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Agenda Item: ID#17-434 (9:00 A.M.)

Date: 3/23/17

2017 MAR 22 PM 5 17



## Supplemental Information Packet

Agenda Related Item(s) – ID#17-434 (9:00 A.M.)

### Contents of Supplement: Staff Report

#### Item(s)

Actions pertaining to 532-614 Fulton Street (Fulton) and seven properties rehabilitated under the Neighborhood Stabilization Program:

1. \*\*\*RESOLUTION - Approving the amendment (with a principal reduction payment of \$100,000) of an existing \$600,000 Promissory Note to the Fresno Housing Successor (Revised Note) and substituting security to seven properties rehabilitated under the Neighborhood Stabilization Program (NSP) (APNs: 452-156-19, 460-084-07, 461-052-08, 454-191-05, 460-214-09, 459-036-04, 460-234-18) (NSP Properties);
2. Transfer of fee title of the seven NSP Properties from TFS Investments, LLC. to FRC; and FRC's assumption of NSP obligations on the NSP Properties and the Revised Note;
3. Amend the existing NSP notes secured by the NSP Properties.

#### **Supplemental Information:**

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

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**REPORT TO THE CITY COUNCIL AND FRESNO REVITALIZATION CORPORATION**

**DATE:** March 23, 2017

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**FROM:** MARLENE MURPHEY, Executive Director  
Fresno Revitalization Corporation

CITY CLERK, FRESNO CA

**SUBJECT:**

Actions pertaining to 532-614 Fulton Street (Fulton) and seven properties rehabilitated under the Neighborhood Stabilization Program:

1. \*\*\*RESOLUTION - Approving the amendment (with a principal reduction payment of \$100,000) of an existing \$600,000 Promissory Note to the Fresno Housing Successor (Revised Note) and substituting security to seven properties rehabilitated under the Neighborhood Stabilization Program (NSP) (APNs: 452-156-19, 460-084-07, 461-052-08, 454-191-05, 460-214-09, 459-036-04, 460-234-18) (NSP Properties);
2. Transfer of fee title of the seven NSP Properties from TFS Investments, LLC. to FRC; and FRC's assumption of NSP obligations on the NSP Properties and the Revised Note;
3. Amend the existing NSP notes secured by the NSP Properties.

Sponsor: Fresno Revitalization Corporation Executive Director

**BACKGROUND**

In 2009 the Fresno Redevelopment Agency entered into an Owner Participation Agreement (OPA) with TFS Investments LLC for the 39 unit Fulton project located at 532-614 North Fulton Street. A thirty year 2% low interest loan of \$600,000 provided rehabilitation assistance in consideration of 55 year affordability covenants. In 2012 TFS Investments LLC sold the property to Fulton Partners LLC and Thaler Investments LLC subject to the OPA, loan and covenants.

The Fulton property is currently in escrow with a closing date no later than March 28, 2017 in order to satisfy the buyer's 1031 exchange. TFS Investments is proposing that the debt of \$600,000 owed to the FHS (City of Fresno in its capacity as Housing Successor) be transferred from the Fulton property to seven single family homes that were rehabilitated under the Neighborhood Stabilization Program (NSP) and owned by TFS.

The deal points of this transaction are highlighted below:

- The Owner Participation Agreement and covenants for Fulton will remain in place
- TFS will pay \$100,000 to the FHS

- TFS will assign the obligation on the remaining \$500,000 balance of the Loan to the Fresno Revitalization Corporation (FRC) the nonprofit corporation established to handle residential rental properties
- TFS will transfer title to seven NSP properties to FRC
- FRC will use the net income (of approximately \$3,500 per month after expenses) from the 7 properties to repay the loan to the FHS
- After the FHS loan is repaid in full, FRC will then use net available funds from the 7 properties to repay the City NSP loans until maturity

Implementation of these deal points are contained in the attached documents and will occur in three steps: (1) Modification of the \$600,000 Fultonia loan; (2) transfer of the seven NSP properties and corresponding NSP loans to FRC; and (3) amending the NSP loans.

## **CONCLUSION/RECOMMENDATION**

The primary objective of the Fresno Housing Successor is to assist in the supply of affordable housing, secure its long term availability to lower income households and efficiently guide resources to serve and maximize those objectives.

The approval of this item will serve and benefit those objectives. The initial loan of \$600,000 lead to the rehabilitation of 39 units thus increasing the supply of affordable housing. The 55 year covenants remain with the Fultonia property insuring its long term availability to lower income households. The Fultonia buyer has experience in and supports the purposes of affordable housing. The eventual resource of the \$600,000 loan with small incremental payments over thirty years will now—with this transaction--make \$100,000 immediately available for affordable housing program objectives and also expedite the repayment of the \$500,000 balance over approximately 14 rather than 30 years thus furthering the same objective. Lastly, as contrasted with the current NSP contract status in which repayment proceeds would not begin to revolve back into affordable housing for about 15 years and then at a rate of 50%, the approval of the subject transaction to title the property to FRC will result in 100% of net proceeds immediately being directed to the purpose of affordable housing.

## **ENVIRONMENTAL FINDINGS**

N/A

## **LOCAL PREFERENCE**

N/A

**FISCAL IMPACT**

The FHS FY16-17 budget will immediately receive a loan repayment of \$100,000 followed by the repayment of the balance of the loan over approximately 14 years.

Attachments: