Vallejo City Council Chambers is ADA compliant. Devices for the hearing impaired are available from the City Clerk. Requests for disability related modifications or accommodations, aids or services may be made by a person with a disability to the Vallejo Housing and Community Development Division office no less than 72 hours prior to the meeting as required by Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. The Vallejo Housing and Community Development Division may be contacted as follows: Tel: (707) 648-4507, Fax: (707) 648-5249, or e-mail: guy.ricca@cityofvallejo.net. The hearing impaired may call the California Relay Service at (800) 735-2922 without a TTY/TDD, or (800) 735-2929 with a TTY/TDD.

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. ROLL CALL
4. APPROVAL OF AGENDA
   The Commission may adopt the agenda as presented or may rearrange the order of items. Pursuant to the Brown Act, the Commission may not add items to the agenda and the Commission may only discuss items on the agenda.
5. APPROVAL OF MINUTES
   A. Regular Meeting of May 4, 2017
6. REPORT OF PRESIDING OFFICER AND MEMBERS OF THE COMMISSION
7. SECRETARY'S REPORT
8. COUNCIL LIAISON'S REPORT
9. COMMUNICATIONS AND PRESENTATIONS
10. COMMUNITY FORUM
    This is an opportunity for residents to discuss items not on the agenda that are within the purview of the Commission. The Commission may not discuss or take action on these items, but may require they be placed on a future agenda. If an item is not within the purview of the Commission, the person may be referred to the appropriate party.
11. CONSENT CALENDAR

A. Recommendation to Approve Second Amendment to Extend Term of Agreement By and Between Vallejo Housing Authority and Mira Theatre Guild for Homeless Day Center

For more information, a staff report is enclosed.

Recommendation: By motion, recommend that the Board of Commissioners approve a Second Amendment to the Homeless Day Center Agreement with Mira Theatre Guild.

12. PUBLIC HEARINGS

13. ADMINISTRATIVE ITEMS

A. Recommendation to Approve Fiscal Year (FY) 2017-18 Vallejo Housing Authority Budget

For more information, a staff report is enclosed.

Recommendation: By motion, recommend that the Board of Commissioners approve the FY 2017-18 Housing Authority Budget.

B. Acceptance of the Terms of a U. S. Department of Housing and Urban Development (HUD) Section 108 Loan for Demolition of Vacant Buildings on North Mare Island

For more information, a staff report is enclosed.

Recommendation: By motion, recommend the City Council approve the terms of a Section 108 loan from HUD for demolition and authorize the City Manager or his designee to execute all documents related to the acceptance of the loan.

14. POLICY ITEMS

15. ADJOURNMENT

AFFIDAVIT OF POSTING

I, Michele Lewis-Adamou, Housing and Community Development Division Secretary, do hereby certify that I have caused a true copy of the above notice and agenda to be delivered to each of the members of the Housing and Community Development Commission, at the time and in the manner prescribed by law and that this agenda was posted at City Hall, 555 Santa Clara Street, CA at 5:00 P.M., Wednesday, May 24, 2017.

Dated Wednesday, May 24, 2017

Christina Macias for Michele Lewis-Adamou, Division Secretary
5. **Approval of Minutes**

   a. Regular Meeting of May 4, 2017
City of Vallejo  
Housing and Community Development Commission  
City Hall  
May 4, 2017  

ACTION MINUTES

1. Call to Order

The Housing and Community Development Commission of the City of Vallejo met in a regular meeting on Thursday, May 4, 2017 at 7:03 p.m. in the Council Chambers of the City Hall, at 555 Santa Clara Street, Second Floor, in Vallejo, California.

2. Pledge of Allegiance

3. Roll Call

Present: Brown, Bryant (arrived at 7:08 p.m.), Roberson (Vice Chair), Tipton (Chair)

Absent/Excused: Snyder

Absent/Unexcused: None

Staff: Anne Putney, Housing and Community Development Program Manager  
Guy L. Ricca, Senior Community Development Analyst

Council Liaison: Councilmember Sunga

4. Approval of Agenda

Roberson made a motion to approve the Agenda. The motion carried by a voice vote, 3-0-0 (Brown, Roberson, Tipton).

5. Approval of Minutes

a. Regular meeting of March 2, 2017

Roberson made a motion to approve the minutes. The motion carried by a voice vote, 3-0-0 (Brown, Roberson, Tipton).

6. Report of Presiding Officer and Members of the Commission

7. Secretary’s Report
8. Council Liaison’s Report

9. Communications and Presentations

The Secretary reviewed the Communications.

10. Community Forum

11. Consent Calendar

12. Public Hearings

a. Proposed Fiscal Year (FY) 2017-18 Annual Action Plan

The Chair opened the public hearing. Staff presented the item.

The following members of the public spoke:

Kathy O’Hare spoke in support of the Capitol Street Stairs mosaic. She stated it will beautify Vallejo. She asked the Commission to recommend $250,000 in funding for the project.

Jon Riley, Napa/Solano Central Labor Council, stated Davis-Bacon Act (prevailing wage rate) requirements would not be a barrier to completing the Capitol Street Stairs Project.

Anne Carr requested the City approve the Capitol Street Stairs Project, since it will support community development and address blight. She said the project will benefit a target area neighborhood.

Nathan Stout encouraged the Commission to recommend funding for the Capitol Street Stairs Project. He commented many public improvement projects are completed with CDBG Program funds.

Marvin Kinney stated he is a volunteer civil structural engineer for the Capitol Street Stairs Project. He indicated the City’s cost estimate and the residents’ cost estimate for the project are too high. He said his estimate is $220,000.

Mike Brigandi, Executive Lions, said that in the past, the Lions Club has annually maintained the Capitol Street Stairs. He stated the site is now in disrepair, has been damaged by earthquakes, and needs renovation.

Mary O’Malley, a resident of the Capitol Street Stairs neighborhood, said she resides at the top of the Stairs. She stated the area has prostitution, and has become an unsafe place.
Dalia Vidor stated the Capitol Street Stairs Project is an eligible CDBG Program activity, and will meet a national objective of the program.

Chris Bunch said the Capitol Street Stairs Project will improve the spirit and morale of the community, address blight, and reduce crime.

Ken Mullen, Vallejo Community Arts Foundation, spoke in support of the Capitol Street Stairs Project, as a project that will provide public art.

Omar Easley said the Capitol Street Stairs Project can work, and will turn blight to beauty.

Erin Bakke stated that the Vallejo arts community supports the Capitol Street Stairs Project, and that it will reduce blight near a school and senior housing.

Caroline Peattie, Fair Housing Advocates of Solano, described the services proposed for Vallejo residents by that organization with CDBG Program funds, including testing for housing discrimination.

Kemper Stone, resident of Legacy at Sonoma, stated the Capitol Street Stairs Project will not be a cure-all for Vallejo, but will be positive for the community, the old downtown, and the arts district.

Tom Arie Donch spoke in favor of the Capitol Street Stairs Project, using volunteers, and said the work will be of high quality.

Doug Darling stated the City Public Works Department has inflated the estimated cost of the Capitol Street Stairs Project, and that the project can be successful similar to the community build of the play structure in City Park.

Emily Boyd discussed her work with Mr. Kinney to design the Capitol Street Stairs Project.

Dr. Richard Porter, Global Center for Success, and a member of the Vallejo Housing Collaborative, described the programs and services of those organizations.

(At 8:20 p. m., the Chair called for a ten minute recess. At 8:30 p. m., the Commission reconvened.)

Randall Goni, a teacher at Jesse Bethel High School, stated students at the school can produce the ceramic tiles for the Capitol Street Stairs as a volunteer project.

