



Affordable Housing Committee Staff Report

AGENDA TITLE:	Consideration of the proposed conditional loans and Disposition and Development Agreement and Joint Escrow Instructions (DDA) from the Affordable Housing Fund in support of the proposed affordable housing development project known as Sheldon Farms North Phase I and Sheldon Farms North Phase II (collectively, the “Sheldon Farms North Project” or “Project”) (APN 116-0012-070) to be developed by Sheldon Farms, L.P. (Developer)
MEETING DATE:	January 29, 2026
PREPARED BY:	Sarah Bontrager, Housing and Public Services Manager Joshua Tovar, Management Analyst II

RECOMMENDED ACTION:

Staff recommends that the Affordable Housing Committee (Committee) perform an independent review of the affordable housing loan application and Disposition and Development Agreement (DDA) for the Sheldon Farms North Project, and provide direction to staff on whether to move forward with finalization of terms and conditions set forth in the DDA, including the proposed loan term sheets attached to the DDA.

BACKGROUND INFORMATION:

The City has an Affordable Housing Fund (AHF), which is generated by fees on new residential and non-residential development. The AHF must be used to support housing opportunities for low-income households, one option for which is to subsidize new affordable apartment construction. In lieu of requiring the payment of affordable housing fees, the City acquired the Sheldon Farms North site (8851 Bruceville Road) in 2023 through dedication by the developer of the single-family homes to the east. The site is approximately 6.07 net acres, and runs along a transit corridor that could one day have light rail access.

Request for Proposals and Proposal Evaluation

In April 2023, the City released a Request for Proposals (RFP) soliciting a development partner to build affordable multifamily housing on the Sheldon Farms North site. The RFP provided minimum criteria for proposals, with a focus on addressing community housing needs, maximizing funding sources, and innovation in project design. The City received 12 proposals from developers interested in partnering to develop the site.

On November 13, 2023, the Affordable Housing Committee (Committee) reviewed information related to the RFP and directed staff to work with Abode Communities (Abode), a nonprofit affordable housing

developer, and their affiliated entities (collectively, Developer) to develop the Sheldon Farms North site. Abode was selected based on their extensive development and operating experience, financial capacity, and alignment with the City’s vision. Abode proposed a 240-unit multifamily project comprised of two buildings. The design included higher density (four stories) close to Bruceville Road, stepping down in height to two or three stories near the single-family homes located to the east of the site. One-, two-, and three-bedroom units would serve households earning 30% to 80% of the area median income.

Project Iteration

Since the Developer was selected, they have worked with City staff to refine their project and explore multiple funding options. The Developer also held three community meetings to obtain feedback on their site plan, design aesthetics, and community amenities.

In order to increase competitiveness for funding resources, the Developer proposes subdividing the parcel and constructing the project in two phases. Phase I will contain approximately 3.24 acres of the eastern portion of the property site consisting of 122 units. Phase II will contain approximately 2.83 acres of the eastern portion of the property site consisting of 118 units. The Developer submitted an entitlement package, including a Tentative Parcel Map (TPM), to the City’s Development Services Group in February 2025. The entitlement submittal was approved by the Zoning Administrator on August 18, 2025.

Letter of Intent

On February 14, 2024, the City Council authorized the City Manager to execute a Letter of Intent (LOI) with the selected Developer, thereby formalizing the commitment to partner in the development of affordable housing. The LOI was valid for a term of 12 months; however, the Developer requested a 12-month extension to allow more time to enhance funding competitiveness. On February 12, 2025, City Council authorized the City Manager to execute an Amended and Restated LOI with the Developer to continue collaboration toward the development of much-needed affordable housing. The LOI is included as **Attachment 1**.

The LOI offers the Developer the exclusive opportunity to pursue development of the Sheldon Farms North property. The LOI is valid until February 18, 2026, or until replaced by a conveyance agreement executed by the City and the Developer. Staff has completed substantial work on a Disposition and Development Agreement (DDA), the preferred form of the conveyance agreement, which is described later in this report.

