

January 19, 2021

Mayor Adams and Honorable Members of the City Council
City of Monrovia
415 S Ivy Ave
Monrovia, CA, 91016

Re: Closed Session Item CS-1 and Information on the California Community Housing Agency's Essential Middle-Income Housing Program

Dear Mayor Adams and Honorable Members of the Monrovia City Council,

The California Community Housing Agency (CalCHA), Catalyst Housing Group (Catalyst) and Legacy Partners (Legacy) are writing in regard to the Council's forthcoming deliberation in Closed Session on January 19, 2021 and discussion surrounding CalCHA's proposed acquisition of 228 West Pomona Avenue (MODA). We sincerely appreciate your consideration of this item.

On December 1, 2020, members of the City Council heard a presentation from City Manager Feik on CalCHA's Essential Middle-Income Housing Program. As a reminder, a few highlights of our program include:

- CalCHA is California's first governmental entity focused exclusively on the production of essential middle-income housing serving nurses, teachers and first responders, among others
- Since its formation in 2019, CalCHA has produced in excess of \$550 million of "essential housing," and has received unanimous approvals from more than 20 municipalities throughout the State including cities, counties and housing authorities
- CalCHA sells governmental revenue bonds to fully finance the acquisition and conversion of existing market-rate apartment communities, without the need for any local subsidy
- CalCHA's bonds are backed solely by project revenues and are not issued, credit enhanced or guaranteed in any way by the underlying jurisdiction
- Future occupancy in CalCHA properties is restricted to households earning 60-120% of area median income
- CalCHA self-imposes caps on annual rental increases of 4% annually
- Existing tenants are protected from displacement, regardless of income
- CalCHA grants all surplus revenues and long-term controls of its assets to the underlying jurisdiction (in this case, the City of Monrovia)

Since the December 1 meeting, Catalyst and CalCHA have reached agreement with Legacy to acquire MODA, and are hoping to immediately pursue approvals for the City of Monrovia to:

- Become an Additional Member of CalCHA
- Support CalCHA's local issuance of governmental revenue bonds
- Accept all surplus revenues generated by CalCHA's acquisition of MODA

One item of discussion during the December 1, 2020 City Council meeting was a preference that the City avoid direct asset ownership. As City Manager Feik accurately noted in his presentation, CalCHA would grant the City the option, but never the obligation, to purchase any local CalCHA property. The City would maintain the flexibility to assign its purchase option to a housing authority, housing trust, or non-profit housing provider, among others. The City may also elect to never exercise or assign its option, at which point CalCHA would be permitted to sell the property and remit all net sales proceeds to the City.

Another item of discussion was the City's loss of property tax revenues, given CalCHA's tax-exempt status as a governmental entity. To address that topic, please consider the following:

- At its current market value, MODA would produce annual ad valorem property taxes of \$1.15 million
- Assuming the City collects ~17% of these revenues, the property would produce \$196k in annual tax revenues for the City
- Should CalCHA acquire MODA for the purposes of creating middle-income housing, the City's annual share of lost tax revenues would amount to \$751/unit, significantly below traditional costs of producing/subsidizing affordable housing production
- Assuming MODA is worth \$280 million in 35 years (our conservative estimate), and that CalCHA's underlying financing has been fully repaid from project revenues, the City's interest in MODA would be worth more than 40 times the lost tax revenues
- The above calculation does not include the City's cash flows generated by MODA once the financing has been retired
- The City would have additionally gained 35 years of desperately needed affordable housing serving its essential middle-income workforce

Thank you again for your consideration of CalCHA's Essential Middle-Income Housing Program. We would additionally like to thank City staff, particularly City Manager Feik, for the significant amount of time he has spent in partnership with us over the last few months.

We look forward to your deliberation, consideration, and partnership. Thank you.

Sincerely,

Scott Carper, California Community Housing Agency
Jordan Moss, Catalyst Housing Group
Tim O'Brien, Legacy Partners