



Board Agenda Item 66

DATE: July 11, 2017

TO: Board of Supervisors

SUBMITTED BY: Steven E. White, Director
Department of Public Works and Planning

SUBJECT: Agreement with Habitat for Humanity Fresno, Inc. for the Habitat Riverdale Development Project in the community of Riverdale

RECOMMENDED ACTIONS:

- 1. Approve and authorize Chairman to execute Agreement with Habitat for Humanity Fresno, Inc. for HOME Investment Partnerships Program funds for the Habitat Riverdale Development Project in the unincorporated community of Riverdale (\$390,000); and**
- 2. Authorize the Director of Public Works and Planning, or his designee, to execute all loan and related documents necessary to the development, including any amendments thereto, and to approve on the County's behalf, items specified in Section VII of the Agreement.**

The first recommended action requests Board approval and execution of an Agreement with Habitat for Humanity Fresno, Inc. (Habitat), a Nonprofit Corporation, which is the project developer. The Agreement before the Board provides a construction loan for \$390,000 from the County's set aside Community Housing Development Organization (CHDO) funds from the HOME Investment Partnerships (HOME) Program Grant to assist with the development of two single-family residential homes for low-income residents in the unincorporated community of Riverdale, to be known as Habitat Riverdale, for which the total cost of the development is expected to be \$478,000.

The second recommended action authorizes the Director of Public Works and Planning, or his designee, at his discretion, to execute all loan and related documents necessary for the project, and any amendments thereto for the loan agreement.

ALTERNATIVE ACTION:

The Board may deny the Agreement as proposed, or make any changes as appropriate, consistent with the Federal regulations governing the HOME Program. If the HOME funds are not approved, the Habitat Riverdale Project may not be developed, and the County of Fresno will not be able to utilize \$124,123 of its HOME CHDO funds in a timely manner for another eligible activity under the Federal HOME regulations.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions. The Agreement before the Board reserves loan funds in the amount of \$390,000 from the County's Federal HOME Grant. The County is mandated by the Federal HOME grant regulations to use a minimum of 15% of its HOME funds for affordable housing development projects carried out by designated Community Housing Development Organizations

(CHDOs), which is also included in each Annual Action Plan. This amount satisfies that requirement. The appropriation of HOME funds are included in the Public Works and Planning - Grants Org 5512-2008 FY 2017-18 recommended budget.

DISCUSSION:

The Agreement provides HOME funding to assist with the development of two affordable single-family residences in the unincorporated community of Riverdale. The Habitat Riverdale Development Project, located along Wilda, Pendleton and Earl Streets, east of Troutdale Lane and north of Stathem Street (see attached map), will provide affordable housing for first-time homebuyer households earning no more than 80% of the area median income for Fresno County. Construction must meet all applicable local codes and property standards as identified in 24 CFR § 92.25 for HOME assisted new construction to ensure longevity and safety.

The recommended Agreement before the Board reserves HOME funds in the amount of \$390,000 for a construction loan that will be secured by a Promissory Note and a security instrument. The Agreement will carry restrictions that will run with the land to enforce HOME requirements on the property. The County may accept any of the following as repayment of HOME funds disbursed to the Borrower for construction of the Project: a) cash payments from the Borrower; b) secondary financing security documents in the form of promissory notes and deeds of trust to eligible homebuyers in aggregate of \$390,000; or c) a combination of these security documents and cash payments from the Borrower in aggregate of \$390,000.

The County also agrees that in the case the total development cost exceeds the sales price, the County will provide a development subsidy in the amount not to exceed \$124,123 towards the project, which would reduce the amount owed on the loan.

The project will utilize a mutual self-help housing model in the construction of the residences, whereby each homebuyer and local volunteers will contribute their labor in the construction of the residence. The developer shall provide to the County records of actual hours spent by each volunteer in performing voluntary labor, which may be credited as sweat equity. Normally each eligible homebuyer that applies for a County Homebuyer Assistance Program (HAP) loan is required to invest, of their own funds, a minimum of 1.5% of the home sales price towards the purchase of their home. Under the recommended Agreement, the County may credit the value of sweat equity earned by each homebuyer to meet this required homebuyer investment. Additionally, the County normally requires each HAP applicant to attend a sixteen-hour homeownership course comprised of an eight-hour pre-purchase course and an eight-hour maintenance course. Under the recommended Agreement, the County may allow homebuyers who purchase homes in the Habitat Riverdale Development to credit their construction labor experience as a substitute for the eight-hour maintenance course requirement.

The Agreement also provides for the developer to require professional liability insurance limits of \$1,000,000 per incident and \$2,000,000 aggregate for any professional contracts associated with this project, and secure a performance bond and labor and material bond or other equivalent security instrument approved by the County in an amount sufficient to ensure full completion of the project and secure the County's investment of HOME funds.

Habitat for Humanity Fresno, Inc. has a strong history of affordable housing development within Fresno County and Central California. Based on criteria established under the Federal HOME Program, Habitat for Humanity Fresno, Inc. is eligible to apply for HOME funding for affordable housing development projects as an eligible CHDO. The developer and the project have been reviewed by County staff and have been determined to meet the threshold criteria for funding under the County's Affordable Housing Development Program.

Estimated Sources of Funds During Construction:

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|---------------------------------------|-----------|
| 1. County of Fresno (HOME Loan Funds) | \$390,000 |
| 2. Self-Help Enterprises (Loan) | 60,000 |

3. Habitat for Humanity Fresno, Inc.	28,000
Estimated Total Project Costs	\$478,000

Anticipated Permanent Loan Lien Order:
(Construction Loan Paid During Permanent Financing)

1. United States Department of Agriculture (USDA)	\$305,600
2. County of Fresno (HOME Loan Funds (HAP))	\$ 76,400

Due to the complex financing and time sensitive nature of these housing developments, it is not unusual for the project's other funding sources to change as the developer solidifies financing from a variety of public and private funding sources to complete financing for the project.

The project has already received funding from USDA's Rural Development Program, and is expected to commence construction no later than October, 2017, and be completed by May, 2018.

OTHER REVIEWING AGENCIES:

The Agreement has been reviewed and approved by Habitat for Humanity Fresno, Inc.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Map
On file with Clerk - Agreement with Habitat for Humanity Fresno, Inc.

CAO ANALYST:

John Hays