Loan Consideration and Timing

The LOI commits the City to consider an Affordable Housing Fund loan commitment of \$4,050,000, excluding land acquisition costs, over the two phases. Due to the timing of the State’s funding cycle, the City advanced the loan term sheet for Phase I ahead of completing the DDA to allow the Developer to meet the deadline for the 2025 California Department of Housing and Community Development (HCD) SuperNOFA (Notice of Funding Availability) for Multifamily Housing Program (MHP) funding as a viable funding source for Phase I.

- No major changes were made to the Phase I loan commitment approved by Council on April 9, 2025; rather, the updates align the loan structure with the Project’s updated funding strategy and proposed site layout. Incorporating the Phase II loan commitment into the DDA provides greater certainty regarding long-term financing and reflects the City’s continued approach to supporting the Project across both phases.

In order to allow the Developer to pursue MHP funding in early 2026, the Developer may use the DDA as proof of site control and the conditional loan commitments from the City as proof of local funding. As is common in affordable housing project structures, Abode created a limited partnership entity: Sheldon Farms, L.P.

ANALYSIS/DISCUSSION:

Loan Application

The loan application serves as an important process for evaluating the feasibility of the proposed project, while ensuring alignment with the information submitted in their proposal. Abode filed their loan application on October 24, 2024 and has worked with staff to refine elements of the loan application since its filing.

The components of the loan application are dictated by the Affordable Housing Loan Program Guidelines (see copy of Developer’s loan application in **Attachment 2** and Project pro formas in **Attachment 3**). The following item was not submitted:

- *As-built property appraisal.* This appraisal identifies the “as is” value of the land, and prospective market values of the property when complete and when stabilized under both the restricted rent and unrestricted rent scenarios. The City typically requires the as-built appraisal upfront to confirm the property value supports the loan and that the City’s investment is adequately collateralized. However, as is common among other development projects, the Developer indicated that this appraisal is typically initiated by the lender. As negotiated, staff recommends that the completion of the appraisal be deferred for purposes of the City’s conditional commitment, but still required at closing because that is not a factor within the Developer’s control. Deferring the appraisal carries some risk that the appraised value at loan closing may be lower than current assumptions due to changes in market conditions. Additionally, if the project were to default, a lower appraised value could limit the City’s ability to fully recover its loan. To mitigate this risk, the Developer agreed to obtain an updated appraisal for Phase 2 prior to any additional loan disbursement.

The loan application provides additional information with which to consider a project. Central to this evaluation is the assessment of several key components, including the robustness of the development partners, the structure of the financing, and the overarching viability of the project itself. A summary of key project features is shown in **Table 1**.

Table 1

Sheldon Farms North Project	
Developer	Sheldon Farms, L.P., a California limited partnership (Phase I Developer), or such other partnership as may be created by Abode Communities for the development of Sheldon Farms Phase II Abode Communities A not- for-profit affordable housing developer that has been rooted in community development throughout the State of California since 1968. This is Abode’s first project in Elk Grove.
Service Provider	LifeSTEPS

