
Subject: Terracina at Whitney Ranch Affordable Housing Regulatory Agreement

Date: May 24, 2022

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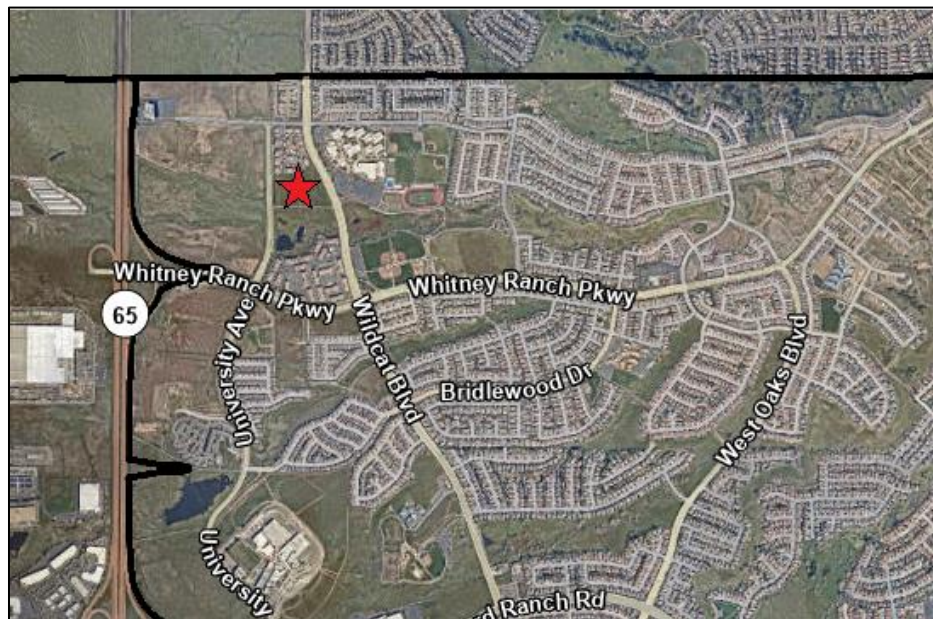
Department: Community Development

Staff Recommendation:

Adopt a Resolution of the City Council of the City of Rocklin Approving the Terracina at Whitney Ranch Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants.

BACKGROUND:

On August 24, 2021 the City Council approved a Design Review entitlement via Resolution No. 2021-151 for the Terracina at Whitney Ranch project, a three-story, 288-unit apartment community on 11.7 acres located on the east side of University Avenue, west of Wildcat Boulevard, and north of Whitney Ranch Parkway.



An aerial view rendering of the project is provided below.



The project was proposed by the applicant and approved by the City Council as a 100% affordable housing project. This project site is on the City's RHNA Available Sites Inventories in the current 2021-2029 Housing Element Update in the Moderate Category. The project's 100% affordability for individuals in the Lower Income Category not only complies, but exceeds the City's expectations for Housing Element outcomes on this site. The Project would therefore assist the City in meeting its housing goals and obligations under the State's Regional Housing Needs Allocation (RHNA).

Section 2.A.19. of Resolution No. 2021-151 required that of the project's 288 units, 285 would be rental units affordable to low, very low and extremely low-income households with incomes ranging from 30% to 70% of area median income (AMI). Three unrestricted units would be manager units. The approximate distribution of the affordable units in the project was included in the condition, as outlined below:

19. Affordability Requirement

The project shall record an affordability regulatory agreement for the project, or equivalent, to the satisfaction of the City Attorney, prior to occupancy. Said contract shall include the following provisions:

1. Of the 288 units, 285 units will be rental units affordable to low, very low, and extremely low-income households with incomes ranging from 30% to 70% of area median income ("AMI"). Three unrestricted units will be manager units. The approximate distribution of affordable units in the project will be:

Income Category	Income	Number of Affordable Units	Percentage of Units
Extremely Low Income	30% of AMI	30 units	10%
Very Low Income	50% of AMI	74 units	26%
Low Income	60% of AMI	74 units	26%
Low Income	70% of AMI	107 units	38%
		285 units	100%

AMI = Area Median Income

- Affordable rental units, maximum incomes, and maximum rents will be restricted for a 55-year term in a recorded affordability restriction.

Subsequent to the City Council’s approval of the project, the applicant has been successful in obtaining approval for funding from the California Tax Credit Allocation Committee (CTCAC). In order improve their competitiveness to obtain the CTCAC funding, the applicant revised the affordability mix (as shown in ~~strikeout~~ below); however, all of the affordable units will still be able to be counted toward the City’s Lower Category Regional Housing Needs Allocation (RHNA) once the funding and associated affordability restrictions are in place and building permits for the project are issued.

Income Category	Income	Number of Affordable Units	Percentage of Units
Extremely Low Income	30% of AMI	30 29 units	10%
Very Low Income	50% of AMI	74 60 units	26% 21%
Low Income	60% of AMI	74 54 units	26% 19%
Low Income	70% of AMI	107 142 units	38% 50%
		285 units	100%

AMI = Area Median Income

Section 2.A.19 of Resolution No. 2021-151 required that the project be subject to an affordability regulatory agreement restricting 285 units at the project to the approximate affordability distribution levels noted in the resolution. To memorialize that condition, project representatives and City staff have been negotiating an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants.

Given the applicant’s restrictions under the terms of their CTCAC funding, the applicant has requested the City accept various terms not contemplated or which differ from those contemplated

by the City Council in its original approval of the project. Primarily, the applicant has requested the City Council approve the revised affordable unit distributions, as noted above, as well as a condition which allows the applicant to evict a tenant who no longer qualifies for the affordable income levels necessary to live in the apartments, subject to the CTCAC rules, regulations, and applicable law.

Notably with respect to the applicant's latter request, according to CTCAC's funding rules, the applicant is prohibited from evicting a tenant based solely on an increase in their income, even if it causes the tenant to exceed the income levels required of tenants to qualify for occupancy of the units. The inclusion of the applicant's requested term to the Regulatory Agreement and Declaration of Restrictive Covenants creates a potential scenario allowing a tenant whose income has subsequently exceeded the maximum income allowed for occupancy of the affordable unit to stay indefinitely and continue renting the unit at the affordable rate, thus depriving another qualified tenant from occupying the unit and creating a situation where the 100% affordable project is no longer entirely occupied by low, very low, or extremely low-income qualified tenants.

While the circumstances of a tenant later achieving an income level exceeding the allowable income limits of the project is a success story for that individual, the City and USA Properties, because the City Council's approval of Terracina was for a 100% affordable housing project (in terms of both rent limitations and tenant income qualifications), the terms proposed by the applicant for the Regulatory Agreement and Declaration of Restrictive Covenants differ from those approved by the City Council for action at the staff level, thus requiring the City Council's review and approval of the agreement.

Fiscal Impact:

The Terracina at Whitney Ranch project and its associated Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants requires no City funds.