



Board Agenda Item 52

DATE: November 16, 2021

TO: Board of Supervisors

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

SUBJECT: PLHA Loan Agreement with Mendota Esperanza Commons, LP for the Esperanza Commons Apartments Project in the City of Mendota

RECOMMENDED ACTION(S):

- 1. Approve and authorize the Chairman to execute a Loan Agreement with Mendota Esperanza Commons, LP for a loan by the County of Permanent Local Housing Allocation Program funds for the development of the Esperanza Commons affordable multi-family apartment project in the City of Mendota (\$1,561,181); and**
- 2. Authorize the Director of the Department of Public Works and Planning, or designee, to execute all loan and related documents necessary for the Esperanza Commons Apartments Project, including, but not limited to, the promissory note, deed of trust, regulatory agreement, any required subordination agreements and estoppel certificates, and other necessary documents and any amendments thereto, as shall be necessary for the purpose of developing the Project, upon review and approval by County Counsel as to legal form, and Auditor-Controller/Treasure-Tax Collector as to accounting form.**

Approval of the recommended actions will approve a loan utilizing the Permanent Local Housing Allocation (PLHA) Program funds for the development of the Esperanza Commons affordable multi-family apartment project (Project) in the City of Mendota. The total development cost is estimated at \$20,063,611. The balance of funds needed to complete the financing of the Project will be from non-County funds, and will include a variety of other public and private funding sources. The recommended PLHA loan agreement is with Esperanza Commons, LP, a California Limited Partnership (the Partnership). The Partnership consists of Silvercrest, Inc., a nonprofit corporation, serving as the Managing General Partner, and Esperanza Commons AGP, LLC, as the Administrative General Partner and project developer, of which the Housing Authority of Fresno County is a member. The Project will acquire and rehabilitate a 60-unit multi-family rental housing project; 59 units will be affordable to households at or below 80% area median income. Thirty-five (35) of these affordable units will be designated as PLHA-assisted units. Additionally, the Director of the Department of Public Works and Planning, or designee, will be authorized to execute all loan and related documents necessary for the Project, including but not limited to the promissory note, deed of trust, regulatory agreement, any required subordination agreements and estoppel certificates, and other necessary documents and any amendments thereto as shall be necessary for the purpose of developing the Project, subject to the approval of the County Counsel, as to legal form, and the Auditor-Controller/Treasurer-Tax Collector, as to accounting form. This item pertains to a location in District 1.

ALTERNATIVE ACTION(S):

Your Board may deny the recommended agreement, or make any changes, as appropriate, and consistent with the State regulations governing the PLHA Program. If the County does not approve PHLA funding for the Project, this 60-unit affordable multi-family housing project may not be completed.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions. The recommended agreement will result in a maximum of \$10,000 in revenue for County Counsel, as the Partnership is responsible for paying all legal costs incurred by the County Counsel's Office in reviewing loan documents during the financing period of the development. The recommended agreement may result in anticipated revenue to the County of up to \$5,000 annually during the 55-year affordability period of the Project, to offset the cost incurred by the Department's Community Development Division staff to conduct the required annual Project monitoring.

Additional funding for the total estimated \$20,063,611 cost of the Project will come from a variety of funding sources, which will include a land donation and State Tax Credits.

Estimated Source Funds:

1. Construction Loan	\$ 9,794,679
2. USDA Rural Development Loan	530,865
3. County PLHA Loan	1,561,181
4. Land and Building Donation	4,269,135
5. Limited Partners	1,193,679
6. <u>Developer (Deferred Costs)</u>	<u>2,714,072</u>
Estimated Total Project Costs	\$20,063,611

DISCUSSION:

The State's Housing and Community Development Department awarded PLHA funds to the County of Fresno in 2020 to increase the production of affordable housing in the County and in the cities that were members of the County's 2017 Urban Joint Powers Agreement. The County adopted the PLHA Allocation Plan, which designated the funds to be utilized for the acquisition/rehabilitation, and/or the construction of multi-family rental housing for households earning no more than 80% of area median income.