Location	8851 Bruceville Road (APN 116-0012-070) The proposed project involves subdividing the existing single parcel into two separate parcels.																																																
Nearby amenities	Adjacent uses are shopping centers, multifamily market-rate housing, and single-family homes. Excellent proximity to shopping, services, and transit. Close to middle and high schools.																																																
Type of project	Multifamily and special needs ¹																																																
Affordable unit description ²	<table border="1"> <thead> <tr> <th colspan="5">Project</th> </tr> <tr> <th rowspan="2">Affordability Level (% of AMI)</th> <th rowspan="2">Total Units</th> <th colspan="3">Number of Bedrooms</th> </tr> <tr> <th>1BD</th> <th>2BD</th> <th>3BD</th> </tr> </thead> <tbody> <tr> <td>30%</td> <td>69</td> <td>55</td> <td>6</td> <td>8</td> </tr> <tr> <td>40%</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>50%</td> <td>73</td> <td>24</td> <td>29</td> <td>20</td> </tr> <tr> <td>60%</td> <td>67</td> <td>24</td> <td>17</td> <td>26</td> </tr> <tr> <td>70%</td> <td>27</td> <td>12</td> <td>7</td> <td>8</td> </tr> <tr> <td>80%</td> <td>2</td> <td>-</td> <td>1</td> <td>1</td> </tr> <tr> <td>Unrestricted</td> <td>2</td> <td>-</td> <td>2</td> <td>-</td> </tr> </tbody> </table>	Project					Affordability Level (% of AMI)	Total Units	Number of Bedrooms			1BD	2BD	3BD	30%	69	55	6	8	40%	-	-	-	-	50%	73	24	29	20	60%	67	24	17	26	70%	27	12	7	8	80%	2	-	1	1	Unrestricted	2	-	2	-
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70%	27	12	7	8																																													
80%	2	-	1	1																																													
Unrestricted	2	-	2	-																																													
Total number affordable units	238																																																
Total residential square footage	245,500																																																
Total project cost	\$148,889,942																																																
Construction cost	\$85,615,824																																																
Cost per unit	\$620,375																																																
Cost per residential sq. ft.	\$606.48																																																
Developer fee ³	\$14,888,994 (10%)																																																
Loan request ⁴	\$7,069,998 (\$3,019,998 land value + \$4,050,000 cash)																																																
City subsidy per affordable unit	\$29,706 (4.80%)																																																
Other financing/subsidy ⁵	\$76,259,337 – HCD MHP \$44,699,849– 4% tax credits \$7,830,063– Deferred developer fee \$4,000,000–DDS \$3,342,000 – Perm loan \$2,287,798– Other \$2,062,216– HCD MHP Support Services Reserve \$1,338,679– HCD MHP COSR																																																
Project amenities	Bike storage rooms, community and fitness rooms, BBQ/picnic areas, outdoor courtyards, splash pad and play areas, office space for provision of resident services, laundry facilities, bike racks, benches, and lighted parking. Residents shall have reciprocal access to all amenities located throughout the Property.																																																

Social services offered	Minimum of 15 hours per week of on-site supportive services
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- 1 The Developer proposes setting aside 25% of the units for people with special needs, in this case adults with intellectual and/or developmental disabilities.
- 2 The project also includes two two-bedroom manager units, which are not income-restricted.
- 3 The developer fee is a total of \$17,176,792, of which the Developer is contributing \$2,287,798 as equity to the Project, giving an effective developer fee of \$14,888,994.
- 4 As proposed, the City’s financing will be in a junior position, behind senior permanent financing in the amount of approximately \$7.07 million and loans from public entities (like HCD) in amounts greater than the City’s.
- 5 Other funds include a mix of deferred interest and capital contributions from the Developer.

Project Strengths

The Developer’s loan application demonstrates several notable project strengths that contribute to its potential for long-term success:

- *Experience.* The Developer is a nonprofit organized for the purpose of acquisition, design, development, and operation of affordable housing projects. Since 1968, the Developer has assisted in revitalizing communities through acquisition and rehabilitation of existing housing, development of new housing and the long-term ownership and management of its rental properties. The Developer receives significant funding from federal, state, and local government subsidies in various forms, including low-income housing tax credits (LIHTC), low-interest rate loans, grants, and rent subsidies. The Developer’s track record demonstrates an ability to consistently obtain LIHTC awards and the accompanying private and public financing to complete their projects.
- *Intellectual and developmental disability (I/DD) population.* The Developer proposes setting aside approximately 60 units for I/DD adults, a designation that encompasses individuals with a wide range of conditions characterized by limitations in intellectual functioning and adaptive behavior, affecting daily life skills such as communication, social interaction, and self-care. The inclusion of I/DD adults in the Project ensures that the City supports a diverse and inclusive community, providing accessible housing for a population that often faces significant barriers to finding affordable housing options. If funded, this will be the City’s only project targeting this population. (A prior project, Cornerstone Village, had been considered for this purpose but ultimately did not receive all the funding commitments it needed to move forward).
- *Capitalized Operating Subsidy Reserve (COSR).* The COSR is a reserve that helps cover operational costs, ensuring the affordable housing project remains financially stable and has adequate budget to pay its operating costs as rents at the lowest levels are not adequate to cover operating costs. This is especially important for projects housing I/DD individuals, where residents may require additional services and support. The Developer assumes a COSR reserve of approximately \$4.4 million, which is consistent with funding guidelines.
- *Location.* The Project is in the Sheldon Farms North neighborhood on undeveloped land bounded by Mashpee Way to the south, Bruceville Road to the west, and Barnstable Way to the east. The Project is less than half a mile from a pharmacy, grocery store, shopping, eating, and health services. Additionally, the Project site is proximal to several bus stops, overlapping with existing pedestrian and planned roadway improvements, which are intended to accommodate the potential future extension of the Blue Line light rail.