Maureen Moore said she is a long time resident of the St. Vincent’s Hill neighborhood, and spoke in support of the Capitol Street Stairs Project.
B. J. Conrad said once completed, the Capitol Street Stairs Project can become an events venue, and a tourist draw.

There being no further speakers, the public hearing was closed. After discussion, Roberson made a motion to approve the recommendation of the Ad Hoc Committee and staff to recommend approval by the City Council of the proposed Action Plan.

ROLL CALL:

Ayes: Commissioners: Brown, Bryant, Roberson
Noes: Commissioners: Tipton
Abstentions: Commissioners: None
Absent/Excused: Commissioners: Snyder
Absent/Unexcused: Commissioners: None

The motion carried, 3-1-0.

13. Administrative Items

a. Proposed Five Year Regional Strategic Plan to Respond to Homelessness in Solano County

Ms. Putney reviewed the item. After discussion, a motion was made by Brown to recommend approval by the City Council of the Regional Strategic Plan.

ROLL CALL:

Ayes: Commissioners: Brown, Bryant, Roberson, Tipton
Noes: Commissioners: None
Abstentions: Commissioners: None
Absent/Excused: Commissioners: Snyder
Absent/Unexcused: Commissioners: None

The motion carried, 4-0-0.

b. Changes to the Vallejo Housing Authority Administrative Plan

Ms. Putney reviewed the item. After discussion, a motion was made by Brown to recommend approval by the Housing Authority Board of the proposed changes to the Administrative Plan.

ROLL CALL:

Ayes: Commissioners: Brown, Bryant, Roberson, Tipton
Noes: Commissioners: None
Abstentions: Commissioners: None
Absent/Excused: Commissioners: Snyder
Absent/Unexcused: Commissioners: None

The motion carried, 4-0-0.

14. Policy Items

15. Adjournment

At 9:18 p. m., the meeting was adjourned.

Respectfully submitted,

//ss//
GUY L. RICCA, Secretary
11. Consent Calendar

a. Recommendation to Approve Second Amendment to Extend Term of Agreement By and Between Vallejo Housing Authority and Mira Theatre Guild for Homeless Day Center
DATE: May 31, 2017
TO: Chair and Commissioners
   Housing and Community Development Commission
FROM: Anne Putney, Housing and Community Development Manager
      Guy L. Ricca, Senior Community Development Analyst
SUBJECT: RECOMMENDATION TO APPROVE SECOND AMENDMENT TO EXTEND TERM OF
         AGREEMENT BY AND BETWEEN VALLEJO HOUSING AUTHORITY AND MIRA THEATRE
         GUILD FOR HOMELESS DAY CENTER

RECOMMENDATION
By motion, recommend that the Board of Commissioners approve a Second Amendment to the Homeless Day Center Agreement with Mira Theatre Guild.

REASONS FOR RECOMMENDATION
The City is currently benefitting from a homeless day center where homeless persons may receive mail, do laundry, and obtain resource information and other services. Mira Theatre Guild opened a day center at First Baptist Church on April 5, 2016. In order to support this project, it is advisable for the parties to amend the Agreement in the amount of $75,000, by extending the term to June 30, 2018. Without this Amendment (Attachment 1), the Agreement will expire on June 30, 2017.

BACKGROUND AND DISCUSSION
On September 9, 2014 the Board of Commissioners approved a funding agreement in the amount of $75,000 in Fiscal Year (FY) 2013-14 Housing Authority Reserve Funds (Fund 124) with Mira Theatre Guild to provide homeless day center services. The original term of this Agreement began on October 1, 2014 and ended on June 30, 2016. The Agreement requires that 150 unduplicated homeless persons receive day center services during the life of the Agreement.

At the beginning of the project, Mira experienced challenges obtaining adequate insurance coverages, and securing a site. Mira, in partnership with First Baptist Church, City staff, and Vallejo Together, opened the homeless day center in April, 2016. This facility is located at First Baptist Church, 2025 Sonoma Boulevard, Vallejo. In order to support the success of this project, on June 28, 2016 the term of the Agreement was extended to June 30, 2017.

This project has been successful in 2016 and 2017. As of March 31, 2017 a total of 338 unduplicated persons have received day center services, and there is an unspent balance of $44,325. Because this project was initially delayed, but is now ongoing, staff recommends the term of the Agreement be extended by an additional year, until June 30, 2018.
FISCAL IMPACT
The Commission’s recommendation will influence the Housing Authority Board’s decision whether to extend the term of the Homeless Day Center Agreement in order to provide an additional year for Mira to provide services to the chronically homeless population and expend up to $75,000 in Housing Authority funds, a one-time allocation.

ENVIRONMENTAL REVIEW
This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS
1. Second Amendment to Agreement By and Between Vallejo Housing Authority and Mira Theatre Guild

CONTACT
Guy L. Ricca, Senior Community Development Analyst, (707) 648-4395, Guy.Ricca@cityofvallejo.net
Attachment “1” – Second Amendment to Agreement By and Between Vallejo Housing Authority and Mira Theatre Guild
SECOND AMENDMENT TO AGREEMENT BY AND BETWEEN HOUSING AUTHORITY OF THE CITY OF VALLEJO AND MIRA THEATRE GUILD

This Second Amendment to the Agreement by and between the Housing Authority of the City of Vallejo, a public body, corporate and politic (hereinafter AUTHORITY), and Mira Theatre Guild, a California non-profit public benefit corporation (hereinafter AGENCY), for its Homeless Day Center currently located at 2025 Sonoma Boulevard, Vallejo, California, 94590, made and entered into on October 1, 2014, executed on January 31, 2015, and amended on June 28, 2016, is made and entered into on June 13, 2017.

AGENCY and AUTHORITY do mutually agree as follows:

1. Section IV. Obligations of AGENCY. Quarterly reports, shall be modified to read:

   Addition to Part 1.:

   The following are due dates for the FY 2017-18 Quarterly Reports:

   First Quarter: Friday, October 13, 2017
   Second Quarter: Friday, January 12, 2018
   Third Quarter: Friday, April 13, 2018
   Fourth Quarter: Friday, July 13, 2018

2. Section XIII. Program funds available for a limited time, shall be modified to read:

   Addition to Part 1.:

   AGENCY is responsible for AUTHORITY’s receipt of final FY 2017-18 billings by 12:00 p. m. PST on Friday, July 13, 2018, after which no further FY 2017-18 billings will be accepted.

   2. AUTHORITY may reimburse AGENCY no more than the amount indicated in Exhibit B, by fiscal year, provided the expenses are incurred between October 1, 2014, and June 30, 2018. AUTHORITY is not liable for any AGENCY expenses incurred before October 1, 2014, or after June 30, 2018.
3. **Section XV. Term of AGREEMENT.** shall be modified to read:

The term of AGREEMENT shall commence on **October 1, 2014**, and end on **June 30, 2018**.

4. **Integration.** This Second Amendment contains the entire Agreement between the parties with respect to its subject matter and supersedes whatever oral or written understanding they may have had prior to the execution of this Second Amendment. This Second Amendment shall not be amended or modified except by a written Agreement executed by each of the parties. Except as specifically revised herein, all terms and conditions of the Agreement, and all prior amendments, if any, shall remain in full force and effect, and AGENCY shall perform all duties, obligations, and conditions required under the Agreement.

5. **Inconsistencies.** In the event of any conflict or inconsistency between the provisions of the Second Amendment and the Agreement, and any prior amendment, if any, the provisions of the Second Amendment shall control in all respects.

6. **Ambiguities.** The parties have each carefully reviewed this Second Amendment and have agreed to each term of this Second Amendment. No ambiguity shall be presumed to be construed against either party.

