



Board Agenda Item 61.1

DATE: June 30, 2026

TO: Board of Supervisors

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

SUBJECT: Affordable Housing Agreement with Reedley Elderly L.P. (with Self-Help Enterprises Acting in the Role of Developer) to Preserve, Rehabilitate, and Operate 11 Units of Affordable Multifamily Senior Rental Housing for 15 Years in the City of Reedley and a Loan Repayment Period of 55 Years

RECOMMENDED ACTION(S):

- 1. Adopt Resolution delegating the Board’s signature authority to the Director of Public Works and Planning to execute documents required for the Reedley Heritage Project subject to specified limits and conditions; and**
- 2. Conditionally approve and authorize the Director of Public Works and Planning, subject to the requirements of the Board’s Resolution, to execute an Affordable Housing Agreement, in substantially the form as attached to this item, and its associated loan documents and all necessary amendments, with Reedley Elderly L.P., as developed by Self-Help Enterprises with tax credit investors; funding would support the preservation, rehabilitation, and operation of a 23-unit senior rental housing facility in the City of Reedley (currently known as Reedley Elderly, to be renamed Reedley Heritage), and features a 15-year affordability restriction for 11 units and a maximum 55-year repayment term for an interest-bearing loan (\$2,000,000).**

There is no Net County Cost (NCC) inherently associated with the recommended actions, but by the design of the Federal program, the County will incur long-term monitoring costs dependent on continued grant funding. Approval of the first and second recommended actions will support the continuing affordability and rehabilitation of a 1978 affordable housing apartment complex of 23 single-bedroom units (22 affordable) for seniors age 62+ at 172 S. East Avenue, Reedley, CA 93654, currently known as Reedley Elderly, by conditionally authorizing a future execution of the County’s Affordable Housing Agreement to support 11 units (\$181,818 per unit of County-administered funds) and loan documents. The assisted units will be affordable for 15 years, though income restrictions from other funding sources will last 30-55 years, and the loan of \$2 million in Federal HOME funds will be repaid by March 31, 2083. This project has an anticipated total cost of \$7,828,816 and is located in District 4.

ALTERNATIVE ACTION(S):

Your Board may approve or reject the recommended actions, with or without modifications to the actions, add prerequisites, or direct staff to modify the resolution or example draft documents as appropriate and consistent with the Federal regulations governing the use of HOME funding. Should your Board not approve the recommended actions, the County would not be able to commit HOME funds to the Reedley Project, leaving an insurmountable financial gap.

FISCAL IMPACT:

There is no NCC inherently associated with the recommended actions. Preliminary underwriting for the Reedley Project is underway, but final costs were unavailable at the time this item was prepared. The fiscal review includes the customary underwriting projection of expenses increasing by 3% while revenues increase by 2%, resulting in negative cashflow prior to the end of the California Tax Credit Allocation Committee's (CTCAC) mandatory 55-year affordability period. Notably, the project demonstrates negative cashflow in Year 25. Due to declining cashflow and depreciation of the property, the County, as the anticipated lowest-tier lienholder against the property, is unlikely to receive repayment of the HOME funds.

Although HOME funds may be provided as a grant, the tax credit investor benefits from the funds being provided as a loan. Your Board or a future Board may convert the HOME funds provided into a grant. If conversion of the loan into a grant occurs, the County would not receive anywhere from \$2,000,000 to \$6,300,000 (calculated for a full 55 year period of interest accrual at 3% simple, with repayment at 50% of annual residual receipts, with all balances due March 31, 2083) in HOME program income and the County would not be able to utilize those funds in the furtherance of other HOME-eligible affordable housing activities.

The recommended example agreement allows both County Counsel and the Department of Public Works and Planning to collect fees consistent with the County's Master Schedule of Fees from the owner to reimburse for actual time spent reviewing legal and loan documents after the initial closing, as well as to perform required annual project monitoring activities and physical inspections throughout the Period of Affordability. Consistent with HOME regulations, the County will require these operational costs to be included in final underwriting, with a Year 1 cost cap at \$3,000 and increases of no more than 3% per year.

Sufficient appropriations and estimated revenues for the \$2 million loan and project administrative expenses are included in the Department's Org 55122008 FY2025-26 Adopted Budget and will be included in subsequent budget requests.

DISCUSSION:

SHE, acting as the Community Housing Development Organization (CHDO) and Developer for the Reedley Project, is requesting a loan of up to \$2,000,000 in Federal HOME funds with 3% simple interest, and repayment terms via residual receipts (split 50%/50% between the Limited Partnership and the County) with a final balloon payment of all accrued principal and interest due at the end of the loan term on March 31, 2083. The County's \$2 million loan will help defray total estimated project costs of approximately \$7.8 million, providing about a quarter of the funds needed for the project and supporting about three quarters of the total construction funds needed, while also supporting half of the affordable units.