- *Unit affordability.* Overall, this Project is more affordable than other affordable housing projects built in Elk Grove in recent years, with units targeted to households earning 30% to 80% of the area median income. The average affordability for units in this project is at or below 50% of the area median income. The units for the I/DD population are at the lowest levels (30% of area median income) in recognition of this population's tendency to be extremely low-income.
- *Unit mix.* The unit mix contains a mixture of one-bedroom, two-bedroom, and three-bedroom units, making it suited for a range of household sizes. The Project will include 238 affordable residential units, and the special needs (I/DD) units are anticipated to be incorporated throughout both phases. The Developer has adjusted the unit mix so that there are some larger units set aside for special needs units, allowing for in-home care and supportive services when needed.
- *Partnership to address homelessness.* The Developer is committed to partnering with the City to address homelessness, by moving homeless Elk Grove households to the top of the waitlist for any unit for which they are qualified. A similar partnership on other affordable housing complexes has resulted in numerous Elk Grove homeless households (including families with children) being placed in units that they can afford. Units set aside for I/DD adults will be on a referral system, which is customary given the specific needs and requirements of this population.
- *Revenue and operating cost assumptions.* The Project's revenue and operating cost assumptions are in line with the California Tax Credit Allocation Committee (TCAC) guidelines and other affordable housing projects in the City. The pro forma reflects a vacancy rate of 5.3%, consistent with industry standards for similar affordable housing projects. Operating costs are projected to remain stable, with annual increases of approximately 3.5%.
- *On-site property management and social services.* The Project accounts for on-site property management by setting aside two non-income-restricted two-bedroom units for a member of the property management staff. The Developer is partnering with The John Stewart Company as property manager for the project. Although The John Stewart Company does not manage any properties in the City's affordable housing loan portfolio, they are well-known in the region and staff believes they will be a good partner. LifeSTEPS will provide resident social services. LifeSTEPS provides resident services to other affordable housing projects in the City.

Project Weaknesses

A key goal of the City's affordable housing programs is ensuring that units remain an excellent resource for low-income households over the duration of a project's life. While the Sheldon Farms North Project has several strengths noted above, the Project also has several weaknesses, mainly related to the financial assumptions and phasing of the Project. These weaknesses may impact the Project's ability to remain viable throughout the 55-year affordability period. Specifically, staff has identified the following weaknesses:

- *The proposed developer fee exceeds the City's standard.* The City's standard maximum for developer fees is 10% of total project cost. While the developer fee initially proposed by Abode (11%) is allowed under TCAC and California Debt Limit Allocation Committee (CDLAC) regulations, it is common for developers to forgo or contribute some of the developer fee as equity to the project.

In order to mitigate this, the Developer proposed to contribute some of the developer fee as equity to the project so that the amount of the developer fee paid directly to the developer does not exceed 10%. As currently contemplated in the most recent pro formas, the developer fee is a total of \$17,176,792, of which the Developer is contributing \$2,287,798 as equity to the project, giving an effective developer fee of \$14,888,994 (or 10%).

- *Project phasing has a risk of incomplete development.* While it is common for developers to build projects in multiple phases, this approach introduces the potential for incomplete or partial development. Affordable housing funding is highly competitive and each phase would apply for funding in different competition rounds (though generally both phases anticipate using the same funding sources). It is possible that Phase I could be funded while Phase II is unable to obtain funding. This could mean the Phase II land would remain in the City's possession and a different development strategy would be necessary.

In order to mitigate these risks, staff negotiated a DDA covering both phases of the Project. Should the Developer fail to secure all necessary financing for either Phase I or Phase II, within one year of the Close of Escrow for each respective phase, then the Developer will transfer the parcel(s) associated with the unfunded phase back to the City for the amount paid and return any loan proceeds disbursed by the City for that phase. Additionally, the DDA has an expiration date (December 31, 2029) in the event that the Project does not move forward.