7. **Counterparts.** This Second Amendment may be executed by the parties in one or more counterparts, all of which collectively shall constitute one document and agreement.

8. **Authority to Sign.** The person signing this Second Amendment for AGENCY hereby represents and warrants that he or she is fully authorized to sign this First Amendment on behalf of AGENCY.

(SIGNATURES ARE ON THE FOLLOWING PAGE)
IN WITNESS WHEREOF, the parties have entered into this Second Amendment on the 13th day of June, 2017.

Mira Theatre Guild, a California non-profit public benefit corporation

By: _________________________

Its: _________________________

Date: _________________________

HOUSING AUTHORITY OF THE CITY OF VALLEJO, a public body, corporate and politic

By: _________________________

Daniel E. Keen, Executive Director

Date: _________________________

ATTEST:

By: _________________________

Dawn G. Abrahamson, Secretary

(AUTHORITY Seal)

APPROVED AS TO CONTENT:

Teri Killgore, Assistant City Manager,
City of Vallejo

APPROVED AS TO FORM AND INSURANCE:

Claudia Quintana, Legal Counsel
13. Administrative Items

a. Recommendation to Approve Fiscal Year (FY) 2017-18 Vallejo Housing Authority Budget
DATE: May 31, 2017
TO: Chair and Commissioners
FROM: Anne Putney, Housing and Community Development Manager
SUBJECT: APPROVAL OF FISCAL YEAR 2017-18 VALLEJO HOUSING AUTHORITY BUDGET

RECOMMENDATION
By motion, recommend approval by the Vallejo Housing Authority Board of Commissioners of the Fiscal Year (FY) 2017-18 Housing Authority Budget.

REASONS FOR RECOMMENDATION
The Vallejo Housing Authority (VHA) contracts with the City of Vallejo for financial and other services. The Housing Authority prepares a separate Housing Authority budget, which is then integrated into the City’s FY 2017-18 Proposed Budget document (see pages 120 to 123). Preparation of a separate budget document increases efficiency and ease of review by the VHA Board and public.

BACKGROUND AND DISCUSSION
In Fiscal Year (FY) 2017-18, the Housing Authority will deliver the Housing Choice Voucher (HCV) Program, which includes the Homeownership, Veterans Affairs Supportive Housing (VASH), and Project-Based Voucher programs, and the Family Self-Sufficiency Program. All the programs administered by the VHA are funded by the U.S. Department of Housing and Urban Development (HUD). The budget for FY 2017-18 consists of revenue and expenditures related to HCV programs, an operating reserve fund, and a housing development fund.

The HCV Program provides rental subsidies to eligible extremely low- and very low-income families who choose to reside anywhere within Vallejo city limits. Voucher holders are encouraged to search for housing in areas of low poverty and minority concentration, but cannot be forced to choose any specific area due to Fair Housing laws. Landlords receive market rate rents, with the program participant paying a portion of the rent and the Housing Authority subsidizing the balance, and are required to maintain decent, safe, and sanitary housing for the duration of their contract with the VHA. The HCV Program is identified in the City’s Consolidated Plan and the Housing Element as a high priority in meeting the City’s housing goals, and is the single most important tool in preventing and addressing homelessness within the City.

The total Proposed FY 2017-18 Budget for VHA programs is $24,463,678. The majority of these funds, $21 million provided by HUD this year represent rent payments to landlords on behalf of eligible Vallejo families. HCV rental and mortgage assistance programs serve up to 2,333 families in Vallejo each year.

The HUD funding methodology and level of funding for the HCV program fluctuates annually. Housing Authorities are funded separately for Housing Assistance Payments (HAP) and administrative fees. HAP funding is restricted for use as rent or mortgage payments in the HCV program, escrow payments for Family Self-Sufficiency Program participants, and utility reimbursements to eligible HCV households. Administrative
fees are intended to reimburse the Authority for expenses incurred in administering the HCV Program and cannot be used for any other purpose. HUD provides funding for the HCV program on a calendar year cycle.

The VHA also anticipates receiving approximately $70,500 for a Family Self-Sufficiency (FSS) grant for a Coordinator position. The FSS Program helps voucher families obtain employment that will lead to economic independence and self-sufficiency. The VHA partners with the Workforce Investment Board, United Way, welfare agencies, Family Resource Centers, schools, businesses, and other local resources to develop a comprehensive program which gives participating FSS family members the skills and experience to enable them to obtain employment that pays a livable wage. The FSS Coordinator grant contributes toward, but does not cover the full cost of, an FSS Coordinator. The position is supplemented by other administrative funds.

Operating Reserve Fund
The Operating Reserve Fund consists of unspent administrative funding received from HUD prior to 2004. These restricted funds may only be spent on “housing related activities”. Administrative funding received after 2004 is further restricted for use only on “Housing Choice Voucher Program related activities”.

The Operating Reserve funds the Crime-Free Multi-Housing Program (CFMHP), a collaborative effort between the Vallejo Police and Fire Departments and the Vallejo Housing Authority. The different components of the CFMHP include landlord training (tenant screening and credit checks, fair housing laws, the eviction process, and drug and gang awareness); Crime Prevention Through Environmental Design (CPTED) inspections, which identifies potential problem areas on a property such as insufficient lighting and security features; and educating the tenants about the CFMHP. There is currently one property certified and four more are nearing certification.

Housing Development Fund
The Housing Development Fund is a non-federal fund, which was created by the receipt of profits from the sale of a Housing Authority-owned property.

FISCAL IMPACT
Total Housing Authority expenditures for Fiscal Year 2017-18 are proposed at almost $24.5 million. Funding for the Housing Authority comes from the U.S. Department of Housing and Urban Development and does not impact the General Fund.

ENVIRONMENTAL REVIEW
This action is exempt from the California Environmental Quality Act (CEQA) because adoption of a budget is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

ATTACHMENTS
None

CONTACT
Anne Putney, Housing & Community Development Manager
(707) 648-4408, Anne.Putney@city.ofvallejo.net
13. Administrative Items

b. Acceptance of the Terms of a U. S. Department of Housing and Urban Development (HUD) Section 108 Loan for Demolition of Vacant Buildings on North Mare Island
DATE: May 31, 2017

TO: Chair and Commissioners
Housing and Community Development Commission

FROM: Anne Putney, Housing and Community Development Manager
Guy L. Ricca, Senior Community Development Analyst

SUBJECT: ACCEPTANCE OF THE TERMS OF A U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SECTION 108 LOAN FOR DEMOLITION OF VACANT BUILDINGS ON NORTH MARE ISLAND

RECOMMENDATION

By motion, recommend the City Council approve the terms of a Section 108 loan from the U.S. Department of Housing and Urban Development (HUD) for demolition and authorize the City Manager or his designee to execute all documents related to the acceptance of the loan.

REASONS FOR RECOMMENDATION

Recommending approval of the terms of the loan and authorizing the City Manager or his designee to execute documents necessary to accept the loan will enable the City to demolish several key dilapidated buildings on North Mare Island that will enable the City to recruit new business and accelerate economic development on the Island.

BACKGROUND AND DISCUSSION

On August 5, 2014, with Council approval, staff submitted to the U.S. Department of Housing and Urban Development (HUD) an application for a Section 108 Loan Guarantee. The loan amount requested was $4,719,990, the maximum available, and would be used for the demolition of clearance for up to 30 derelict buildings on North Mare Island that are owned by the City. A separate non-profit entity, Vallejo Economic Development Corporation, was to be established with the City Council as the Board to acquire the property for the demolition.