On March 17, 2026, your Board approved an example agreement and loan documents for later execution, conditioned upon the close of all financing necessary to complete the project by the CTCAC readiness deadline of March 30, 2026. Both the Department and SHE were operating under the belief that the project could not proceed if full financing for the project had not closed by that date. In a rare occurrence, CTCAC accepted a "dry closing," whereupon the Limited Partnership was fully formed, but no funds were involved. As of the date of this item, final amounts for construction, final underwriting, and final loan documents from the United States Department of Agriculture (USDA) are still unavailable and they have not yet committed financing to the project. The County is prohibited from executing any written commitments of HOME funds until all regulatory requirements are met, including the commitment of all financing for the project, all dollar amounts are known, and underwriting has been updated to reflect the final amounts. Although the CTCAC readiness deadline was met without firm financing commitments in place, a completion deadline of December 31, 2027, remains and the developer is seeking to finish by December 31, 2026. As the project has a 6-month minimum construction time, time is of the essence for document execution to meet the accelerated deadline.

Approval of the recommended actions authorizes the Department Director, contingent upon reviews and approval by the Department, County Counsel, and ACTTC, to finalize and execute, or modify documents as necessary, to develop the project, while ensuring the County remains in regulatory compliance and is able to respond timely to anticipated requests for subordination at closing and conversion to permanent financing. The recommended delegation of authority supports the administrative processes and demands for last-minute flexibility inherent in a complex real estate transaction involving State tax credits, investors, and Federal and multiple investors and sponsors, including the USDA.

The County administers HOME activities on behalf of the Urban County Area, as established by the most recent Joint Powers Agreement authorized by the Board on August 8, 2023. HOME provides formula entitlement grants to states and local governments that are used-often in partnership with local nonprofit groups-to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership, or by providing direct rental assistance or downpayment assistance to low-income households. HOME is the largest Federal block grant to State and local governments designed exclusively to create and preserve affordable housing for low-income households.

An analysis of fair housing was performed for this Project. Details are included as an attachment to this item. All other material facts discussed in the discussion of the March 17 item remain true, except for SHE seeking a 15-year Period of Affordability rather than a 55-year one results in an overall County investment of \$12,121 per 11 units, for 15 years, rather than \$3,306 per unit, per year for 55 years, as previously indicated. The requested loan term of 55 years remains, however. The Reedley Project's pro forma financial statement does not demonstrate sufficient cash flow to repay the County's loan of HOME funds and the owner would need to obtain the funding to repay the County through sale, secondary financing, or re-syndication of the project.

The use of HOME funds obligates the County to monitor the owner's compliance regarding the habitability of the assisted property and units throughout the Federal Period of Affordability of 15 years and ensure all HOME regulations (including but not limited to tenant income limits, lease requirements, rent caps, and property standards) are followed. Any failure by the owner or their property management company to comply with HOME regulations during the Period of Affordability could result in HUD requiring the County to repay all HOME funds associated with the project (including costs for staff time that are not included in the Affordable Housing Agreement), regardless of whether the County receives HOME funds back from the owner of the property. To limit this risk of liability, the Department is recommending the statutory minimum Period of Affordability of 15 years rather than one aligned with the 55-year requested term of the loan.

As is customary with projects of this nature, the County is being asked to subordinate its loan to all lenders investing a higher amount of dollars in the project than the County's contribution by executing one or more subordination agreements. The Department is not currently able to identify the County's numerical lien position, but it is very likely that the County's lien position will be in the last and lowest position. This means that for purposes of loan payoff, the County can only collect its full debt owed once the property owner has satisfied all superior debts. It is important to note that the cost of the rehabilitation greatly exceeds the appraisal of the apartment complex and the amount of funds invested exceeds the anticipated value of the rehabilitated apartment complex. In the event the property is sold prematurely, there will likely be insufficient funds to reimburse all lenders. The recommended agreement contains a disadvantageous, non-standard termination for convenience clause to satisfy the Federal requirement to include such a clause while also satisfying the developer's need to be assured the County would not capriciously exercise it.

CEQA/NEPA for Reedley Project

The Department completed Environmental Review No. 2557H01 under the provisions of the National Environmental Policy Act (NEPA) on January 14, 2026, for the Reedley Project. Based on the environmental review, the Project converts to exempt per 58.34(a)(12). The Project is considered categorically exempt from California Environmental Quality Act (CEQA) review. CEQA Guidelines Section 15332 state that infill development projects are categorically exempt from CEQA. The project site has a High Density Residential Planned Land Use Designation and a HDR (High Density Residential) zone district. The project is consistent

with the General Plan and zoning. The project occurs in the city limits of Reedley and is on a 0.894-acre site surrounded by urban uses, developed with urban uses. A Notice of Exemption (NOE) was filed with the Fresno County Clerk on January 23, 2026.

REFERENCE MATERIAL:

BAI #42.1, March 17, 2026
BAI #40, August 8, 2023

ATTACHMENTS INCLUDED AND/OR ON FILE:

Resolution
Fair Housing Analysis
On file with Clerk - Example Affordable Housing Agreement
On file with Clerk - Example Promissory Note
On file with Clerk - Example Federal HOME Regulatory Agreement and Declaration of Restrictive Covenants
On file with Clerk - Example Deed of Trust

CAO ANALYST:

Dylan McCully