- *There is a disparity between the projected increases in rental revenue and the increase in operating expenses.* The Developer assumed that rents would rise at 2.5% annually, and that most operating expenses would rise at 3.5% annually, which is consistent with TCAC standards. In the current economic climate, a 2.5% increase in annual rents is likely, but in a weaker economic environment, increases in revenue may be dependent on increasing Section 8 receipts and/or maintaining a lower than standard vacancy rate. In the event operating costs continue to increase at a rate that outpaces revenue increases, the Project's net operating income will decline, which may lead to a situation where the property cannot be adequately managed or maintained.
- *The proposed replacement reserve contribution of \$500 per unit per year is inadequate to maintain the project over the 55-year affordability period.* Although this contribution is within TCAC guidelines and greater than the reserve contribution the City has approved on past loans, the reserve is unlikely to ever accumulate enough funds before the replacement reserves equal the non-inflation-adjusted construction cost of the project. Additionally, while it is reasonably certain that construction costs will rise over time, the replacement reserve contributions are not adjusted, meaning the amount they will be able to cover will decline as the Project ages. Underfunding the replacement reserves creates a situation where the Project may not be able to be maintained in line with the City's standards during the entirety of the affordability period.
- *The likelihood of the City receiving significant loan repayment throughout the loan term is small.* A residual receipts payment structure is proposed, with payments to the City being made only after full payment of all deferred developer fees. Under this structure, the loan would not be amortizing and the annual payments to the City would not be equal to annual interest on the loan, creating a scenario where the loan balance continues to grow. If rents fail to increase at the predicted pace, if expenses are greater than estimated, and/or if vacancy is higher than anticipated, it is possible the City would not receive any payment at all. Historically, this has been the case for the majority of the City's residual receipts loans.

Loan Negotiation

Staff dedicated considerable time and effort working with the Developer to negotiate loan terms for the Project, with the primary goal of obtaining a high-quality project, providing a reasonable level of competitiveness for other funding sources, and responsibly allocating public funds. Staff's primary goals in loan negotiations included the following:

- Ensuring that the City is providing the minimum amount of “gap financing” needed by a project to make it financially feasible;
- Mitigating risk to the City;
- Ensuring the long-term affordability and maintenance of the Project;
- Promoting affordable housing options for populations that have some of the most serious challenges securing and maintaining housing, including I/DD adults and people experiencing homelessness; and
- Providing cost controls to improve transparency in usage of public funds.

Loan Term Sheets

The City will transfer its interest in the Sheldon Farms North Property to the Developer in phases in accordance with the uses and specifications described in the loan term sheets. The loan term sheets include a summary of the key aspects of the loans such as the loan amount, interest rate, repayment schedule, and any conditions tied to the disbursement of loan funds. The term sheets are used to prepare the loan documents, including the Loan Agreements, Regulatory Agreements, Promissory Notes, and Deed of Trusts. The intention of the loan term sheets is to protect the City's position and minimize risk, as well as to clarify the City's expectations for the Developer and the senior lender. The loan terms and conditions for both phases of the Project are substantially similar.

Highlights of the loan terms include the following:

- Loan amount of \$7,069,998 million in total (\$3,019,998 land value + \$4,050,000 in cash)
- Interest rate of 4%;
- Project's design and construction plans must substantially conform with the terms of the DDA;
- Allowing the Developer to work to secure funding through December 31, 2029;
- Disbursement of funds tied to project framing completion, construction completion, cost certification, and project stabilization;
- Provisions to assist the City in ensuring that the project's costs are reasonable;
- Provisions to assist the City in ensuring the project's amenities meet design guidelines and promote desirable living spaces for residents;
- A requirement to provide 15 hours per week of on-site social services;
- A definition to be used to calculate annual payments to the City based on the project's income and expenses;
- Requirements related to insuring and reporting on the property; and
- A Regulatory Agreement that will restrict the units as affordable for a period of 55 years.

The City and the Developer were able to reach mutually agreeable loan terms. A copy of the Sheldon Farms North loan term sheets are provided in **Attachment 4**.

Conveyance of City-owned Land

Unlike traditional affordable housing arrangements, where developers come to the City with their own plans, the City has the ability to play a more active role as owner and lender of the Sheldon Farms North site. The use of a DDA framework allows the City to accomplish this. A DDA is a legally binding agreement that governs the terms and conditions under which City-owned property is sold to the Developer. The

DDA not only incorporates the loan terms, but also sets clear expectations for how the Developer will meet certain predevelopment activities and adhere to key project milestones, even after changes in ownership.