The City received approval for the loan on July 16, 2015, with the following conditions:

1. The approval and commitment of funds would expire on July 31, 2016 if the City did not execute notes or other obligations for inspection and guarantee to HUD by that date;

2. The repayment schedule must be acceptable to HUD;

3. The City must provide additional security for the loan that is acceptable to HUD;

4. The City must submit a completed Form HUD-2880

On July 7, 2016, staff requested an extension of the deadline through July 31, 2017 due to the City’s Exclusive Right to Negotiate (ERN) with Faraday Future. The Section 108 loan was to be part of the development process and additional time was needed for that to unfold. HUD approved the extension through July 31, 2017, with all other conditions remaining the same.
Because the ERN has expired and the property is now available for development, staff recommends proceeding with the acceptance of the Section 108 loan funds to remove the blighted buildings. Staff will be requesting an additional extension to ensure the loan approval does not expire prior to the execution of loan documents.

If the Council approves the terms of the loan and authorizes the City Manager or his designee to execute the loan documents, funds would be available within approximately 60 days from the City’s notification to HUD. All funds must be drawn no later than July 31, 2020.

**FISCAL IMPACT**

Approval of the terms of the Section 108 loan would provide the City with $4.7 million in funds to demolish several blighted buildings at the entrance of North Mare Island and clear the way for future development. These funds would be repaid through Measure V monies over a 20-year period, and, if necessary, the net sale proceeds of the property located at the northeast corner of Tennessee Street and Wilson Avenue (AKA the Badge and Pass). The Loan would be guaranteed by future CDBG funds. There is no pre-payment penalty should the City decide to pay off the loan in fewer than 20 years.

The interest rate will depend upon the timing of funding of the loan. Typically the loan is initially funded through the Interim Financing Facility, which has a variable interest rate. Periodically HUD provides a Public Offering with a fixed interest rate. If the City’s loan was funded through the Interim Financing Facility, the City may choose to participate in the Public Offering and convert to a fixed interest rate, which is projected to be 3 ½%. Should the funding of the City’s loan and a Public Offering coincide, the City may be able to obtain a fixed interest rate from the beginning.

**CONTACT**

Anne Putney, Housing and Community Development Manager, Anne.Putney@cityofvallejo.net, (707) 648-4408

**ATTACHMENTS**

Attachment 1 – Section 108 loan application  
Attachment 2 – HUD approval letter  
Attachment 3 – Request for extension  
Attachment 4 – HUD extension approval letter  
Attachment 5 – Proposed repayment schedule  
Attachment 6 – Amortization schedule
Attachment “1” – Section 108 Loan Application
August 5, 2014

Ms. Maria Cremer, Director
Community Planning and Development
U.S. Department of Housing and Urban Development
600 Harrison St. 3rd Floor
San Francisco, CA 94107-1300

Dear Ms. Cremer:

The City of Vallejo is pleased to submit to the U.S. Department of Housing and Urban Development (HUD) an application for a Section 108 Loan Guarantee for the former Mare Island Naval Shipyard. The City is requesting $4,719,990 in Loan Guarantee funds for demolition and clearance of up to 30 derelict buildings owned by the City of Vallejo in order to prepare the land for future development. At the present, these buildings are a detriment to Vallejo’s citizens; once redeveloped this portion of Mare Island can create 1,000 jobs and benefit Vallejo as a whole.

This application was prepared in accordance with HUD regulations at 24 CFR 570.700 of the Community Development Block Grant program and the requirements of the Section 108 Loan Guarantee program. Thank you in advance for your assistance in reviewing and assessing this application for further consideration. If you have any questions regarding this application, please contact me at (707) 648-4408, or aputney@ci.vallejo.ca.us

Sincerely,

Anne Putney
City of Vallejo
Housing and Community Development Manager

Enclosures: Application
Resolution
CITY OF VALLEJO APPLICATION FOR A SECTION 108 LOAN GUARANTEE  
NORTH MARE ISLAND DERELICT BUILDING REMOVAL  

I. GENERAL INFORMATION

Applicant: City of Vallejo
Status: Entitlement Community
COBG Number: B-14-MC-06-0029
FY 14/15 Allocation: $943,998
Amount of Section 108 Requested: $4,719,990
Applicant Contact Information:
Anne Putney 
Housing and Community Development Manager 
(707) 648-4408 aputney@ci.vallejo.ca.us 

Guy L. Ricca 
Senior Community Development Analyst 
(707) 648-4395 gricca@ci.vallejo.ca.us

II. ELIGIBLE ACTIVITY/NATIONAL OBJECTIVE INFORMATION

The proposed activity is eligible as: 1) Acquisition of Real Property for Economic Development Purposes under 24 CFR 570.703(a) and 2) Clearance, Demolition and Removal under 24 CFR 570.703(e).

The project meets the national objective of providing job creation benefit to low and moderate income people under HUD regulations at Section 570.208(a)(4) as "an activity designed to create or retain permanent jobs where at least 50 percent of the jobs, computed on a full time equivalent basis, involve the employment of low- and moderate-income persons." Also, under Section 570.208(d)(1) "where the assisted activity is acquisition of real property, a preliminary determination of whether the activity addresses a national objective may be based on the planned use of the property after acquisition. A final determination shall be based on the actual use of the property, excluding any short-term temporary use." It is the intent of the City for final determination purposes to create jobs for the low- and moderate-income community. Based on meetings with national developers, there is known demand at the site for distribution buildings. Current zoning allows for up to 1.2 million square feet of light industrial buildings which is likely to create at least 135 jobs, of which 51% will be filled by or made available to persons from low- and moderate-income households.

III. DESCRIPTION OF CONDITION/PROJECT

North Mare Island is a 157 acre commercial and industrial development opportunity located along the San Francisco Bay, 30 minutes from downtown Oakland, 45 minutes from downtown San Francisco, and one hour from Sacramento, with direct ferry access to San Francisco, and freeway access via Highway 37 to I-80. The site is approved (EIR certified) for 1.2 million
square feet of commercial/industrial development. Roughly 125 acres are currently owned by
the City of Vallejo, with another 32 acres due to be transferred to the City from the Navy, by
March 2017. There are over 30 derelict buildings on North Mare Island that impede its reuse.
The project proposed is to demolish the worst condition buildings to ready the site for
redevelopment

Since 1996 when Mare Island Naval Shipyards closed, the City has engaged in various
entitlement activities with the goal of creating jobs for residents of the City and placing the
currently vacant property on Mare Island to use for the benefit of the community. Various
studies have been performed and Request for Proposals have been issued which have brought
interest from bio tech, solar, manufacturing, and distribution users. Investigation of respondents
has shown the demand for improved land is from financially responsible private parties. The
demand for the property is based on its inner Bay Area location, good access to road networks
in the North Bay and I-80 corridor, and proximity to the Port of Oakland.

The Navy has remediated underground environmental hazards in most of this area. However,
the City parcel requires substantial extraordinary costs to ready it for development. These
extraordinary costs include: 1) Demolition of existing structures and abatement/removal of
hazardous materials such as mercury, lead and asbestos; 2) Redevelopment of surface and
underground infrastructure; 3) Engineering of existing soils and/or providing structural support
piers to foundations to support buildings under current building codes and market practice.
Without the assistance of federal funds to pay a portion of the extraordinary costs, reuse of the
property, and therefore low- and moderate-income job creation, will not occur.

If approved, funds from the Section 108 Loan Guarantee will be spent for acquisition of the City
owned North Mare Island parcel by the Vallejo Economic Development Corporation and
demolition of up to 30 buildings starting from the north and moving south. The project area
suffers from adverse market perception due to the very poor condition of the above ground
structures left by the Navy. By beginning demolition at the north end of the project and clearing
only the above ground structures while leaving the footings and foundations in place, the
greatest "curb appeal" impact can be realized. This is because the buildings at the north end are
most visible from Highway 37 and the Mare Island exit, both of which overlook the City parcel.
This will have the effect of creating a "clean slate" for the site that will allow a broad range of
potential developers and tenants to envision new uses.

