Legislation Text

File #: 19-1291, **Version:** 1

DATE: November 5, 2019

TO: Board of Supervisors

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

SUBJECT: HOME Agreement with Kingsburg Linnaea Villas, LP for the Linnaea Villas Apartments Project in the City of Kingsburg

RECOMMENDED ACTION(S):

1. **Approve and authorize the Chairman to execute an Agreement with Kingsburg Linnaea Villas, LP for HOME Investment Partnerships Program funds for the development of the Linnaea Villas affordable senior apartment project in the City of Kingsburg ($1,000,000); 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 Linnaea 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 Linnaea Villas affordable senior apartment project (Project) in the City of Kingsburg. The total development cost is estimated at $21,919,408. 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 Kingsburg Linnaea Villas, LP, a California Limited Partnership (the Partnership). The Partnership consists of Silvercrest, Inc., a nonprofit corporation, serving as the Managing General Partner, and Kingsburg Linnaea Villas AGP, LLC, as the Administrative General Partner and project developer. The Project will develop a 47-unit senior rental affordable housing project; 41 units will be affordable, of which 11 units will be designated as HOME-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, and any amendments thereto for the loan agreement, subject to the approval of the County Counsel and the Auditor-Controller/Treasurer-Tax Collector. This item pertains to a location in District 4.

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 47-unit affordable senior 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 $21,919,408. The recommended agreement reserves loan funds in the amount of $1,000,000 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 $21,919,408 total cost of the housing project will come from a variety of funding sources, which will include a land donation from the City of Kingsburg and Tax Credits.

Estimated Source Funds:

1.	Construction Loan	$16,023,004
2.	Housing Relinquished Fund Corp.	515,000
3.	County of Fresno HOME Loan Funds	1,000,000
4.	City of Kingsburg Land Donation	1,001,000
5.	City of Kingsburg Fee Waiver	390,460
6.	General Partner	100
7.	Developer (Deferred Costs)	1,409,159
8.	Tax Credit Equity	1,580,685
	Estimated Total Project Costs	$21,919,408

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 $1,000,000, 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 southwest corner of Sierra Street and Madsen Avenue in the City of Kingsburg, 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 47 units, of which 41 are restricted to households at varying income levels that will range from 30% to 80% AMI. All units will be subject to the AMI restrictions, with the exception of five market-rate units and one manager unit, which are not County-assisted. Construction 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.

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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 Kingsburg, and is consistent with the County's General Plan, which directs residential growth to cities. The Partnership is requesting $1,000,000 of HOME funds to assist with the construction of 11 HOME-funded units, as part of the 47 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 loan will not be lower than third lien position.

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

OTHER REVIEWING AGENCIES:

The Agreement has been reviewed and approved by the Borrower, Kingsburg Linnaea Villas, LP.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Location Map
On file with Clerk - Agreement with Kingsburg Linnaea Villas, LP

CAO ANALYST:

Sonia M. De La Rosa