessments to bridge the gap between the cost of providing municipal services to residential development and the typical revenues generated by such development. Many single-family subdivisions are already included within the District. No multi-family projects have progressed to the point of annexing. The current annual CFD assessment for multi-family projects is \$428.12 per unit; the assessment for single family dwellings is around \$449.14.

The developer of the DMVFHP, MORES, has indicated that because of the affordable nature of the project, very little cash flow is generated from operations. This makes the typical special tax responsibility difficult to absorb while maintaining financial stability for the project during its operation. The prepayment has been proposed to help insure the fiscal vitality of the project for 30 years. The Developer has indicated that funds are available during construction which make the prepayment feasible. After the 30-year term ends, the project will become subject to the annual special tax assessed within the CFD.

The proposed prepayment was derived from utilizing a present value calculation to assess what the total amount of the future payments is worth today. The City Finance Director recommended that the discount rate used to calculate present value be limited to 5%. MORES agreed to this recommendation and that rate has been incorporated into the calculations. Because the overall project will be developed as two separate projects, with 20 and 28 units respectively, a per unit amount of \$6,910.32 has been calculated for the prepayment.

If the Council approves the proposed prepayment proposal, the applicant will move forward with an application for annexation into CFD 2005-01.

FINANCIAL IMPACT:

The proposed prepayment should provide a financial mechanism to cover the cost of providing services to the affordable housing project in a fashion very similar to what the annual CFD assessments would accomplish.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

The recommended action supports Action 101.8: Promote and encourage development and redevelopment of low-and moderate-cost housing.

ALTERNATIVES:

Multiple alternatives could be entertained by the Council dependent upon one or more adjustments to the variables associated with present value calculations. Other alternatives outside of the current prepayment proposal might be considered as well. Staff would recommend positive action on the current proposal as it fairly assesses a prepayment that, with proper investment by the City, will generate revenues very similar to what the annual CFD assessments would accomplish.

ATTACHMENT(S):

1. Request Letter



October 7, 2019

Christopher Boyle, Planning Manager
City of Madera
205 West 4th Street
Madera, CA 93637

RE: Request by MORES to Allow Prepayment of the Special Tax Associated with the Community Facilities District for the Downtown Madera Veterans and Family Housing Project

Dear Mr. Boyle:

The Downtown Madera Veterans and Family Housing project is a public-private partnership between the City of Madera, MORES and Pacific West Communities. The 48-unit affordable housing project recently secured substantial funding from the State of California under the Affordable Housing and Sustainable Communities program, and is close to being construction ready. The project is located at 5th and C Streets (APNs 007-082-004, -005, -014, -015).

Pursuant to your request, we are providing this transmittal hereby requesting that the City of Madera allow for the prepayment of the associated Community Facilities District fee for an initial 30-year term. The prepayment of the fee allows for the project to not be encumbered with the annual assessment during its operations, as very little cash flow is typically generated from a project of this nature. The prepayment is being proposed to help insure the fiscal vitality and stability of the project, as there are funds budgeted during construction which make the prepayment feasible.

The proposed prepayment was derived utilizing a present value calculation to assess what the total amount of the future payments is worth today. We are recommending the utilization of a five percent discount rate as recommended by the City Finance Director for similar Madera projects that have utilized this prepayment option. The calculation is based on an annual CFD assessment of \$428.12 per unit, a figure provided by the City of Madera. Using these amounts, the total proposed prepayment for the project is \$331,695.36, or \$6,910.32 per unit. This amount will be paid out of project funding proceeds when other City of Madera development impact fees are paid for the project.

We believe the proposed prepayment is a reasonable accommodation for this affordable housing project. The proposed prepayment provides a financial mechanism to cover the cost of providing services to the affordable housing project in a fashion very similar to what the annual CFD assessment would accomplish. Thank you allowing us to provide this fee proposal. Please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Sigala'.

Michael Sigala, Principal
Sigala Inc.
Owner's Representative for MORES

cc: Herman Perez, MORES
Tim Sciacqua, Pacific West Communities