



**CITY OF MARTINEZ**

**CITY COUNCIL AGENDA  
July 16, 2008**

**TO:** Mayor and City Council

**FROM:** Karen L. Majors, Assistant City Manager Community and Economic Development

**SUBJECT:** Request to Withdraw the Condition of Approval requiring Villa Del Sol Project to contribute to City's Affordable Housing Trust Fund

**DATE:** July 7, 2008

**RECOMMENDATION:**

Consider request to withdraw the Condition of Approval requiring the Villa Del Sol Project (located at Berrellesa and Marin Vista) to contribute to the City's Affordable Housing Trust Fund and direct staff to bring an amended ordinance to the Planning Commission to effectuate this change.

**BACKGROUND:**

As the City Council will recall, the Villa Del Sol project was approved in September, 2006, and is the first residential project approved and constructed after the adoption of the Downtown Specific Plan. When the project developer, Buena Vista, LLC (Isidro and Anamarie Avila Farias), obtained project financing and when the 8 townhouse units were first completed in December, 2007, the two bedroom units were marketed at \$500,000 and the three bedroom units at \$589,000. Needless to say the downturn in the real estate market did not support these values.

Over the last several months Buena Vista LLC has restructured their financing enabling them to reduce the purchase prices and to continue to market the units for ownership. The prices of the units have been reduced to \$349,000 for the 2 bedroom units and \$427,000 for the 3 bedroom units. In addition, Buena Vista is now offering 100% financing which includes participation in a down payment assistance program thru FHA for qualified buyers. However Buena Vista LLC has had to reduce the potential revenue generated by the project.

According to information provided by Contra Costa County, the two bedroom Villa Del Sol units priced at \$349,000 are considered affordable by a moderate income family of 3. At 110% of the average median income, a 3 person family with an annual income of \$85,250 can afford a home priced at \$349,000 or below. Based upon this information, half of the Villa Del Sol units (the four two bedroom units) can now be considered moderate income units. The price reduction in addition to the down payment assistance program being offered is evidence that the developer is providing moderate income housing on site eliminating the need for the developer to pay into the City's Affordable Housing Trust Fund in the amount of \$40,000 (\$5,000.00 per unit). The

developer will utilize these funds to support the price reduction and down payment assistance program to actually create affordable housing rather than paying into a fund.

If this proposed amendment to the Conditions of Approval/Subdivision Agreement is approved and the requirement to contribute \$40,000 into the Affordable Housing Trust Fund is eliminated, the Villa Del Sol project will provide 4 moderate income home ownership opportunities that meet several goals of the City's Housing Element Goals including #1 Achieve an adequate supply of decent housing for all segments of the community..., #3 Expand and conserve housing opportunities for low and moderate income families and individuals, and #5 Pursue efforts to meet the City's regional housing needs.

**FISCAL IMPACT:**

None. In lieu of contributing funds to the newly created Affordable Housing Trust Fund, Buena Vista LLC will provide 4 moderate income ownership units on site.

**ACTION:**

Discuss the request and consider motion to approve the request to withdraw the Condition of Approval requiring the Villa Del Sol Project (located at Berrellesa and Marin Vista) to contribute to the City's Affordable Housing Trust Fund and direct staff to bring an amended ordinance to the Planning Commission to effectuate this change.

**ATTACHMENTS:**

Letter from Buena Vista LLC

**APPROVED BY:**



City Manager

# Buena Vista, LLC

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June 24, 2008

Karen Majors, Community Development Director  
**City of Martinez**  
525 Henrietta Street  
Martinez, CA 94553

RE: Villa Del Sol – Request to Modify Conditions of Approval

Ms. Majors,

We would like to request a modification to our Subdivision Improvement Agreement for the Villa Del Sol Project. We would like rescind our voluntary contribution to the Affordable Housing Trust fund in the amount of \$40,000 (\$5,000 per Unit). We are requesting this modification due to the current real estate market forces; which consequently has forced us to realign and readjust project pricing and budget.

We had various goals and visions with Villa Del Sol some that have and have not materialized for us. However, below are some of our accomplishments and contributions to the City of Martinez to date:

- Designing Eco-Friendly Housing: 1<sup>st</sup> Green Residential building in Martinez & Contra Costa County. Our development is 1 of 11 LEED for Homes certified projects in California
- Maximized land resources by developing an infill site that had environmental issues
- 1<sup>st</sup> project to utilize adopted Downtown Specific Plan
- 1<sup>st</sup> Multi-Family Townhome Development promoting Homeownership in Downtown
- Promoting Livable Communities (housing near transportation)
- Over 2 Million Dollars invested in Downtown area.
- Over \$100,000 Infrastructure Improvements to Downtown area

Although we are excited about our contributions to date we are concerned with the fact that our goal to establish homeownership has yet to materialize in a timely manner. In this declining housing market this goal has been difficult to achieve; however, we are very

committed to establishing this development as an owner-occupied project. In order for us to fulfill our goal we need to continue our sales and marketing of Villa Del Sol and continue to fund our interest reserve fund with our lender. These items combined will allow us to stay in the market longer and to obtain our needed sales.

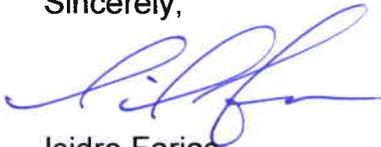
We are requesting this revision modification to our Subdivision Improvement Agreement due to the following reasons:

- Current Housing Market Prices: The prices of the Villa Del Sol units are now inline with affordable housing prices. As a result of foreclosure pricing and having to still be competitive in this market we have had to drastically reduce prices. The Prices of these units are in the range of \$349,000 to \$427,000.
- 100% financing: We have also established a 100% financing option to qualifying potential buyers. The down payment assistance program requires additional funding resources from us.
- Affordable Housing Fund & Inclusionary Housing: The Affordable Housing fund has not been created and the Inclusionary Housing Ordinance is on hold and has not been approved. Payment of this fee was to be the first of future payments made by other projects in the future. The City of Martinez has been delayed in setting the framework for this to occur.
- Home Sales Timeframe: It has taken us over 6 months to secure the sale of one unit. Unfortunately, being in the market this long has reduced our construction loan interest reserve which was put in place for purposes of paying on the loan during and after construction. Since we are unsure of how much longer it will take for us to secure more sales, we would like to use the funds that were originally targeted for the Affordable Housing Fund to use towards the Interest Reserve. Consequently, this will allow us to stay on the market a little longer to continue selling additional units.
- City of Martinez Infrastructure Improvements: As part of this project our company spent upwards of \$100,000 of infrastructure improvements that were not originally budgeted when the project was approved by the City of Martinez. The scope of these improvements included:
  - Storm drain line extension from the property frontage to the intersection of Berrellesa Street & Buckley Street
  - Installation of drainage facilities along this new drain line
  - Related street & curb improvements
  - Engineering & surveying costs for this line extension

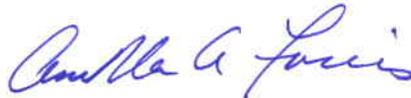
It was always our intention to comply with this condition; however, in this very difficult market it is impossible for us to continue selling these units without all parties involved making some concessions. In our case, we have drastically reduced prices and the Bank has agreed to a third loan extension with some workable conditions, etc. As you are aware, in this buyer's market, the low prices is what is selling homes. Therefore, there is no way for us to recover additional fees or costs as we had all originally anticipated.

Please feel free to contact us if you have any questions or if you need any additional information.

Sincerely,



Isidro Farias  
Member



Anamarie A. Farias  
Member