IV. FINANCE

City’s Financial Position/Lack of Other Financing Options
The City has suffered more than almost any other city in the country from the recent economic
recession. The U.S. Navy, the primary employer in the region until 1996, caused over 25,000
direct and indirect jobs to be lost in a very small geographical area upon its closure of the
shipyard on Mare Island. Later, as a result of the economic downturn and foreclosure crisis,
and unsustainable contract obligations, the City filed for bankruptcy in 2008.
Three years later the City emerged from bankruptcy with drastic reductions in vital City services, including public safety, and dramatically less revenue supporting the City’s General Fund. The City continues to struggle with a variety of economic factors that preclude it from obtaining financing for this project from any other source. For example, as of March 2014, local unemployment was at 8.1%, significantly higher than the Solano County rate of 6.6%. Additionally, foreclosures, while down from previous years, are still having an impact on Vallejo’s economy, and have reduced property values by 50% - 60%. This will negatively affect the City’s budget for decades due to the State of California’s Proposition 13, which requires property taxes to be reduced commensurate with much lower current values, but only allows increases to be capped at 2% per year, thereby slowing tax revenue growth even as market values rebound.

Finally, in December 2011, the California Supreme Court upheld legislation that ended a roughly 60-year old redevelopment program intended to combat blight in California cities. As a result, more than 400 redevelopment agencies were dissolved, including the City of Vallejo Redevelopment Agency, thus eliminating another potential source of funding to address the issues on the North Island. While Standard & Poor's recently raised its underlying rating for Vallejo’s 1999 Certificates of Participation (COPs) from C to CCC+ with a stable outlook, Vallejo’s rating is still below investment grade and is considered to be at “junk bond” level, and among the lowest in California.

The vision of Mare Island was that it would be a vibrant, mixed-use community that would serve as the economic engine for the City and the region. The original 10-15 year build-out has been stalled by the environmental condition of the site, condition of the buildings, and complex entitlement and transfer issues, as well as the impacts of the Great Recession on the regional economy. While investment on Mare Island is currently moving forward, the rate of investment would be accelerated if the dilapidated buildings on the North Island were demolished. The City does not possess a source of funds for this purpose, and the cost of surveying, remediation, and demolition is cost prohibitive when considered with all the other development costs. By not having a private entity developing and using the North Island, the City is also foregoing critical tax revenue.

Repayment Information

The City is requesting the maximum loan term of twenty years. The City proposes principal repayment in 20 equal payments with appropriate interest for the term of the loan.

Repayment of the HUD 108 loan will come from one of three sources. In order of priority they are:

1) Commitment of Measure B funds, a special tax described further below.
2) Net sale proceeds from the sale of a nearby 2.55-acre infill development site to a developer.
3) Only in the event that sources one and two are not available, will future CDBG entitlement be used as needed to meet current debt service payments on the 108 loan.
The voter approved Measure B is a one percent sales tax to enhance City of Vallejo services, approved by voters on November 8, 2011 to help address unmet needs in the community and stimulate economic development. These funds were approved not to solve ongoing, structural budget problems but rather to invest in rebuilding the City’s long-term stability. The measure will expire on March 31, 2022. In the 2014/15 budget year, it is projected that Measure B will generate $12.4 million in revenue. Measure B budget projections include $690,000 per year for North Mare Island building demolition, a sum which over the remaining term of Measure B will be sufficient to repay the loan.

Although future allocations of Measure B funds for repayment must be approved annually by City Council, it is the City’s intent to use these funds or other sources as repayment, and to protect the CDBG program allocation. While the CDBG Program allocation guarantees the loan, it would only be used as a last resort. The City is also requesting a loan term of 20 years to minimize the annual loan payment and its potential impact if it were necessary to use General Fund or CDBG funds to make loan payments.

Collateral
Along with the City’s ability to repay the loan with future CDBG allocations, the City also pledges repayment from its Measure B funds. Additionally, the City will offer as collateral a 2.55 acre site located at the corner of Tennessee and Wilson Streets along the city’s waterfront. This site is the former “Badge and Pass” building for the Mare Island Naval Shipyard. This is an infill development opportunity served by city infrastructure and zoned for mixed use development.

Custodial Account
The custodial account for this loan will be held at Wells Fargo Bank. There is an existing Fiscal Agent custodial agreement in place.

V. ENVIRONMENTAL

Mare Island Naval Shipyard was established in 1854 as the first United States naval installation on the West Coast. The shipyard was closed in 1996 and a Reuse Plan was adopted by the City. Since that time, the City has worked with Federal and State agencies to reuse and rehabilitate much of the Island’s old and dilapidated infrastructure along with the City’s private development partners. For more than a decade, the City has pursued potential funding mechanisms to help upgrade the infrastructure on Mare Island. Significant progress has been made. Environmental clean-up is approximately more than 50% complete, infrastructure is approximately 40% complete, commercial building rehabilitation is approximately 30% complete, and residential home development is approximately 20% complete (284 of the 1,400 planned homes have been built). Over 3 million square feet of commercial property has been occupied, and over 2,100 permanent jobs have been created on the Island. This is part of an overall base conversion that is expected to create over 5,000 permanent jobs over the next 10 years.

Approximately ⅓ of the developable area on Mare Island is located at the North Island (155 acres). Over 30 major buildings that remain on the north end of the shipyard are obsolete,
derelict, neglected, and a public nuisance. This loan would be used to demolish as many of these buildings as possible with the funds available. The U. S. Navy is obligated to investigate and remediate certain contaminants in the soils. However, lead-based paint, asbestos-containing materials, mercury light ballasts, and other contaminants that are typically found inside buildings are not the responsibility of the Navy. However, in order to reuse the site, these issues must be addressed.

The site is subject to the land use regulations contained in the Mare Island Specific Plan, and the Environmental Impact Report (EIR) and the Environment Impact Statement (EIS) have been certified. The EIR/EIS addressed the expected demolition of buildings with hazardous materials (asbestos and lead) and found that due to State and federal regulations related to the handling and disposal of those hazardous materials, there were no significant impacts from the demolition and no additional mitigation (besides handling these materials in accordance with the law) was required. The EIR/EIS and Specific Plan also established parameters for the future development to address environmental impacts.

V. NEED/ANTICIPATED RESULTS

City Prior Efforts to Redevelop North Mare Island
Upon closure of the Mare Island Naval Shipyards, the City embarked on a process of finding developers who had experience with complex projects and significant financial resources to address the 150-year old infrastructure and existing historic building rehabilitation. The City addressed community needs such as education/civic, residential, community parks, design guidelines, infrastructure, land use, historic review, transportation guidelines, environmental review, and Mare Island’s unique access to water, open space, and recreation.

A golf course developer was selected in 1996 to rehabilitate the existing golf course. Lennar Mare Island LLC was selected in 1997 to develop approximately 650 acres. The North Island has seen five different development entities attempt to develop the site since 1996. In each case, the North Island development has been stopped by a combination of the environmental contamination (being cleaned up by the Navy), the cost of infrastructure, economy/market conditions, soils conditions, and the building abatement/demolition. The City continues to work closely with the Navy to address the environmental conditions for which the Navy is responsible and market conditions have stabilized. The City now believes that building abatement and demolition must move forward in order for the City to have a viable development opportunity.

