



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: NOVEMBER 5, 2013

ITEM NUMBER:

**SUBJECT:** FINAL MAP FOR TRACT NO. 17606 LOCATED AT 678 WEST 19<sup>th</sup> STREET  
COSTA MESA, CALIFORNIA

**DATE:** OCTOBER 24, 2013

**FROM:** PUBLIC SERVICES DEPARTMENT/ENGINEERING DIVISION

**PRESENTATION BY:** ERNESTO MUNOZ, PUBLIC SERVICES DIRECTOR

**FOR FURTHER INFORMATION CONTACT:** FARIBA FAZELI, CITY ENGINEER, AT 714-754-5335

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## **RECOMMENDATION:**

1. Waive the Drainage Fee requirements for Tract No. 17606.
2. Approve the Final Map for Tract No. 17606 and authorize signing of the Map by the City Clerk and the City Engineer.

## **BACKGROUND:**

The Tower on 19<sup>th</sup> Street, formerly known as Bethel Towers, was recently acquired by an affordable housing preservation specialist, 19<sup>th</sup> St. Affordable, L.P., for the purpose of renovating the facility and extending the affordability of the property for an additional 55 years. For financing purposes, 19<sup>th</sup> St. Affordable, L.P. is converting the existing building into an Airspace Subdivision Map, Tract No. 17606.

The Vesting Tentative Map for Tract No. 17606 and Conditions of Approval were approved by the Planning Commission on June 10, 2013. The Map consists of a 20-lot airspace subdivision providing 269 units of affordable housing for the City of Costa Mesa.

The City of Costa Mesa Municipal Code (CMMC) Section 15-65 (Attachment 1) states that in the case of development of land subject to the Subdivision Map Act, the drainage fee shall be collected, deposited and expended in accordance with section 66483 through 66483.2 of the California Government Code, in addition to the provisions set forth in the CMMC sections 15-66 through 15-72 and all applicable laws of the State. 19<sup>th</sup> St. Affordable, L.P. is requesting the City Council waive the drainage fee requirements.

## **ANALYSIS:**

Tax-exempt bonds and Federal Low Income Housing Tax Credits (LIHTC) were used to finance the acquisition and renovation of the Tower on 19th. The delivery of those credits to the Tax Credit Investor is a critical part of the property's preservation. The delivery of the Tax Credits occurs when the construction/renovation is completed and each building is considered "Placed in Service". As part of the preservation transaction, each unit was provided with Federal rental assistance administered through the Orange County Housing Authority. The extension of

affordability has helped meet the housing needs of Costa Mesa's low and very-low income seniors.

Due to the physical condition of the property, the complex finance structure, and the level of State and Federal participation, the closing of escrow for The Tower on 19th was delayed. This delay caused the construction timeline to be extended into 2014, which in turn delayed 19<sup>th</sup> St. Affordable, L.P.'s ability to place the building in service and generate the needed Tax Credits. Failure to deliver Tax Credits in 2013 would have a significant negative impact on the project. The ability to treat each floor as its own building would allow each floor to be placed in service as renovation work is completed and the timely generation of the corresponding tax credits. This Airspace Subdivision Map is being used solely as an administrative measure to facilitate the realization of Tax Credits that adequately reflect the renovation work being completed at The Tower on 19<sup>th</sup> floor-by-floor. The intent of the subdivision is not to allow for conversion of the units into a residential common interest development where the units could be sold separately; instead, it is a subdivision for financing purposes for the proposed renovations. The building will remain affordable housing serving seniors for at least an additional 55 years.

Per the City's Municipal Code Section 15-65 (Attachment 1), all subdivisions are subject to the City's drainage fee requirements. However, the proposed airspace subdivision does not require changes to the existing building footprint and allows the City to maintain 269 affordable senior housing units at a code-compliant and newly renovated facility. In a partnering effort with 19<sup>th</sup> St. Affordable, L.P., by waiving the requirements of Code Section 15-65, the City would reduce the project's financial burden to benefit low income senior residents in the City.

All conditions of approval, with exception of the drainage fee requirements, have been complied with and the Final Map is in substantial conformance with the Vesting Tentative Map approved by the Planning Commission. The Tract Map has been checked and found to be technically correct and includes the dedication of emergency and security ingress/egress easements, and the release and relinquishment of access rights to be accepted by the City.

### **ALTERNATIVES CONSIDERED:**

The City Council may deny waiving the drainage fee requirements. This action may cause delays in completing the renovations required to place the building in service and generation of the Tax Credits needed to fund the work. Failure to deliver Tax Credits in 2013 would have a significant negative impact on the project.

### **FISCAL REVIEW:**

The Drainage Fee for this Airspace Subdivision Map, Tract No. 17606, is \$107,578.86. These funds would be backfilled from the Drainage Fee Fund and future grant revenues. All Tract Map filing fees have been paid.

### **LEGAL REVIEW:**

Government Code Section 65583(a)(5) and applicable guidelines for housing elements require analysis of potential and actual governmental constraints on development of housing for all income levels and all types of housing, including the special needs category of senior housing, especially affordable senior housing. The City in its implementation of the Housing Element must demonstrate local efforts to remove governmental constraints, like the subject drainage fee, so that opportunities are set and remain for property owners and developers to rehabilitate and construct housing that will facilitate the City in meeting its share of regional housing needs in accordance with Section 65584. The City's 2008 Housing Element specifically identified The Tower at 19<sup>th</sup> as at-risk of converting to market rate and called for the City to undertake efforts to preserve the sites affordability. Therefore, the City's review of the development and permit fees and local processing and permit procedures applicable to The Tower at 19<sup>th</sup> rehabilitation and affordable housing preservation, such as the proposed waiver of the subject drainage fee,

is appropriate, reasonable, and would further the City's housing policies and objectives to maintain affordable senior housing units at The Tower at 19th.

**CONCLUSION:**

In March 2013, 19<sup>th</sup> St. Affordable, L.P. acquired The Tower at 19<sup>th</sup> Street formerly known as Bethel Tower. The existing building is in need of renovation. 19<sup>th</sup> St. Affordable, L.P. is using tax credits to finance the needed renovation work. In order to generate tax credits, each floor needs to be treated as its own building. Therefore, an airspace subdivision map (Tract No. 17606) is being used.

All subdivisions are subject to City's drainage fee requirements per the Municipal Code Section 15-65. The drainage fee for this project is estimated at \$107,578.86. Since the proposed airspace subdivision does not require changes to the existing building footprint, and allows the City to maintain 269 affordable senior housing units for the next 55 years; staff recommends that the City Council waive this fee.

Staff also recommends that the City Council approve the Final Map, and authorize the City Clerk and the City Engineer to sign the Map.

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**FARIBA FAZELI**  
City Engineer

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**ERNESTO MUNOZ**  
Public Services Director

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**TOM DUARTE**  
City Attorney

ATTACHMENT:     [1 – CMCC Section 15-65](#)  
                          [2 – Final Tract Map](#)  
                          [3 – Letter of Conditions](#)

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