



Board Agenda Item 51

DATE: October 22, 2019

TO: Board of Supervisors

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

SUBJECT: HOME Agreement with WP Gateway Villas Apartments, LP for the Gateway Villas Apartments Project in the City of Kerman

RECOMMENDED ACTION(S):

- 1. Approve and authorize the Chairman to execute an Agreement with WP Gateway Villas Apartments, LP for HOME Investment Partnerships Program funds for the development of the Gateway Villas Apartments affordable housing project in the City of Kerman (\$980,000); and,**
- 2. Authorize the Director of the Department of Public Works and Planning, or designee, upon review and approval by County Counsel as to legal form and Auditor-Controller/Treasure-Tax Collector as to accounting form, to execute all loan and related documents necessary for the Gateway Villas Apartments Project, including any amendments thereto as shall be necessary for the purpose of developing the Project.**

Approval of the recommended actions will approve a loan in Federal HOME Investment Partnerships (HOME) funds for the development of the Gateway Villas Apartments affordable housing project (Project) in the City of Kerman. The total development cost is estimated at \$17,480,803. The balance of funds needed to complete the financing of the Project will be from non-County funds, and include a variety of other public and private funding sources. The HOME agreement is with WP Gateway Villas Apartments, LP, a California Limited Partnership (the Partnership). The Partnership consists of Central Valley Coalition for Affordable Housing, a nonprofit agency, serving as the Managing General Partner, and WP Gateway Villas, LLC, as the Administrative General Partner and project developer. The Project will develop a 61-unit multi-family rental affordable housing project, of which 11 will be designated as HOME-assisted units. Additionally, the Director of the Department of Public Works and Planning, or designee, will be able to execute all loan and related documents necessary for the Project, and any amendments thereto for the loan agreement. 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 Federal regulations governing the HOME Program. If HOME funds are not approved, the 61-unit multi-family affordable housing project may not be able to be developed.

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 reimbursement for work associated with the review of the Project documents. The Partnership is responsible for paying all legal costs incurred by the County Counsel's Office in reviewing the 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 20-year affordability period of the Project, to offset the cost incurred by the Department's Community Development staff to conduct the required annual project monitoring.

The total estimated Project cost is \$17,480,803. The recommended agreement reserves loan funds in the amount of \$980,000 from the County's Federal HOME Grant for the Project. Sufficient appropriations and estimated revenues are included in the Department's - Grants Org 5512 and County Counsel's Org 0710 FY 2019-20 Adopted Budget.

Additional funding for the estimated \$17,480,803 total cost of the housing project will come from a variety of funding sources that will include a loan from the City of Kerman and Tax Credits.

Estimated Source of Funds

Construction Loan	\$11,760,000
County of Fresno HOME Loan	980,000
City of Kerman Land Donation	1,310,000
City of Kerman Fee Waiver	612,848
Developer (Deferred Costs)	113,139
Developer Fee	1,170,981
CA Tax Credit Equity	1,533,835
Estimated Total Project Costs	\$17,480,803

DISCUSSION:

Federal HOME funds may be used to strengthen public-private partnerships, and to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income households.

The recommended agreement reserves HOME funds in the amount of \$980,000, for a loan that will be secured by a Promissory Note and Deed of Trust, carrying restrictions that will remain with the land during the 20 years of affordability, consistent with the guidelines, regulations, and Board's policies governing the HOME Program. This will include restricting tenant income and rent requirements for a 20-year affordability period for all 11 County-assisted units. The HOME funds will be provided as a no-interest, deferred payment, 30-year term loan, consistent with the County's HOME-funded Affordable Housing Development Program.

The Project will be located at the corner of Gateway Boulevard and Siskiyou Avenue south of State Route 180/Whitesbridge Avenue in the City of Kerman, see Location Map). The Project will house persons earning no more than 60% of the area median income (AMI) for the County. The Project will consist of a mix of two and three-bedroom units restricted to households at varying income levels that will range from 30% to 60% AMI. All units will be subject to the AMI restrictions, must meet all applicable local building codes, the County's Board-adopted rehabilitation/construction standards for the Affordable Housing Program, and property standards, as identified in the HOME regulations for new 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 Federal HOME Program, the Partnership is eligible to apply for HOME 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 HOME 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. The Project is supported by the City of Kerman and is consistent with the County's General Plan, which directs residential growth to cities. The Partnership is requesting \$980,000 of HOME funds to assist with the construction of 11 HOME-funded units as part of the 61 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 HOME Agreement will not be lower than the second lien position.

The Project has already received tax credits and is expected to commence construction in December 2019, with construction completed by June 2021.

OTHER REVIEWING AGENCIES:

The Agreement has been reviewed and approved by the Borrower, WP Gateway Villas Apartments, LP.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Location Map

On file with Clerk - Agreement with WP Gateway Villas Apartments, LP

CAO ANALYST:

Sonia M. De La Rosa