Market Analysis for North Mare Island for Industrial Reuse
The City’s contracted with National Development Council to review the site and conducted an industrial market feasibility study. The view of industrial developers is that Mare Island is attractive due to: 1) inner Bay Area location; 2) proximity to the Port of Oakland; and 3) good access to the road networks in the North Bay and I-80 corridor. Regional real estate brokers see strong demand for Mare Island product from industrial tenants in the 50,000–100,000 sq.ft. range because of the low vacancy in the surrounding markets and demand for industrial space coming out of the central Bay Area. Napa County’s overall vacancy is 2.2% with neighboring American Canyon vacancy at 0.6%. This is very tight and wine industry driven. Solano County
overall is at 9% vacancy, down from 15% in 2012. Fairfield’s vacancy is 7.1%. Marin’s overall vacancy is 10.6%, but there is no possibility of added supply in Marin. If available product does not work for a tenant, they must look elsewhere.

The view of the brokers is that the wine industry wants to be in Napa if at all possible and therefore wine tenants are second and third tier candidates for Mare Island space. However, tenants and owners/users from Marin and Fairfield are prime candidates for Mare Island due to the lack of alternatives. Expanding Marin companies that want to remain in the North Bay need to look at Petaluma or potentially Mare Island. Fairfield-based companies can easily be persuaded to relocate to Mare Island.

The product size most in demand is the 50,000-100,000 sq.ft. building. This size building fits companies currently occupying 30,000-70,000 sq.ft. seeking expansion space. This product can attract tenants from Petaluma (Mare Island is more central) and Napa (low-vacancy driven) as well as Fairfield and Marin. The brokers do not see a demand for 5,000-10,000 sq.ft. space on Mare Island because this type of space is usually taken by homegrown businesses and Vallejo has a small base of this type of company. They acknowledge the industrial uses currently on Mare Island but point out that these companies are generally highly price sensitive or have unique real estate requirements, neither of which fit within standard industrial building parameters. However, they also acknowledge that it makes sense to master plan the available land to allow for the construction of some buildings under 50,000 sq.ft. on a build to suit basis. Finally they note there is demand for larger buildings in the 200,000-350,000 sq.ft. range from growing tenants coming out of properties in the Hayward, San Leandro, Oakland, San Francisco, and Brisbane areas.

Lease pricing for standard industrial space (3%-5% office) in the 50,000 to 100,000 sq.ft. size is in the range of $.38-.42 NNN per sq.ft./mo. Due to vacancy, rental rates are currently at the upper end of the range and are expected to rise to $.45 by 2016. For a building in the 200,000-350,000 sq. ft. range, the rental rates are lower, in the range of $.34-.35NNN per sq. ft./mo. These larger buildings are also subject to upward price pressure due to low vacancy. For comparison, cased goods, air conditioned, and insulated warehouse space in Napa currently leases in the $.58-.62NNN per sq.ft./mo. range reflecting improvements above a standard cold shell industrial building. In conclusion, the very low vacancy in the surrounding markets combined with limits to industrial space growth and attractive freeway access point to a need for industrial space on Mare Island and a viable industrial development outcome. However, the site’s extraordinary development costs impede realizing that potential.

Job Creation
According to the Mare Island Specific Plan, North Mare Island will be developed primarily with light industrial, warehouse, and office uses in a contemporary office park. A small commercial retail area to serve primarily office park users will be located at the entrance. A proposed waterfront promenade will extend the length of the eastern edge of the area on the upland portion. It is envisioned that the area will require comprehensive redevelopment, including new buildings configured as a warehouse/distribution district or office park.
The creation of jobs on Mare Island, and throughout the City of Vallejo, continues to be a priority. In order for the City to implement the plan, create jobs for the community and create long-term tax revenue for vital City services, the risk to human health and the environment must be eliminated. With development of 1.2 million square feet of industrial park uses, at least 135 jobs will be created in businesses located in the North Island area after the clearance and demolition activities are completed. More than half of these are estimated to be in fields that would be filled by low- to moderate-income individuals.

V. CITIZEN PARTICIPATION

The City has taken a proactive position to community involvement and partnerships since the closure of the shipyard appeared to be imminent in 1992. Since that time, direct and indirect partnerships with numerous community groups have been established, including a homeless services facility, the Vallejo Unified School District, the Mare Island Historic Park foundation, the Greater Vallejo Recreation District, Touro University, Mare Island Heritage Trust, Mare Island residents, and Mare Island businesses. In 2012, after the latest North Mare Island development proposal failed, due in part to the cost of development, meetings were held in the community and before the Vallejo City Council to discuss the path forward.

As part of the City’s Citizen Participation Plan as well as its commitment to transparent government, the City plans to host two public hearings for this application, and will also have a public comment period. The City held a public hearing in December 5, 2013 at the Housing and Redevelopment Commission to discuss the concept of this loan application. On March 18, 2014, the City Council had an informational study session focused exclusively on Mare Island and discussed plans for new development and using a Section 108 loan to undertake the necessary demolition. In addition, it will be posted on the City’s website, on Open City Hall, and other forms of media the City uses to ensure dissemination of information to the public.
RESOLUTION NO. 14-086 N.C.

RESOLUTION AUTHORIZING SUBMISSION OF AN APPLICATION FOR A HUD SECTION 8 LOAN GUARANTEE AND FUNDING FOR NORTH MARE ISLAND DEMOLITION AND DEVELOPMENT

WHEREAS, in June 2013 and on March 18, 2014, the City Council conducted study sessions on the potential development of North Mare Island and identified demolition of the existing buildings as a high priority which could be funded in part through a potential U.S. Department of Housing and Urban Development ("HUD") Section 108 Loan; and

WHEREAS, on December 5, 2013, the Vallejo Housing and Redevelopment Commission met and discussed the concept of a Section 108 Loan application; and

WHEREAS, staff in the City's Economic Development Department and Housing and Community Development Division, have drafted a Section 108 Loan Fund Application to submit to HUD, wherein the City could borrow HUD-guaranteed loan funds up to 5 five times its annual Community Development Block Grant (CDBG) allocation and in turn provide the funds in the form of a loan to an eligible priority project; and

WHEREAS, the Section 108 Loan Fund Application, attached hereto as Exhibit A, requests loan funds in the amount of $4,719,990, and includes a description of the North Mare Island demolition and development project which meets HUD compliance requirements for economic development activities; and

WHEREAS, at a duly noticed public hearing on July 14, 2014, the Vallejo Housing and Redevelopment Commission discussed the City's draft HUD Section 108 Loan Guarantee application and approved, by motion, to recommend that the City submit the application to HUD; and

WHEREAS, on July 22, 2014, the Vallejo City Council considered authorization of submitting the proposed application for a HUD Section 108 Loan Guarantee and funding.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Vallejo does hereby authorize the City Manager, for and on behalf of the City of Vallejo, to submit the loan application in substantially the form attached, to the U.S. Department of Housing and Urban Development for approval, with any necessary and non-substantive changes, and to provide any additional documentation or information required by HUD for the processing of the Section 108 Loan Fund Application.

Adopted by the Council of the City of Vallejo at a regular meeting held on July 22, 2014 with the following vote:

AYES: Vice Mayor Sampayan, Councilmembers Dew-Costa, Malgapo, McConnell, Miessner, and Verder-Aliga

NOES: Mayor Davis.

ABSENT: None

ABSTAIN: None

[Signature]
OSBY DAVIS, MAYOR

[Signature]
DAWN G. ABRAHAMSON, CITY CLERK

ATTEST:
Attachment “2” – HUD Approval Letter
The Honorable Osby Davis  
Mayor of Vallejo  
555 Santa Clara Street  
Vallejo, CA 94590  

Dear Mayor Davis:

Please be informed that the City of Vallejo's (hereafter, the “City”) request for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, has been approved. Such assistance is to consist of the guarantee of notes or other obligations in the principal amount of $4,719,000, plus interest thereon, which shall be issued to finance activities described in the City's application (B-14-MC-06-0029) for the acquisition, demolition/clearance and redevelopment project of North Mare Island.

