



Board Agenda Item 64

DATE: June 24, 2025

TO: Board of Supervisors

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

SUBJECT: Partial Forgiveness of Loan to Habitat for Humanity, Inc. to Construct Country Meadows II Affordable Housing

RECOMMENDED ACTION(S):

- 1. Approve and authorize the Chairman to execute First Amendment to Agreement No. A-20-309 with Habitat for Humanity Fresno, Inc., to allow the option for conversion of the balance of the loan of HOME Investment Partnerships Program funds for the construction of Country Meadows II into a grant (\$97,065); and**
- 2. Approve and authorize the Director of Public Works and Planning, or designee identified in writing, upon review and approval by County Counsel as to legal form and the Auditor-Controller/Treasurer-Tax Collector as to accounting form, to execute amendments to loan and related documents, including, but not limited to Substitution of Trustee and Deed of Full Reconveyance, necessary to forgive repayment of the remaining loan balance associated with the development of affordable single-family homes by Habitat for Humanity Fresno, Inc. in the Country Meadows II project in Riverdale, CA with a maximum forgivable amount of \$97,065.**

There is no Net County Cost associated with the recommended actions, which together will remove the requirement to repay approximately 21.6% of a \$450,000 loan to develop affordable single-family housing, resulting in a decrease in anticipated Program Income from the Federal HOME Investment Partnerships (HOME) program. The generation of Program Income is not required by the funding source, and the HOME program permits grants of its funding. This item pertains to a location in District 4.

ALTERNATIVE ACTION(S):

If the recommended actions are not approved, Habitat for Humanity Fresno, Inc. (Habitat) has indicated to Department staff that adhering to the existing loan repayment timeframe of five years, ending September 9, 2025, would negatively impact their efforts to construct affordable housing elsewhere in Fresno County. Your Board may consider the following alternative actions:

1. Approve and authorize the Director of Public Works and Planning, or designee identified in writing, to execute all documents necessary following review and approval by both County Counsel and the Auditor-Controller/Treasurer-Tax Collector to extend the terms of the agreement and loan documents by an additional 15 years. Department staff recommend your Board considers allowing 15 additional years, as it offers the most repayment flexibility to Habitat, resulting in a 20-year repayment term from the beginning of the agreement.
2. The Board may choose to take no action and hold the Borrower to the original repayment terms of

the loan and agreements.

FISCAL IMPACT:

There is no Net County Cost associated with the recommended actions; however, the amount of funds forgiven would not return to the County for reissuance into a new affordable housing project. The regulations governing the use of the County-administered Federal HOME funds permit administering jurisdictions the choice of issuing the funds as grants or loans. Historically, these funds have only been issued as loans. Federal funds repaid to the County after being invested in an affordable housing project are considered Program Income and are reported regularly to the U.S. Department of Housing and Urban Development (HUD) upon receipt.

HUD requires that all HOME Program Income received be reinvested into the HOME program; funds cannot be used for non-eligible purposes. The Department's Community Development Division reissues Program Income into new affordable housing projects, less 10% for administrative expenses and staffing costs. Partial forgiveness of the loan would ultimately reduce the amount of Program Income received in the future for new affordable housing projects by \$97,065, and the Department would have approximately \$9,707 less in revenue for administration of the HOME program. Although Program Income is an important part of the Department's budget for affordable housing activities, foregoing \$9,707 for HOME administration and \$87,358 for additional projects can be weighed against Habitat's intended use of the funds.

DISCUSSION:

On August 18, 2020, the Board executed Agreement No. A-20-309 with Habitat, authorizing an allocation of \$450,000 from the County's Federal HOME program as a loan for the development of the Country Meadows II Project, an affordable housing project in the unincorporated community of Riverdale, California. In combination with United States Department of Agriculture - Rural Development (USDA-RD) financing of \$1,970,400, the project built eight single-family residences affordable to households at or below 80% of the area median income for Fresno County. The project broke ground in May 2022, as the start of construction was delayed by the COVID-19 pandemic, and the first three homes were completed in June 2023, with the remaining five homes completed in the following months.

The original terms of the Agreement established the funding as a no-interest, deferred payment, five-year term development loan. For repayment, the County established terms that allowed either A) cash payments from Habitat, or B) secondary financing security documents in the form of promissory notes and deeds of trust to eligible homebuyers in aggregate of \$450,000, or C) a combination thereof. HOME Program investments may also be structured to allow forgiveness in full or in part, however at the time of the Agreement, such a provision was not included.

Eight families were chosen by Habitat to participate in the construction of these new homes, and in combination with sweat equity and homeowner/borrower education, assumed a portion of the HOME loan through secondary mortgage financing of their respective homes. Due to the individual finances of each homebuyer household, the resulting funds to be repaid to the County by the homebuyers varied from approximately \$7,137 to \$67,600, with an average loan size of \$44,117. The total amount of the loans to be repaid to the County by the homebuyers is approximately \$352,935, and the loan balance due to the County from Habitat is approximately \$97,065.

According to the terms of the current agreement, repayment of the loan comes due in five years from the Agreement date, or August 18, 2025. While the typical repayment term for HOME-funded affordable housing development is 20 years, this loan was created with a five-year term. It is believed that, at the time, the Department and Habitat both anticipated the transfer of debt and repayment of the HOME funds by the eight homeowners (approximately \$56,250 each) would fully cover the \$450,000 HOME investment. As some of the low-income homebuyers were at the higher end of the income limit, the resulting HOME assistance was accordingly lowered, resulting in less HOME funds being repaid by the homeowners and a balance of funds

to be repaid by Habitat.

On November 21, 2024, the governing board of Habitat adopted Resolution No. 225 to authorize the Chief Executive Officer of Habitat to request forgiveness of the balance of the loan, and on November 26, 2024, the Department received Habitat's written request (attached). In the event outright forgiveness of the remaining balance is not granted, Habitat requests the County make any modifications necessary to extend the repayment timeframe to the typical repayment length of 20 years. Such an extension will permit Habitat to focus their resources on current affordable housing development efforts in the City of Reedley.

Habitat has an established track record as a developer of affordable housing and has been a valued partner on projects that support the County's goals for affordable housing. Approval of the recommended actions will relieve Habitat of the obligation to repay the balance of its loan. Habitat has affirmed that any balance forgiven by the County will support other affordable housing projects within the County. The recommended amendment includes a provision that would authorize and direct the Director to execute amended loan documents with Habitat to forgive the balance and close the HOME loan, subject to approval by County Counsel as to legal form and the Auditor-Controller/Treasurer-Tax Collector as to accounting form. The individual homeowner loans and the requirement for the eight homes to remain affordable will persist through the duration of the Federal HOME period of affordability, which will end 20 years after the date of sale of each home.

REFERENCE MATERIAL:

BAI #38, August 18, 2020

ATTACHMENTS INCLUDED AND/OR ON FILE:

Letter and Resolution from Habitat

On file with Clerk - Amendment I to Agreement 20-309

On file with Clerk - Substitution of Trustee and Deed of Full Reconveyance

CAO ANALYST:

Dylan McCully