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Title: Actions pertaining to the Hye Project for the rehabilitation as affordable housing of historic resources located at M and Santa Clara Streets:
 1. RESOLUTION - Authorizing the distribution of funds from FRC Canyon Crest, LLC., to the Fresno Revitalization Corporation (FRC Action)
 2. Approve Owner Participation Agreement with Essayons, LP., for the Hye Project to rehabilitate three single family homes at M and Santa Clara Streets (City as Housing Successor and FRC Action)
 3. Approve Facade Covenant (Successor Agency Action)

Sponsors: Successor Agency to the Redevelopment Agency of th

Indexes:

Code sections:

Attachments: 1. Resolution, 2. Covenant, 3. Owner Participation Agreement

Date	Ver.	Action By	Action	Result
9/29/2022	1	City Council	ADOPTED	Pass

JOINT MEETING OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY, THE CITY OF FRESNO IN ITS CAPACITY AS HOUSING SUCCESSOR, AND THE FRESNO REVITALIZATION CORPORATION

FROM: MARLENE MURPHEY, Executive Director

SUBJECT

Actions pertaining to the Hye Project for the rehabilitation as affordable housing of historic resources located at M and Santa Clara Streets:

1. RESOLUTION - Authorizing the distribution of funds from FRC Canyon Crest, LLC., to the Fresno Revitalization Corporation (FRC Action)
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Staff recommends the City Council acting in its capacity as Housing Successor and the Fresno Revitalization Corporation (FRC) approve an Owner Participation Agreement (OPA) with Essayons LP., for the Hye Project to rehabilitate three single family historic resource homes at M and Santa Clara Streets; a Resolution Distributing Funds from FRC Canyon Crest LLC to the FRC; and a Façade Covenant.

EXECUTIVE SUMMARY

Essayons LP is proposing to purchase and rehabilitate three vacant residential historic resources located at 450 M Street at the Southeast corner of Santa Clara and M Streets for affordable housing. The Owner Participation Agreement for the HYE Project would provide three single family rental residential affordable housing units with a 55 year affordability period. The rehabilitation project cost estimated at \$1,221,100 is proposed to be funded with Fresno Revitalization Corporation (FRC) and Housing Successor Program funds. The property will transfer with a covenant that the facades be maintained to their period of significance.

BACKGROUND

The 450 M Street site is a single parcel (APN 468-223-20T) located on the southeast corner of Santa Clara and M Streets. It consists of three relocated single family historic resource structures and a small outbuilding grouped around a common area. In their current state, the vacant structures are uninhabitable building shells.

The structures were relocated to the .61 acre receiver site property, a part of the footprint for the 5th District Court of Appeals development project, commonly known as the Old Armenian Town project. This parcel is a part of the master development plan under the Master Disposition and Development Agreement (DDA) recorded with the Fresno County Recorder on July 29, 2005, and is therefore subject to and being transferred pursuant to that enforceable obligation. This parcel, however, is no longer considered a “developable” parcel by virtue of becoming the receiver site for the historic resource homes. The Developer, Essayons L.P. will purchase the site as is at fair market value to rehabilitate the structures to serve as single family affordable rental housing. The purchase price of \$66,000 is the MAI appraised value effective July 28, 2021. The transfer of the Property is consistent with and pursuant to the terms of the enforceable obligation of the Master Disposition and Development Agreement (DDA) and consistent with the Long Range Property Management Plan approved by the State Department of Finance.

Essayons LP is the development arm of the Penstar Group, a California corporation. The Developer has extensive experience in real estate development, construction, ownership and management. Experience in affordable housing includes the 128 multi-family Legacy Project in Southwest Fresno, the 180 unit Brand Haven senior housing development now under construction and the two phase 240 unit Sarah’s Court family housing development in east Fresno. Commercial projects include the West Fresno One Stop Center. and Terry’s House, a hospitality home for patient families.

The Hye Project will serve to return turn of the century residential structures to occupancy. The property will transfer with a covenant that the facades be maintained to their period of significance and in accordance with the Secretary of Interior’s Standards for the Rehabilitation of Historic Structures, as required as project mitigation under CEQA. The developer has requested the Agency indemnify the Developer in relation to potential claims to enforce the covenant. The OPA sets forth the process to address any breach by the owner and provides the Agency with authority to cure and lien or assess the Property for expenses if necessary.

The Project’s setting offers a unique multi-family project in detached single family structures of approximately 721 to 1313 square feet. The two smaller structures of about 721 and 1,007 sq. ft. will offer two and three bedroom one bath units respectively and the larger 1313 sq. ft. structure will offer

a three bedroom, two bath unit type. The rehabilitation work will include interior structural bracing, partition walls, kitchens, bathrooms, in-unit laundry appliances and required utility infrastructure. The buildings are clustered, maximizing efficient, attractive use of the site that includes on-site parking.

The site has experienced vandalism and the utility infrastructure has been severely damaged. In June of 2020 two of the original five relocated structures were destroyed by suspected arson fire. Following the fire, City staff recommended the water and utilities remain inoperable to reduce the site's attraction. The rehabilitation will include the restoration and replacement of utility infrastructure, the replacement of damaged landscaping and the removal of the concrete foundations that remain from the fire. The rehabilitation and occupancy will help to protect the structures while providing vital housing.

If approved, the Developer plans to commence work immediately. The performance schedule estimates completion of improvements within nine months from start of construction.

Rehabilitation of the structures presents a substantial funding challenge and assistance is necessary for economic feasibility of the project. The use of affordable housing dollars will rehabilitate historic resources, provide much needed residential units and help to protect the site and revitalize the area through transition from vacant to occupied housing. The completed housing units will be affordable to households earning between 80 and 120 percent of Average Median Income (AMI) with 55 year affordability covenants.

FUNDING

The total rehabilitation cost is estimated at \$1,221,100, exclusive of the Developer's purchase price of \$66,000. In order to enable financial feasibility and meet Housing Successor goals for Affordable Housing the FRC and Housing Successor will provide a forgivable no interest residual receipts loan of \$1,221,100.

As shown in the OPA Sources and Uses Budget (Exhibit C) the Housing Successor Agency program budget will contribute \$662,486 and the FRC will contribute \$558,614. The FRC funds are comprised of insurance proceeds in connection with the 2020 fire damage in the amount of \$281,452.19 and \$277,161.81 from recent loan repayments to FRC Canyon Crest LLC. The single purpose LLC was established by FRC to facilitate rehabilitation of the Canyon Crest multi-family project. Recently, funds became available from repayment of the Canyon Crest promissory note that will be applied to the 450 M Street affordable housing project. A resolution has been prepared to distribute \$277,161.81 from FRC Canyon Crest LLC to FRC consistent with its purpose to improve and preserve housing for low and moderate income households.

ENVIRONMENTAL FINDINGS

City planning staff reviewed this project and finds that no new environmental document is required, as the project was previously assessed under Mitigated Negative Declaration C-02-061, adopted November 19, 2002, and Subsequent Environmental Impact Report (SEIR) SCH#2001051046, dated February 7, 2008. The current action is to approve funding for an already approved and entitled project that was previously assessed, and the project is proceeding consistent with those entitlements. No substantial changes are proposed which will require major revisions of the previous environmental documents.

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The Fresno Housing Successor and Fresno Revitalization Corporation FY 22/23 budget provide funds for the development of affordable housing for this multi-family project.

Attachments:

Owner Participation Agreement

Resolution

Covenant