TOWN OF WINDSOR
AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: March 5, 2025

To: Mayor and Town Council
From: Kim Voge, Planner III
Subject: Heritage Park Fee Deferral Loan Agreement Terms

Recommendation to Council:
By motion, direct staff to analyze the request and return to the Town Council with options for consideration.

Strategic Plan Element:
The recommended action supports the goals of Fiscal Health, Infrastructure and Livability. Goal Statement: Ensure the economic health and long-term financial viability of the Town. Goal Statement: Through a lens of sustainability and innovation, invest in the Town's infrastructure and public facilities to meet the needs of future generations. Goal Statement: Preserve community character by maximizing the use of existing amenities and creating future opportunities that enhance quality of life for all.

Background:
On August 16, 2017, the Town Council authorized the use of $565,000 in Inclusionary Housing Funds to support the development of the Heritage Park project (the "First Inclusionary Housing Fund Loan").

On July 28, 2020, the Planning Commission approved planning entitlements for a 33-unit affordable apartment project on a 1.66-acre site located at 8685 Old Redwood Highway.

On October 21, 2020, the Town Council approved an amendment to the First Inclusionary Housing Fund Loan to incorporate changes necessary to reflect the specifics of the approved project.

On September 7, 2022, in a meeting that was continued from May 4, 2022, the Town Council authorized the Town Manager to draft a fee deferral loan agreement for payment of the project's drainage, parks & recreation, police facilities, and traffic impact fees over a five-year term, with direction to bring back the draft loan agreement for approval on a future consent calendar (Attachment 2 – Resolution No. 3784-22). At this meeting, the Council declined a request from the developer to extend the development impact fee deferral loan term from five years to 15 years, consistent with previous requests for a longer loan term. Staff and the Town Council were concerned about the long-term deferral of impact fees, in that the fees would not be available for timely capital improvements associated with the project. Three loan term options were analyzed by Town's consultant, Bay Area Economics (BAE), including 5-year, 10-year, and 15-year loan terms. As a result of extended collaboration and multiple rounds of review and analysis, all parties agreed upon a five-year fee deferral loan with annual payments based upon a percentage of the Project's revenues until the end of Year 5, at which time the remaining balance would be paid to the Town by the Developer.

On August 16, 2023, the Town Council authorized the use of an additional $1,200,000 in Inclusionary Housing Funds to support the development of the Heritage Park project (the "Second Inclusionary

Housing Fund Loan").

Both the First and Second Inclusionary Housing Fund Loans are 55-year loans with 0% interest. Annual repayments for each loan are equal to 25% of the residual receipts for the Project. The Town was willing to provide the Inclusionary Housing Fund as grants, but the developer requested the funds be provided as loans to align with the project's other financing mechanisms.

On February 21, 2024, the Town Council authorized the Town Manager to revise the Heritage Park affordable housing regulatory agreement and the Heritage Park inclusionary housing fund award loan agreement to combine the loans into one document and to adjust the affordability definition of "low income" to match that of the California Housing Finance Agency (CalHFA) to qualify the project for CalHFA's Mixed Income Program. The result is that the loan now included both awards of Town of Windsor Inclusionary Housing Funds ($565,000 + $1,200,000), for a total of $1,765,000 in Inclusionary Housing Funds to MW Development and Integrity Housing, to construct a 33-unit apartment project with units that are affordable to households earning between 50-80% of the Area Median Income (Attachment 3 – Resolution No. 3913-24).

On December 4, 2024, the Town Council authorized minor amendments to the previously authorized housing fund loans, specifying that repayment on the First and Second Inclusionary Housing Fund Loans would commence at the end of the five-year fee deferral loan period (Attachment 4 – Resolution No. 3993-24).

Discussion:
Because the approved five-year loan term does not align with the developer's 20-year permanent loan term and tax credit compliance period, it does not work within the project's financing framework, as described in the applicant's letter (Attachment 1). The following loan modification is requested:

1. Keep the previously approved program to repay the development impact fee deferral loan before repaying the First and Second Inclusionary Housing Fund Loans.
2. Repay the development impact fee deferral loan based on 50% of the project's residential receipts until the loan is retired (with no "hard stop" at the end of five years). Residual receipts are the remaining revenue after certain expenses are paid. Full repayment of the deferred development impact fees would be anticipated within 10 years.
3. Begin to repay the First and Second Inclusionary Housing Fund Loans based on 50% of the project's residual receipts after the development impact fee deferral loan is repaid.

The applicant has also requested to increase the loan from 1% to the current Applicable Federal Rate (AFR), which was 4.86% in February 2025. The interest rate adjustment addresses a tax issue that would have been caused by using a discounted rate. The higher rate is beneficial to the Town and can be applied administratively.

With previous requests for fee deferrals and loan modifications, a technical analysis was prepared by Bay Area Economics (BAE) for the Council's consideration. If the Council is favorably inclined toward the applicant's request, staff recommends continuing the item until an updated analysis can be provided from BAE or another qualified consultant, before making a final decision.

Fiscal Impact:
Extending the payback term for deferred development impact fees beyond the current five-year period would result in a long-term fiscal impact to the Town. While the fees would ultimately be repaid, the delayed collection diminishes the present value of these funds due to inflation and rising construction

costs. Additionally, the Town would need to advance its own resources to fund necessary infrastructure and service upgrades required to support the project upon completion, without timely reimbursement. This extended deferral would reduce available funding for capital projects and increase the Town's financial burden over time. Based on the current master fee schedule (FY2024-2025), the deferred impact fees total approximately $769,784, allocated as follows:

- Parks & Recreation: $425,398
- Police Facilities: $3,314
- Drainage: $78,418
- Traffic: $262,654

Environmental Review:
A loan agreement does not constitute a "project" pursuant to the California Environmental Quality Act, and therefore no environmental review is required.

Attachment(s):
1. Applicant Letter 2024-01-15
2. Resolution 3784-22
3. Resolution 3913-24
4. Resolution 3993-24

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Reviewed by:
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Recommended by:
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Town Manager