Note that the DDA is not a Development Agreement as contemplated by California Government Code section 65864, et seq. Therefore, the DDA does not require an ordinance in the same way a Development Agreement does under these same provisions. The DDA also does not provide vested development rights to the developer in the way a traditional Development Agreement does. The DDA is a transfer agreement as contemplated by dispositions under the State Surplus Land Act. (See, Surplus Land Act Guidelines, Aug. 1, 2024). While the DDA does not require an ordinance, it is subject to the Committee’s review and City Council approval. Pending the Committee’s recommendation, staff plans to present the loans and DDA to City Council for final approval.

Housing staff, in coordination with the Developer and the City Attorney’s Office, engaged in an extensive and collaborative process to draft the Sheldon Farms North DDA.

Highlights of the DDA include the following:

- Memorializes the \$7,069,998 total loan amount, including the purchase price of the land at \$3.02 million, and any other specific provisions related to the loan term sheets.
- Specifies the conditions that must be satisfied before the Phase I land and Phase II land is conveyed to the Developer, such as securing necessary financing, environmental reviews, obtaining permits required by local, state, or federal regulations, finalization of project plans, etc.
- Provisions to clarify City-land is conveyed “as-is” and the Developer assumes full responsibility for any environmental remediation or any other site-specific issues related to title.
- Provides the City with certain rights in case of default or any breach of the terms and conditions by the Developer.
- Provides the Developer with certain rights in case of default or any breach of the terms and conditions by the City, including reimbursement of up to \$3 million total across both phases of the Project for its substantiated out-of-pocket expenses incurred in connection with the development of the Project.
- Defines the scope of the affordable housing development, ensuring the project design aligns with the City’s long-term goals, including the Mitigation Monitoring and Reporting Program under the City’s Climate Action Plan.
- Sets requirements for the Developer to meet the City’s Crime Prevention through Environmental Design (CPTED) guidelines and consult with the Elk Grove Police Department to create and implement a Security Plan to ensure a safe and secure environment for all residents and visitors.
- Sets requirements for the Developer to meet key project milestones from the completion of predevelopment activities to lease-up.

The City and the Developer were able to reach mutually agreeable terms. A copy of the Sheldon Farms North DDA is provided in **Attachment 5**.

Proposed Exempt Surplus Land (New Declaration)

As noted in the RFP, the City will only consider projects that meet the requirements of an exemption to the Surplus Lands Act (SLA) described in Government Code section 54221, et seq. “Exempt surplus land” is real property owned in fee simple by a local agency that is not necessary for the local agency’s use as defined in state law and that falls within one of the exemptions specified in the SLA. Based on the

Developer’s proposal, the Sheldon Farms North project will meet the SLA exemption requirements under Government Code section 54221(f)(1) (A), where:

- i) The land is transferred for less than fair market value;
- ii) At least 80% of the property’s area is used for housing;
- iii) At least 40% of units are affordable to households at or below 60% of the area median income;
- iv) At least half of the above affordable units are affordable to very low-income households; and
- v) Affordable units are subject to at least a 30-year regulatory agreement.

While HCD will make a final determination as to the land’s exempt surplus status, staff expects that the Project will meet the exemption requirements for the following reasons:

- Developer will deed restrict 100% of its affordable units to lower-income households as defined in Section 50079.5 of the Health and Safety Code. More than half of the affordable units are affordable to very low-income households.
- Project will serve deeper affordability levels ranging between 30% to 80% of the area median income.
- Project rents will be affordable for a minimum of 55 years.
- Project rents will in no event be higher than the median market rents for the neighborhood in which the site is located, consistent with TCAC guidelines.
- The purchase price of the land includes a nominal discount of one dollar for each phase.

Pursuant to the SLA, the City Council must take formal action in a regular public meeting declaring that the land is “exempt surplus land” and not necessary for the City’s use prior to sale of the land. If the City Council declares property as “exempt surplus land,” the City may sell the property directly to a developer without conducting the Notice of Availability process under the SLA. This surplus land exemption is valid so long as the declaration is supported by “written findings;” specifically staff will submit to HCD a resolution and copy of the executed DDA that confirms the requirements of Government Code section 54221(f)(1)(A) have been met.