The recommended agreement reserves PLHA funds in the amount of \$1,561,181, for a loan secured by a Promissory Note and Deed of Trust, and carrying restrictions that will remain with the Project land during 55 years of affordability, consistent with the guidelines, regulations, and Board's policies governing the PLHA Program. This will include restricting tenant income and rent requirements for a 55-year affordability period for all 35 County PLHA-assisted units. These 35 County PLHA units shall float within the Project as necessary to ensure compliance with the PLHA Rent and occupancy requirements. The PLHA funds will be provided as a no-interest, deferred-payment, 55-year term loan, consistent with the County's PLHA-funded Affordable Housing Development Program.

The Project is located on an 8.56-acre parcel bounded by Smoot Avenue, Gregg Court West and Sorensen Avenue in the City of Mendota (see Location Map). The Project will house persons earning no more than 80% of the area median income (AMI) for the County. The Project will consist of a mix of one and two-bedroom units, for a total of 60 units, 59 of which are restricted to households at varying income levels, which will range from 30% to 80% AMI. All units will be subject to the AMI restrictions, with the exception of one manager unit, which is not County PLHA-assisted. Construction must meet all applicable local building codes, and property standards, as identified in the PLHA regulations for rehabilitation/construction, to ensure longevity and safety.

The recommended agreement provides for the Partnership to require commercial, general, and professional liability insurance limits of \$1,000,000 per incident, and \$2,000,000 aggregate for any contracts associated

with the Project, and to secure a performance bond and labor and material bond in an amount sufficient to ensure full completion of the Project.

The Partnership has a strong history of affordable housing development within the County and Central California. Based on criteria established under the PLHA Program, the Partnership is eligible to apply for PLHA funding for affordable housing development projects. The Partnership, its members, and the Project have been reviewed by Department staff, and were determined to meet the threshold criteria for funding under the County's Affordable Housing Development Program.

Release of County PLHA funds is contingent upon the Partnership securing all other funding to complete financing for the Project, including meeting all of the funding requirements for Low-Income Housing Tax Credits, as well as fulfilling all requirements of the recommended agreement. The Project is supported by the City of Mendota, and is consistent with the County's General Plan, which directs residential growth to cities. The Partnership is requesting \$1,561,181 of PLHA funds to assist with the construction of 35 PLHA-funded units, as part of the 60 rental units in the Project.

Due to the complex financing and time-sensitive nature of these large 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. The County's permanent lien position for the PLHA loan will not be lower than third lien position.

The Project has already received tax credits, and is expected to commence construction in December 2021, with construction completed by August 2023.

CEQA

The County's action in authorizing the funding is exempt from the California Environmental Quality Act (CEQA), based on the County's action not being a project as defined in CEQA Guidelines Section 15738. Further, pursuant to CEQA Guidelines Section 15060(c)(3) *Common Sense Exemption*, it can be seen with certainty that the County's action in authorizing the funding will not have a significant effect on the environment.

The apartment rehabilitation project was reviewed under the provisions of the California Environmental Quality Act (CEQA) with the City of Mendota as the Lead Agency, due to the Project's location within the City's jurisdiction. It was determined by the City of Mendota that the project is categorically exempt from the provisions of CEQA under Section 15301 *Existing Facilities* and Section 15303 *New Construction or Conversion of Small Structures*. The Notice of Exemption (NOE) documenting the findings made by the City of Mendota for the project was filed with the State Clearinghouse (SCH No. 2021030086) on March 2, 2021, (Exhibit A) (CEQA Exemption).

OTHER REVIEWING AGENCIES:

The recommended agreement has been reviewed and approved by the Borrower, Esperanza Commons, LP.

REFERENCE MATERIAL:

BAI #40, August 18, 2020
BAI #9, June 23, 2020

ATTACHMENTS INCLUDED AND/OR ON FILE:

Location Map
Exhibit A (CEQA Exemption)
On file with Clerk - Agreement with Esperanza Commons, LP

CAO ANALYST:

Ron Alexander