

TOWN OF WINDSOR AGENDA REPORT

Joint Windsor Town Council, Windsor Redevelopment Successor Agency and Windsor Water District Meeting Date: December 4, 2024

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

Recommendation to Council:

Adopt a resolution authorizing the Town Manager to execute a Five-Year Fee Deferral Loan and minor amendment to previously approved housing fund loans for the Heritage Park Project, a 33-Unit Affordable Housing Project located at 8685 Old Redwood Highway.

Strategic Plan Element:

The recommended action supports the goal of Livability. 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 City Council approved an amendment to the First Inclusionary Housing Fund Loan to incorporate changes necessary to reflect the specifics of the approved project.

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 for the purpose of helping to secure other financing for the project.

On February 21, 2024, the Town Council authorized a five-year fee deferral agreement for certain development impact fees, including Traffic, Drainage, Parks & Recreation, and Police impact fees. The Council’s authorization required staff to bring the final terms of the loan deferral agreement to the Council for approval.

Discussion:

The Heritage Park project is preparing to close escrow on its major construction financing in mid-December or early January. Prior to that occurring, it is necessary for the terms of the fee deferral

agreement to be finalized. Consistent with past requests, the developer continues to request that the impact fees be deferred and repaid over a 15-year term. However, based on the Council's previous direction, staff is proposing a 5-year term. Consistent with State law, the five-year term will begin when a temporary certificate of occupancy (or equivalent) is issued for the project.

The proposed fee deferral loan would defer payment of the impact fees for five years. The deferred impact fees include Traffic, Drainage, Parks & Recreation, and Police impact fees, but exclude school and fire impact fees, as well as water and sewer connection fees. The deferred fees would accrue 1% interest annually. The deferral agreement requires the developer to make annual payments toward repayment of the deferred fees, in an amount equal to 100% of the project's residual receipts (which is essentially the revenue the project receives after certain expenses are paid). At the end of the five-year term, the entire remaining amount of the deferred fees and all accrued interest would be due. The fee deferral loan agreement will be reflected in the promissory note, which will be secured by a deed of trust.

Because 100% of the residual receipts are being used to repay the impact fee deferral, there will be no residual receipts to make annual payments for the First and Second Inclusionary Fund Loans. Accordingly, staff is also requesting that the Town Council approve modifying the loan documents for the First and Second Inclusionary Fund Loans to eliminate the repayments for the first 5 years. Repayments would begin after the Impact Fees are fully repaid at the end of 5 years. These changes will result in the Town's impact fees are repaid faster, while the repayment of the inclusionary housing funds will occur slightly slower.

Fiscal Impact:

The current amount of the impact fees to be deferred is as follows:

Parks and Recreation	\$425,398
Police Facilities	\$3,314
Drainage	\$78,418
<u>Traffic</u>	<u>\$262,654</u>
TOTAL	\$739,784

The exact amount of each impact fee will be determined when building permits for the project are issued. The deferred amount will incur 1% interest, and the developer will be required to make annual payments toward repayment of the deferred fees, in an amount equal to 100% of the project's residual receipt. The full amount will be repaid after 5 years. The changes to the First and Second Inclusionary Fund Loans will result in the Town not receiving any repayments for those loans in the first 5 years. These changes will result in the Town's impact fees being repaid faster, while the repayment of the inclusionary housing funds will occur slightly slower.

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. [Resolution](#)
2. [Resolution No. 3784-22](#)
3. [Resolution No. 3913-24](#)

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Reviewed by:

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Community Development Director

Recommended by:

Jon Davis
Town Manager