Options

The Committee’s responsibility is to perform an independent review of the loan application and DDA (including loan term sheets) in support of the Sheldon Farms North project and return to staff with their recommendation.

The Committee has the following options:

1. Make a recommendation for conditional loans and DDA approval by the City Council.
2. Make a recommendation for conditional loans and DDA denial by the City Council.
3. Provide direction to staff to collect additional information requested from the Developer and continue negotiation. If the Committee asks for additional information or continued negotiation, it will likely negatively impact the Developer’s ability to apply for funding in 2026 and further delay the project.
4. Make such other recommendation as deemed appropriate by the Committee.

Next Steps

Upon executing the DDA (if approved), staff will initiate work to secure exempt surplus land status under the SLA, which is required to establish eligibility prior to the release of the next funding cycle.

If the Committee chooses to (1) recommend that the Council approve the conditional loans and DDA for the Project, the Council is expected to consider this item on February 11, 2026. If approved by Council, this timeframe will allow Abode to apply for the State’s SuperNOFA funding round, should funding be available. In the event the Committee chooses to (2) recommend that the Council deny the conditional loans and DDA, or chooses to (3) ask for additional information or continued negotiation, the Developer would not be able to obtain a loan commitment from the City in order to apply for financing. The next opportunity to apply for funding is expected to be in early 2026.

Once all necessary funding for the Project has been secured, staff will work with the Developer to draft a Regulatory Agreement and other loan documents for the applicable phase of the Project. The Regulatory Agreement and loan documents will be returned to Council for final approval.

ENVIRONMENTAL DETERMINATION:

The Committee's action only recommends financing and will not cause a direct physical change in the environment, nor a reasonably foreseeable indirect physical change in the environment. The Committee's action at this stage is merely a recommendation to Council and does not constitute approval of a commitment by the City to issue a loan for the project, nor does it constitute the approval of the project or a commitment to convey the City-owned property to the Developer. Environmental review on the project is underway and will be completed as a part of their entitlements processed through the City’s Community Development Department’s Planning Division. The Committee's action, therefore, does not constitute the approval of a project under the California Environmental Quality Act (“CEQA”), and it is exempt from CEQA. (Pub. Res. Code § 21065, CEQA Guidelines §§ 15060(c),(2)(3); 15061(b)(3); 15064(d)(3); 15352; 15378; *Laurel Heights Improvement Association of San Francisco, Inc. v. The Regents of the University of California*, 47 Cal.3d 376, 398 (1988))

FISCAL IMPACT:

The loan term sheets presented to the Committee includes a loan amount of \$7,069,998. Of that amount, \$4,050,000 is cash needed from the Affordable Housing Fund. The remainder (\$3,019,998) is the appraised value of the site adjusted at a nominal discount to meet SLA requirements and allow the Developer to purchase the land from the City, so this amount does not require an actual cash outlay. The City received the property as a dedication from the previous owner in exchange for affordable housing fee credit.

If approved, the conditional loan commitment will reserve the monies for the length of the commitment period and preclude other projects from consideration. There is adequate fund balance in the Affordable Housing Fund to cover the cash loan amount for the Project.

Additionally, there is adequate budget in the Affordable Housing Fund to cover staff costs associated with making one or more loans, including the creation of loan documents to secure the City’s investment. The cost of staff time to process loans is small in comparison to the value of the loans, and the cost of staffing to support the goals of the Affordable Housing Fund is budgeted annually.

The Developer will pay customary City processing fees associated with the entitlement plan approval, building permit fees, and required impact fees. This is typical, and each Developer budgeted for this cost in the financial projections provided to the City.

No General Fund contribution is anticipated for the loan or for the Project’s monitoring and oversight.

ATTACHMENTS:

1. Letter of Intent
2. Loan Application
3. Project Pro Formas
4. Disposition and Development Agreement and Joint Escrow Instructions
 - a. Loan Term Sheets. The Loan Term Sheets referenced in the staff report are included as exhibits to the DDA:
 - i. Exhibit D: Phase I Loan Term Sheet
 - ii. Exhibit E: Phase II Loan term Sheet