This offer of commitment (“Commitment”) is subject, however, to the conditions specified in Item 8 of the Funding Approval (Form HUD-7082).

The first condition provides that in the event the City fails to submit notes or other obligations for inspection and guarantee by the Secretary of Housing and Urban Development (HUD) before **July 31, 2016**, the Commitment will expire as of such date.

The second condition provides that the repayment schedule for the indebtedness evidenced by the notes or other obligations (the “Guaranteed Loan”) must be acceptable to HUD.

The third condition provides that the City shall provide additional security for the Guaranteed Loan and such additional security must be acceptable to HUD. The additional security shall be identified in the Contract for Loan Guarantee Assistance (“Contract”), specified by 24 CFR 570.705(b)(1), which will be executed at the time the guaranteed obligations are issued. The City’s application and other supporting material identify the following additional security for the Guaranteed Loan: assignment of the City’s interest in a third party loan secured by a first lien on real property and debt service reserve. Note that any real property offered as security shall be subject to loan to value ratios to be identified in the Contract and its value shall be supported by an appraisal acceptable to HUD.

In addition, the Contract shall provide that HUD may use existing pledged grants to prepay (or defease) the Guaranteed Loan if HUD determines that the standard pledge of future Community Development Block Grant (“CDBG”) funds is insufficient to assure payment of amounts due thereunder. HUD reserves the right to require further security upon evaluation of the foregoing security arrangements and the City may substitute other collateral security for such arrangements, subject to HUD’s approval of such substitution.
The fourth condition provides that prior to submitting notes or other obligations for inspection and guarantee by HUD, the City shall submit information required under Section 102(b) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531). This information shall be submitted on Form HUD-2880 to HUD’s San Francisco Field Office. A copy of Form HUD-2880 is enclosed for this purpose.

Please be aware that any amount of this commitment that is not received by the City as an Advance under the Guaranteed Loan by September 30, 2020, will be canceled in compliance with 31 U.S.C. 1552(a).

Please furnish us, at the address specified below, your timetable for execution of the activities described in your application. These activities will be financed through a public offering of Section 108 obligations. If you need funds prior to the next public offering, please notify HUD at the address below and instructions for obtaining interim financing will be provided.

In addition to the special conditions cited above, the release of funds for the project to be carried out with loan guarantee assistance is conditioned upon compliance by the City with all applicable provisions of the HUD Environmental Review Procedures (24 CFR Part 58). The City is reminded that these Procedures include limitations on the commitment of HUD and non-HUD funds on an activity or project prior to HUD’s approval of the request for release of funds and related certification of compliance with environmental requirements. Please refer to 24 CFR 58.22 for a description of the limitations and the entities to whom they apply.

Please execute the three enclosed copies of the Funding Approval (Form HUD-7082) and return two copies to the Department of Housing and Urban Development, Financial Management Division, Room 7180, 451 Seventh Street, S.W., Washington, D.C. 20410. One copy should be retained for your files. The Funding Approval amends the Grant Agreement authorized by HUD on June 28, 2014, under the Funding Approval for grant number B-14-MC-06-0029 to include loan guarantee assistance. The Grant Agreement thereby incorporates this Funding Approval, the loan guarantee application, and Subpart M of the block grant regulations governing loan guarantees, as well as such agreements, schedules, and other documentation required for submission or execution in connection therewith.

Please do not hesitate to reach out if we can support you in the use of your Section 108 funds. Please contact Paul D. Webster, Director, Financial Management Division at (202) 402-4563, if you need assistance.

Sincerely,

Marion Mollegen McFadden
Deputy Assistant Secretary for Grant Programs

Enclosures (3)
Attachment “3” – Request For Extension
July 7, 2016

Mr. Paul Webster, Director
U.S. Department of Housing and Urban Development
Community Planning and Development (CPD)
Financial Management Division
451 7th Street SW, Rm 7172
Washington, DC 20410
Paul.Webster@hud.gov

Re: Section 108 Loan Guarantee B-14-MC-06-0029, Request for Extension of Time and Amendment (by letter and email)

Dear Mr. Webster:

EXTENSION OF TIME

Attached please find a copy of HUD's offer of commitment to our application for loan guarantee assistance (B-14-MC-06-0029) under Section 108 for our project on North Mare Island dated July 16, 2015. "The first condition provides that in the event the City fails to submit notes or other obligations for inspection and guarantee by the Secretary...before JULY 31, 2016, the Commitment will expire as of such date." This letter comes to request an extension of time to meet this condition for twelve months, or until JULY 31, 2017.

The reason for the extension request follows. Since mid-2015 the City of Vallejo has been working with Faraday Future to bring an electric vehicle manufacturing and assembly facility to Mare Island in Vallejo. Attachment Two (starting on page 5) is the City staff report dated May 31, 2016 which describes the project's history and current status. On May 31, 2016 the Vallejo City Council approved an Exclusive Right to Negotiate Agreement ("ERN") (starting on page 13 of attachment two) with Faraday Future which includes Milestones outlined on page 30. A Faraday Future letter expressing its desire to proceed with the ERN begins on page 32.

The Milestones anticipate approval of a Disposition and Development Agreement by November of 2016 at which time the project will increase in forward momentum. The City wishes to include
the HUD 108 financing as a part of the forward movement and is therefore requesting an extension of time to allow the development process to unfold.

AMENDMENT

The HUD offer of commitment states that 108 funds will be used to finance activities “for the acquisition, demolition/clearance and redevelopment project of North Mare Island.” These activities are eligible under 570.703 (a) and (e). The previous intention of the City was to have these activities carried out by the Vallejo Economic Development Corporation.

However under the ERN with Faraday Future the City now has the opportunity to move forward to accomplish the same work on the ground (demolition and clearance) with a capable private partner. Therefore the City requests an amendment to the HUD offer to permit the City of Vallejo to "lend 108 funds to Faraday Future for demolition and clearance activities," instead of lending to the Vallejo Economic Development Corporation for acquisition, demolition and clearance activities. Under 24 CFR Section 570.703(i)(1) HUD 108 guaranteed loan funds may be used for "economic development activities...eligible under Section 570.203. Section 570.203(b) allows, "The provision of assistance to a private for-profit business...for any activity where the assistance is appropriate to carry out an economic development project....""

The guidelines for evaluating and selecting economic development projects found at 570.209(b)(1)(i) state that a project must "create or retain at least one full-time equivalent, permanent job per $35,000 of CDBG funds used." Although details of the project have not been finalized, at this time, the City is highly confident that the project will create at least 135 manufacturing and assembly jobs ($4,719,000 assistance amount/$35,000 job standard) of which 51% or 69 will be held by or available to low and moderate-income persons. Please see the staff report and letter from Faraday Future previously referenced.

No other amendments to the offer are requested at this time.

Please contact Kathleen Diohep of my staff or our consultant, Scott Rodde for any information you require.

Sincerely,

Dan Keen
City Manager
City of Vallejo

cc: Allen Hugh, hugh_allen@hud.gov
Kathleen Diohep, Kathleen.Diohep@cityofvallejo.net
Scott Rodde, srodde@napanet.net
The Honorable Osby Davis  
Mayor of Vallejo  
555 Santa Clara Street  
Vallejo, CA 94590  

Dear Mayor Davis:

Please be informed that the City of Vallejo’s (hereafter, the “City”) request for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, has been approved. Such assistance is to consist of the guarantee of notes or other obligations in the principal amount of $4,719,000, plus interest thereon, which shall be issued to finance activities described in the City’s application (B-14-MC-06-0029) for the acquisition, demolition/clearance and redevelopment project of North Mare Island.

