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Agenda Items: ID#19-11117 (10:30 AM#2)

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CITY OF FRESNO
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Agenda Related Item(s) – ID#19-11117 (10:30 AM#2)

Item(s)

Consider a 2nd Amendment to the Disposition and Development Agreement between the City of Fresno, the City of Fresno in its capacity as Housing Successor to the former Redevelopment Agency and Noyan Frazier Capital LP.

Contents: Staff Report to include a REVISED Environmental Findings Section

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

DATE: August 15, 2019

FROM: MARLENE MURPHEY, Executive Director

SUBJECT: Consider a 2nd Amendment to the Disposition and Development Agreement between the City of Fresno, the City of Fresno in its capacity as Housing Successor to the former Redevelopment Agency and Noyan Frazier Capital LP.

RECOMMENDATION

It is recommended that Council approve a 2nd Amendment to the Disposition and Development Agreement between the City of Fresno, the City of Fresno in its capacity as Housing Successor to the former Redevelopment Agency and Noyan Frazier Capital LP.

EXECUTIVE SUMMARY

The Developer for the Park at Fresno has prepared a budget analysis indicating a \$659,298.00 funding shortfall and has requested a contribution of funds in order to fill the gap. A 2nd Amendment to the DDA provides for the Housing Successor to the former Redevelopment Agency of the City of Fresno (FHS) to contribute the gap amount of \$659,298 in Low Moderate Income Housing Asset Funds (LMIHAF) to develop 10 affordable rental residential units that will be restricted to household income levels no greater than 50% of AMI for a period of 55 years; and, sustains the sale of two parcels of FHS-owned land for \$1.00 per parcel for The Park at Fresno Project.

BACKGROUND

A request for Proposal (RFP) was issued on April 3, 2014 for a mixed –use multi-phase development in the South Stadium area that included several properties owned by the Successor and Housing Successor Agency to the former RDA. On October 30, 2014, the Council and Agency selected Noyan Frazier Capital LLC as the developer and on February 25, 2016 a Disposition and Development Agreement (DDA) was approved that focused on a proposed Phase 1 mixed use, multi-story building with 50 residential units over ground floor retail. On June 21, 2018 the 1st Amendment was approved.

Summary of Developer Request and Gap Analysis

The Developer has submitted a Revised Budget and Static Pro Forma analysis and requests funding in the amount of \$659,298.00 to cover the projected gap shown in the analysis.

The revised pro forma shows a reduced project cost that totals \$17,001,209 for the Affordable Housing Development component. (This amount does not include land contribution of \$432,280 or the Transportation and AHD Component Related category of \$3,204,920 which remains unchanged). The requested gap amount is based upon net operating income of \$673,102, a capitalization rate of 7 % with the Project's fair market value at \$9,615,778.00 to support a rate of return of 7%. The value less costs results in a project gap of \$7,385,431.00. The Project is comprised of 44 market rate units and 10 affordable units at 50% of AMI. The Developer has used a methodology wherein the public sector

incentives specific to the Affordable Housing Development component are subtracted from the gap of \$7,385,431 leaving a remaining shortfall of \$659,298.

Funding and Site Status

The Project—with a total cost of \$20,638,409 as shown in Exhibit C2-- has been awarded an AHSC Grant and Loan totaling \$3,269,895; Air Pollution Control District funds of \$1,889,511 and Impact fee Waivers of \$495,270.00. The AHSC funds are contingent upon the State's approval of the Developers requested extension to April 11, 2020 to begin construction. The balance of funds for the AFD component are the 4% tax credit equity funds projected at \$694,763; Developer equity of \$1,496,000 and a permanent loan of \$8,496,472. The developer intends to apply for 4% tax credits October 11, 2019. The Transportation/AHD Infrastructure component of \$3,204,920 will be funded from the Measure C TOD; Measure C Bikeways; AHSC Sustainable Transportation Infrastructure; and, Transportation related Amenities grants.

The success of the AHSC application is in some part dependent upon the contribution of funds or in kind assistance to the project by the local sponsoring entity. The Staff Report and Disposition and Development Agreement approved on February 25, 2016 provided for, among other things, the purchase of two FHS-owned parcels by the City of Fresno for Fair Market Value estimated at \$100,000 and the eventual sale of the parcels to the Developer for \$1.00 each. In order to both sustain this provision, and to meet SB 341 requirements, the FHS proposes to directly sell the two parcels to the Developer at the selling price of \$1.00 per parcel as originally contemplated.

Summary/Recommendation

The Park at Fresno Project leverages a variety of public funding sources that together represent a significant downtown investment in both affordable and market rate housing and creates desired intensification and mixture of land use with emphasis on goals for transit oriented, sustainable development. Further, The Park at Fresno can meet both state requirements to utilize FHS –owned real property for affordable housing and to fulfill housing needs at very-low income levels while, at the same time, meet community goals for mixed-income neighborhoods. Considering the Project benefits, the city acting in its capacity as the Housing Successor to the Redevelopment Agency (FHS) proposes to contribute land valued at \$100,000 and fill the funding gap in the amount of \$659,298 with the condition that such funds are to develop 10 affordable units that will be restricted to person(s) whose annual household income is not greater than 50% of AMI. This provision addresses the Housing Successor requirements under AB 341 pertaining to assets and wherein program income must be proportionately allocated across a range of income levels.

To close the funding gap and contribute two parcels of land the attached 2nd Amendment is recommended to provide for a contribution of \$659,298 in Low and Moderate Income Housing Funds from the Housing Successor.

ENVIRONMENTAL FINDINGS

A Finding of Conformity was adopted for the South Stadium TOD Project on September 18, 2015. This approval is to allocate additional funding for a portion of that project.

An analysis has been performed pursuant CEQA Guidelines § 15162 to determine whether subsequent environmental review is required for the Second Amendment to the Disposition and Development Agreement. Based upon this analysis the following findings are made to support the determination that no subsequent environmental review is required:

1. No substantial changes are proposed in the project which will require major revisions of the previous Finding of Conformity due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. In this case, there are no changes to what was previously assessed.

2. No substantial changes occur with respect to the circumstances under which the project is undertaken which will require major revisions of the previous Finding of Conformity due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.

3. There is no new information, which was not known and could not have been known at the time of the previous addendum that the project will have significant effect not discussed in the Finding of Conformity.

Based upon these findings, it has been determined that no further environmental documentation is required for this project.

Finally, this approval in particular only relates to allocation of funding for a portion of the project and does not change the scope of what was previously analyzed. Therefore no further assessment pursuant to CEQA is required at this time.

LOCAL PREFERENCE

N/A

FISCAL IMPACT

Funds are available in the Fresno Housing Successor's FY 19/20 adopted budget.

Attachments:

2nd Amendment to the DDA