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**Title:** 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.

**Sponsors:** Successor Agency to the Redevelopment Agency of th

**Indexes:**

**Code sections:**

**Attachments:** 1. Second amendment South Stadium DDA\_final.pdf, 2. Late Submission - Staff REport with REVISED Environmental Findings Section.pdf

Date	Ver.	Action By	Action	Result
8/15/2019	1	City Council	approved	

**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

Consider a 2<sup>nd</sup> 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 2<sup>nd</sup> 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 2<sup>nd</sup> 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 2<sup>nd</sup> Amendment is recommended to

provide for a contribution of \$659,298 in Low and Moderate Income Housing Funds from the Housing Successor.

**ENVIRONMENTAL FINDINGS**

This project falls within the Categorical Exemption set forth in Section 15332 which exempts certain infill projects. This project meets all the requirements of that section, and none of the exceptions to Categorical Exemptions set forth in section 15300.2 apply to this project.

**LOCAL PREFERENCE**

N/A

**FISCAL IMPACT**

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

**Attachments:**

2<sup>nd</sup> Amendment to the DDA