This offer of commitment (“Commitment”) is subject, however, to the conditions specified in Item 8 of the Funding Approval (Form HUD-7082).

The first condition provides that in the event the City fails to submit notes or other obligations for inspection and guarantee by the Secretary of Housing and Urban Development (HUD) before July 31, 2016, the Commitment will expire as of such date.

The second condition provides that the repayment schedule for the indebtedness evidenced by the notes or other obligations (the “Guaranteed Loan”) must be acceptable to HUD.

The third condition provides that the City shall provide additional security for the Guaranteed Loan and such additional security must be acceptable to HUD. The additional security shall be identified in the Contract for Loan Guarantee Assistance (“Contract”), specified by 24 CFR 570.705(b)(1), which will be executed at the time the guaranteed obligations are issued. The City’s application and other supporting material identify the following additional security for the Guaranteed Loan: assignment of the City’s interest in a third party loan secured by a first lien on real property and debt service reserve. Note that any real property offered as security shall be subject to loan to value ratios to be identified in the Contract and its value shall be supported by an appraisal acceptable to HUD.

In addition, the Contract shall provide that HUD may use existing pledged grants to prepay (or deface) the Guaranteed Loan if HUD determines that the standard pledge of future Community Development Block Grant (“CDBG”) funds is insufficient to assure payment of amounts due thereunder. HUD reserves the right to require further security upon evaluation of the foregoing security arrangements and the City may substitute other collateral security for such arrangements, subject to HUD’s approval of such substitution.
The fourth condition provides that prior to submitting notes or other obligations for inspection and guarantee by HUD, the City shall submit information required under Section 102(b) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531). This information shall be submitted on Form HUD-2880 to HUD’s San Francisco Field Office. A copy of Form HUD-2880 is enclosed for this purpose.

Please be aware that any amount of this commitment that is not received by the City as an Advance under the Guaranteed Loan by September 30, 2020, will be canceled in compliance with 31 U.S.C. 1552(a).

Please furnish us, at the address specified below, your timetable for execution of the activities described in your application. These activities will be financed through a public offering of Section 108 obligations. If you need funds prior to the next public offering, please notify HUD at the address below and instructions for obtaining interim financing will be provided.

In addition to the special conditions cited above, the release of funds for the project to be carried out with loan guarantee assistance is conditioned upon compliance by the City with all applicable provisions of the HUD Environmental Review Procedures (24 CFR Part 58). The City is reminded that these Procedures include limitations on the commitment of HUD and non-HUD funds on an activity or project prior to HUD’s approval of the request for release of funds and related certification of compliance with environmental requirements. Please refer to 24 CFR 58.22 for a description of the limitations and the entities to whom they apply.

Please execute the three enclosed copies of the Funding Approval (Form HUD-7082) and return two copies to the Department of Housing and Urban Development, Financial Management Division, Room 7180, 451 Seventh Street, S.W., Washington, D.C. 20410. One copy should be retained for your files. The Funding Approval amends the Grant Agreement authorized by HUD on June 28, 2014, under the Funding Approval for grant number B-14-MC-06-0029 to include loan guarantee assistance. The Grant Agreement thereby incorporates this Funding Approval, the loan guarantee application, and Subpart M of the block grant regulations governing loan guarantees, as well as such agreements, schedules, and other documentation required for submission or execution in connection therewith.

Please do not hesitate to reach out if we can support you in the use of your Section 108 funds. Please contact Paul D. Webster, Director, Financial Management Division at (202) 402-4563, if you need assistance.

Sincerely,

[Signature]

Marion Mollegen McFadden
Deputy Assistant Secretary for Grant Programs

Enclosures (3)
Attachment “4”

- HUD Extension Approval Letter

Attachment “4” – HUD Extension Approval Letter
Mr. Dan Keen  
City Manager, City of Vallejo  
555 Santa Clara Street  
Vallejo, CA 94590

Dear Mr. Keen:

Subject: Request for Date Extension – Submission of Documents  
Section 108 Loan Guarantee Commitment - B-14-MC-06-0029  
North Mare Island Acquisition and Demolition/Clearance Project - $4,719,000

Thank you for your letter on July 7, 2016, requesting an extension of the deadline for submission of notes or other obligations for inspection and guarantee by the Secretary of Housing and Urban Development (HUD).

The offer of the Section 108 loan guarantee commitment is subject to several conditions, as specified in Item 8 of the Funding Approval/Agreement (form HUD-7082) and referenced in the approval letter from HUD dated July 16, 2015. The first condition provides that “in the event the City fails to submit notes or other obligations for inspection and guarantee by the Secretary of HUD before July 31, 2016, the commitment will terminate and expire as of such date.”

The City has requested to extend this date to July 31, 2017, in order to provide it with additional time to include the Section 108 financing as a part of the City’s new approach to accomplishing economic development activities. Initially, the City intended to contract with the Vallejo Economic Development Corporation (VEDC), a not-for-profit corporation, to carry out the acquisition, demolition/clearance and redevelopment activities associated with the Project. However, on May 31, 2016, the Vallejo City Council approved an Exclusive Right to Negotiate Agreement (“ERN”) with a private corporation that, among other things, will accomplish the same tasks that VEDC had been tasked to carry out. The City has stated that once the Disposition and Development Agreement for the site is approved, the project will proceed without delay.

Based on the information provided, and in the interest of furthering the intended purposes of the transaction, HUD is approving the City’s request to extend the date of the first condition in Item 8 of the Funding Approval to July 31, 2017. Except for this change of date in the first condition of Item 8, all other terms and conditions and obligations set forth in the Item 8 Special Conditions remain unchanged.

If you have any questions with respect to this letter, please contact Jorge L. Morales at 202-402-7175 or Jorge.L.Morales@hud.gov.

Sincerely,

[Signature]

Paul D. Webster  
Director  
Financial Management Division

www.hud.gov  
espanol.hud.gov
Attachment “5”
- Proposed Repayment Schedule

Attachment “5” – Proposed Repayment Schedule
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**Totals** $4,700,000
Attachment “6”

- Amortization Schedule

Attachment “6” – Amortization Schedule
### Estimated Principal and Interest Schedule

**Vallejo, California**

<table>
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#### Estimated Interest Rate

- 0%: 0.00%
- 1: 0.63%
- 2: 1.18%
- 3: 1.28%
- 4: 1.68%
- 5: 2.23%
- 6: 2.33%
- 7: 2.70%
- 8: 2.80%
- 9: 3.15%
- 10: 3.20%
- 11: 3.30%
- 12: 3.45%
- 13: 3.50%
- 14: 3.60%
- 15: 3.70%
- 16: 3.85%
- 17: 3.90%
- 18: 3.95%
- 19: 4.00%
- 20: 4.05%

### Est. Ann. Payment

- Year 1: $330,688.90
- Year 2: $330,517.10
- Year 3: $330,310.50
- Year 4: $330,891.30
- Year 5: $330,665.70
- Year 6: $330,317.20
- Year 7: $330,660.50
- Year 8: $331,172.50
- Year 9: $331,292.50
- Year 10: $330,488.50
- Year 11: $330,384.50
- Year 12: $330,827.50
- Year 13: $330,651.00
- Year 14: $331,076.00
- Year 15: $330,932.00
- Year 16: $330,201.00
- Year 17: $330,729.00
- Year 18: $330,692.00
- Year 19: $330,079.00
- Year 20: $330,879.00