



County of Fresno

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Fresno, California
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Legislation Text

File #: 21-0988, **Version:** 1

DATE: October 5, 2021

TO: Board of Supervisors

SUBMITTED BY: Jean M. Rousseau, County Administrative Officer
Delfino Neira, Director, Department of Social Services
Dawan Utecht, Director, Department of Behavioral Health

SUBJECT: Crossroads Village - Capital Financing Letter of Commitment

RECOMMENDED ACTION(S):

Approve and authorize the County Administrative Officer to execute a Capital Financing Letter of Commitment of \$2,350,000 to be used for construction of the Crossroads Village project to Sponsor UPholdings California, LLC's application to the California Debt Limit Allocation Committee and Tax Credit Allocation Committee

There is no additional Net County Cost associated with the recommended action, which will allow UP Holdings California, LLC (UPholdings) to add the executed letter to their 4% Tax Exempt Bond Application to the California Debt Limit Allocation Committee/Tax Credit Allocation Committee (CDLAC/TCAC). The application was submitted by the September 9, 2021 deadline and, if successful, will provide an anticipated tax credit investment of approximately \$19,648,331 and a tax-exempt construction bond of \$26,074,183. The project has received additional funding including \$20,000,000 through the California Department of Housing and Community Development (HCD) No Place Like Home (NPLH) program. Once 141 tax credit units are converted to permanent housing, the County's \$1,000,000 annual housing commitment will be removed. If the Tax Credit Allocation is approved, the staff will return to your Board for a Promissory Note with UP Holdings to provide capital funds and a Capitalized Operating Subsidy Reserve (COSR) for the construction and operation of the Crossroads Village project. This item pertains to a location in District 2.

ALTERNATIVE ACTION(S):

If your Board does not approve the recommended action, the County's \$1,000,000 annual housing commitment would continue until the units can be converted to meet permanent housing with subsidy and affordable housing standards at the site.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. If UPholdings is successful with their CDLAC/TCAC request, the project will provide an anticipated tax credit investment of approximately \$19,648,331 and a tax-exempt construction bond of \$26,074,183. The Department will return to your Board for approval of a Promissory Note with UP Holdings to provide capital funds in the amount of \$2,000,000 from the American Rescue Plan, or similar, and \$350,000 from an existing Department Capitalized Operating Subsidy Reserve (COSR) set aside for housing.

The construction financing sources include:

Sources	Construction Financing Sources	Permanent Financing
Tax-Exempt Bond	\$26,074,183	
Construction Loan	\$2,541,353	
HCD No Place Like Home (NPLH)		\$20,000,000
Project Homekey	\$14,818,701	\$14,818,701
General Partner Equity	\$100	\$1,985,609
Tax Credit Equity	\$2,947,250	\$19,648,331
Deferred Costs	\$10,071,054	
<u>Funding Gap</u>	<u>\$2,350,000</u>	<u>\$2,350,000</u>
TOTAL	\$58,802,641	\$58,802,641

DISCUSSION:

Acquired through the State's Project Homekey in November 2020, the County in partnership with RH Community Builders (RH) and UPHoldings will convert Crossroads Village from lease-operated rapid rehousing units supported with County funding to permanent affordable homes reinforced through subsidies and supportive services.

Project Homekey

Project Homekey Round 1 was part of the State's response to protect Californians experiencing homelessness who are at high risk for serious illness and are impacted by COVID-19. Administered by HCD, Homekey funding was made available to local public entities to purchase and rehabilitate housing including hotels, motels, vacant apartment buildings, and other buildings and rapidly convert them into interim or permanent, long-term housing.

On August 18, 2020, the County authorized the joint submittal of a grant application on August 4, 2020 with RH to HCD for Homekey funding for the purchase, rehabilitation, and a portion of operating costs for permanent housing units for persons experiencing homelessness and impacted by COVID-19.

On October 6, 2020, your Board authorized an agreement with HCD to provide Federal Coronavirus Relief Funds to acquire, rehabilitate and convert an old hotel formerly known as the Smugglers Inn, located at the southwest corner of Blackstone and Dakota Avenues in Fresno, now Crossroads Village. Your Board also authorized a Memorandum of Understanding with UPHoldings, RH, and UPA for collaboration in developing the project. UPA is the property management entity for UPHoldings.

On October 9, 2020, the County was awarded \$15.3 million dollars to purchase the Smugglers Inn property to convert 204 rooms into 165 permanent housing units to for more than 200 individuals who have been staying in emergency shelter beds. The units are restricted to 30% Area Median Income (AMI).

