



# County of Santa Cruz

## REDEVELOPMENT AGENCY

701 OCEAN STREET, ROOM 510, SANTA CRUZ, CA 95060-4000

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TOM BURNS, AGENCY ADMINISTRATOR

June 13, 2002

Agenda: June 25, 2002

Board of Directors  
County of Santa Cruz Redevelopment Agency  
701 Ocean Street  
Santa Cruz, CA 95060

### Redevelopment Agency Financing for Villa Del Paraiso

Dear Members of the Board:

On June 4, 2002 your Board unanimously approved a development permit for the Marmos Trailer Park, now known as Villa Del Paraiso, making possible a long awaited opportunity to provide housing for low income families. The purpose of this letter is to request Board authorization for Agency funding to Mid-Peninsula to build the Villa Del Paraiso project.

### Background

The developer of the project, Mid-Peninsula Housing, is a reliable and trusted housing partner and developer of other Santa Cruz County projects including Murphy's Crossing, San Andreas, and the Farm.

Board approval of the project was subsequent to the adoption of the RV Conversion Ordinance in June 2000. A major goal of that Ordinance was to convert dilapidated RV parks being used for permanent housing to quality permanent affordable housing units. Villa Del Paraiso is the first project to emerge in the attainment of that goal.

As the first conversion under the Ordinance, Villa Del Paraiso presented some unique challenges for the Agency. As more facts about the site emerged it became clear that the conversion process would mean more than simply replacing dilapidated units with a new ones. Long term occupancy would mean expensive site corrections to ensure lasting conditions of health and safety. Also, since the site is occupied, any site work requires making alternate living arrangements for current residents.

### Site Development Issues

As you know, when this project was approved for conversion from temporary occupancy, this site came with a number of development constraints. Past land alterations and disturbances have raised questions by project engineers on the safety of the slope

separating the upper and lower bench. As a result extensive grading and hillside re-configuration is required. Natural water seepage out of this slope required consideration of appropriate drainage infrastructure which includes filtering drain water before release in Pinto Lake. A highly impacted and disturbed lake frontage prompted a proposal from Mid Peninsula Housing to re-vegetate the waterfront as a benefit to both park residents and the riparian ecosystem. Finally, the deteriorated and outdated sewage treatment system had to be radically upgraded to assure that it would meet health department requirements and provide long term treatment reliability.

## Financing Issues

Financing is needed to provide for the types of site improvements outlined above. In addition, assistance is needed to pay for the unit construction, landscaping, retaining walls, fencing and the additional engineering studies and testing required as part of the building process. Next month Mid Peninsula Housing will apply for about \$3.5 million in tax credit financing. In order to be competitive for that financing it is necessary at this time for the Agency funds to be committed. The following chart summarizes the proposed plan for financing this project.

Potential Funding Sources for Via del Paraiso Project		
Source	Amount	Comment
Affordable Housing Program	\$255,000	Funds already committed
Multifamily Housing Program	\$2,114,926	Funds already committed
Rural Communities Assistance Corporation: Grant	\$750,000	Funds already committed
Rural Communities Assistance Corporation: Loan	\$800,000	Funds already committed
Tax Credits	\$3,565,865	Application 7/02
Misc. Grants	\$33,305	Funds already committed
RDA Permanent Loan	\$3,000,000	
RDA Gap Loan	\$775,189	
<b>Total:</b>	<b>\$11,294,285</b>	

This plan proposes a high level of financial assistance for a project of 50 units, but one that can be justified as a result of the unique site conditions and other issues discussed earlier in this letter. Staff is suggesting that the Agency's assistance occur in two forms. The first loan, for \$3.0 million would be a permanent loan. The second loan, for \$775,189, would enable the project to move forward, but we would hope to see replaced through Mid Peninsula's efforts on both construction cost management and pursuit of additional outside

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financing. For the purpose of the tax credit application, these two components of financing are combined into a single amount.

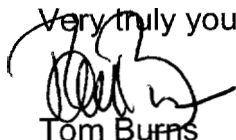
Finally, because of the nature of tax credit financing, it is critical for a portion of the Agency's financing be in the form of non-tax-exempt bond proceeds. Adequate funds are available in the Agency's Housing Tax Increment reserves to cover these costs, but it will require a Supplemental Budget Request to provide these appropriations in FY 2002-03. Staff will bring this item to your Board as part of the Last Day Budget Report.

### **Conclusion/Recommendation**

The Villa Del Paraiso project will provide much-needed affordable housing in the Pajaro Valley with long term affordable rental opportunities. The partnership between the Agency and Mid- Peninsula Housing creates a unique opportunity to complete this project in a timely fashion.

It is therefore RECOMMENDED that your Board, as the Board of Directors for the Redevelopment Agency approve the attached resolution providing Agency funds totaling \$3,775,189 for the Villa Del Paraiso project and authorize the Agency Administrator to negotiate and sign the related financing agreements.

Very truly yours,



Tom Burns

Redevelopment Agency Administrator

RECOMMENDED:



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Susan A. Mauriello  
Redevelopment Agency Director

cc. RDA  
Mid Peninsula Housing

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# **Attachment 1**

## **REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA CRUZ RESOLUTION NO. \_\_\_\_\_**

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On the motion of Director \_\_\_\_\_

duly seconded by Director \_\_\_\_\_

the following resolution is adopted.

### **A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA CRUZ APPROVING FUNDING TO MID-PENINSULA HOUSING COALITION TO ASSIST IN THE VILLA DEL PARAISO PROJECT**

WHEREAS, Mid-Peninsula Housing Coalition proposes to provide housing for lower income households by constructing a development called the Villa Del Paraiso Project ("the Project") located at 324 Amesti Road (APN:050-421-01), in the unincorporated area of Santa Cruz County and consisting of 51 assisted units and one manager's unit;

WHEREAS, pursuant to its authority under Community Redevelopment Law, the Agency wishes to provide financial assistance to Mid-Peninsula Housing Coalition from the Low and Moderate Income Housing Fund to enable the Project to be financially feasible;

WHEREAS, the Project is located outside of the Redevelopment Agency Soquel/Live Oak Community Improvement Project Area (the "Project Area");

WHEREAS, on April 28, 1987, in accordance with subsection (g) of section 33334.2 of the California Health and Safety Code, the Agency Board of Directors adopted Resolution No. 236-87 by which each of them found that the provision of low and moderate income housing outside the Project Area will be of benefit to the Project Area;

NOW BE IT RESOLVED AND ORDERED, that the Agency shall make a loan to Mid-Peninsula Housing Coalition of Three Million, Seven Hundred and Seventy-five Thousand One Hundred and Eighty Nine Dollars and No Cents (\$3,775,189) to assist the Project and shall record affordability restrictions against the Project property of at least fifty five (55) years.

BE IT FURTHER RESOLVED that the Redevelopment Agency Administrator is authorized to enter into and sign all financial agreements and other relevant documents to assist the Project.

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PASSED AND ADOPTED by the Board of Directors of the County of Santa Cruz Redevelopment Agency, State of California, this 25th day of June 2002, by the following vote.

**AYES:**

**NOES:**

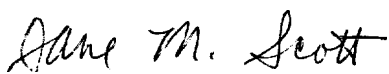
**ABSENT:**

**ABSTAIN:**

\_\_\_\_\_  
Janet Beautz, Chair,  
Board of Directors of the County of Santa **Cruz** Redevelopment Agency

ATTEST: \_\_\_\_\_  
Clerk of the Board

APPROVED AS TO FORM:

  
\_\_\_\_\_  
County Counsel