On January 12, 2021, your Board approved Agreement No. 21-013 with RH to operate comprehensive project-based rapid rehousing services for 83 units at Crossroads Village funded with Emergency Solutions Grant - Coronavirus (ESG-CV), from January 1, 2021 through June 30, 2021. The cost for the six-month agreement was \$965,017. The services included case management, rental assistance, and renter's education. On May 11, 2021, your Board approved an amendment extending the term by three months and increasing the ESG-CV funds to \$1,832,540.

On September 21, 2021, an item is scheduled before your Board for continued project-based rapid rehousing services at Crossroads Village funded with ESG-CV. The cost for the nine-month base contract with two optional one-year extensions is \$6,588,339 (October 1, 2021 through June 30, 2024, provided all optional years are renewed, adequate funding is available, and contracted services continue to meet the needs and

expectations of the Department). The services include project-based rapid rehousing program for 75% (123 units) with rental assistance, a renters' education program and case management services to help homeless individuals and families obtain permanent housing and achieve long-term stability. The remaining 42 units, of the original 165 Homekey units, are operated as tenant-based rapid rehousing units.

Supportive and Affordable Housing

On July 1, 2016, Governor Brown signed legislation enacting the NPLH Program to dedicate \$2 Billion in bond proceeds to invest in the development of Permanent Supportive Housing (PSH) for persons in need of mental health services and experiencing Homelessness, Chronic Homelessness, or are At-Risk of Chronic Homelessness. The NPLH was authorized by California Welfare and Institutions Code, sections 5849 and 5890 and provides capital financing for acquisition, design, construction, rehabilitation, and capitalized operating subsidies to allow counties to increase capacity of PSH. HCD administers the NPLH Program for counties which facilitates the construction of PSH.

On October 23, 2020, HCD released the Notice of Funding Availability (NOFA) for the NPLH - Round Three Competitive Application process, with applications due to HCD by January 19, 2021.

On December 15, 2020, your Board adopted and authorized the chairman to execute a resolution and related documents allowing the Department of Behavioral Health to apply for and accept NPLH - Round Three funds, administered by HCD. The development application with UPholdings and RH was submitted by January 19, 2021, for permanent supportive housing (PSH) opportunities for homeless individuals with Serious Mental Illness (SMI) or youth with Serious Emotional Disorders (SED) and their families. PSH for individuals with SMI or SED will meet the goal set forth in the NPLH program guidelines for mentally ill homeless individuals to achieve safe, permanent, supportive housing with voluntary supportive services.

On June 23, 2021, the County received notice of a NPLH - Round 3 award in the amount of \$20,000,000 for approximately 50 units at Crossroads Village which will be subject to affordability restrictions for 55 years. The funding will support conversion of a portion of the Homekey units at the Crossroads Village.

On August 24, 2021, the Boards of Commissioners of the Housing Authority of the City of Fresno allocated 50 project-based vouchers (PBVs) for 20 years, with an automatic renewal clause of an additional 20 years to Crossroads Village to facilitate the redevelopment and operation of the property. PBVs are tied to specific units, the building owner signs a contract with the housing authority for the units, and the voucher stays with the unit, even if the tenant moves out. The PBVs will be distributed to 24 studio units, 8 one-bedroom units, 16 two-bedroom units, and two three-bedroom units. All PBV units are restricted to 15% AMI.

Approval of the recommended action will authorize the County Administrative Officer to execute a Capital Financing Letter of Commitment of \$2,350,000 to be used for construction of the Crossroads Village. The site will serve households in the 141 converted units who will benefit from the project's on-site wraparound services for a period of not less than 20 years. The Letter may be submitted as documentation of a local funding commitment for funding applications. If the TCAC/CDLAC application is approved, the staff will return to your Board for a Promissory Note with UPholdings to provide capital funds for the construction of the Crossroads Village project. Construction is anticipated to begin in June 2022. A draft relocation plan has been prepared as part of the TCAC/CDLAC application.

REFERENCE MATERIAL:

BAI #50, September 21, 2021
BAI #46, May 11, 2021
BAI, #39, January 12, 2021
BAI #58, December 15, 2020

BAI #7.1, October 6, 2020
BAI #46, August 18, 2020

ATTACHMENTS INCLUDED AND/OR ON FILE:

Crossroads Village - Capital Financing Letter of Commitment

CAO ANALYST:

Sonia M. De La Rosa