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Title: Approve a \$1,420,500 HOME Investment Partnerships Program Agreement with FCTC Senior, LP for the construction of 180 affordable senior rental housing units at the Fancher Creek Master Plan Development site located at Marion Avenue and Fancher Creek Drive in southeast Fresno. (District 5)

Sponsors: Planning and Development Department

Indexes:

Code sections:

Attachments: 1. Exhibit A - Part 1 HOME Agreement, 2. Exhibit A - Part 2 HOME Agreement, 3. Exhibit B - Project Location Map, 4. Exhibit C - Project Finance Plan, 5. Exhibit D - Site Plan and Elevations

Date	Ver.	Action By	Action	Result
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REPORT TO THE CITY COUNCIL

December 12, 2019

FROM: JENNIFER CLARK, Director
Planning and Development Department

THROUGH: THOMAS MORGAN, Manager
Housing and Community Development Division

BY: CORRINA NUNEZ, Project Manager
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SUBJECT

Approve a \$1,420,500 HOME Investment Partnerships Program Agreement with FCTC Senior, LP for the construction of 180 affordable senior rental housing units at the Fancher Creek Master Plan Development site located at Marion Avenue and Fancher Creek Drive in southeast Fresno. (District 5)

RECOMMENDATIONS

Staff recommends the City Council approve a \$1,420,500 HOME Investment Partnerships (HOME) Program Agreement (Exhibit "A" - HOME Agreement) with FCTC Senior, LP, (Developer) for the construction of 180 affordable senior rental units at the Fancher Creek Master Plan Development site located at Marion Avenue and Fancher Creek Drive in southeast Fresno (Exhibit "B" - Project Location Map); and authorize the City Manager to sign all implementing documents required by the

U.S. Department of Housing and Urban Development (HUD), approved as to form by the City Attorney's Office.

EXECUTIVE SUMMARY

On May 9, 2017, Dominus Consortium, LLC was selected through a February 2017 Notice of Funding Availability (NOFA) to receive \$1,420,500 in 2017-2018 HOME Program funds for its Fancher Creek Senior Housing Project, a 180-unit affordable senior rental housing project located in southeast Fresno (Project). In a February 28, 2019, the staff report to Council for the approval of Community Development Block Grant (CDBG) funds to the Project, staff informed Council that this HOME Agreement would be forthcoming for consideration. The \$1,420,500 in HOME Program funding is expected to complete financing of the Project.

BACKGROUND

On February 10, 2017, the Housing and Community Development Division released a NOFA for 2017-2018 HOME funding. In response to the NOFA, the City received several applications one of which was the Developer's Project. After preliminary underwriting and technical assessment of the applications, the Project was determined to provide the largest communal impact and was therefore recommended for funding in the amount of \$1,420,500 as a residual receipts loan with a no less than a fourth position lien, at 2% interest, with the balance due and payable in full at a 55-year maturity date.

In accordance with the City of Fresno Better Business Act, the proposed funding was issued through a HOME Investment Partnerships Program NOFA and is therefore not subject to the Act process.

The total development cost is estimated at \$31,054,843 of which \$2,259,784 was previously awarded to the Developer for property acquisition by Council on February 28, 2019, as part of a substantial amendment to reprogram funds in an effort to meet HUD's CDBG timeliness test. On April 18, 2019, the 2-acre site for the project was purchased by the Developer in preparation for the development of the Project. If approved, the project will be funded with \$1,420,500 in HOME Program funds and \$27,374,559 will be funded by the project partner, Kashian Enterprises (Exhibit "C" - Project Finance Plan). To date, most of the master plan development infrastructure is underway or complete.

The \$1,420,500 in 2017-2018 HOME Investment Partnerships Program funds will be used for HOME Program-approved predevelopment soft costs and hard construction costs. Mr. Edward Kashian, as a general and limited partner of Kashian Enterprises, will continue to seek takeout financing to reduce or eliminate the \$27,374,559 commitment of funds. As such, the sources and uses and cash flow statements will likely continue to change. Takeout financing is proposed to consist of 4% California State tax credit equity, CalHFA loan, and a permanent construction loan. The Agreement allows for subordination to no lower than fourth position, in the event that senior financing is later secured.

In an effort to make the project eligible for HOME Program gap funding, all other senior financing must be secured prior to construction the project. Therefore the Developer submitted an approved Resolution committing the balance of funds backed by a Developer guaranty that the Project will be

constructed as proposed or the HOME funds will be immediately due and payable in full with interest. This method of financing will allow the Developer to receive HOME Program funds for the project while seeking other funding sources to take out the already committed and secured funds to the project.

Although the proposed revised financing provides for less tax credits to the Project, it provides for greater cash flow in that it allows for more tenants to have an income of up to 82% of area median income. Construction of the Project shall start within one year of execution of the HOME Agreement or the Developer shall be required to return HOME funds to the City.

The 144 one-bedroom units will be approximately 493 sq. ft. and the 36 two-bedroom units will be approximately 830 sq. ft. The rentable square footage of the project is approximately 100,680 sq. ft. which is a cost of approximately \$220 per sq. ft. or approximately \$125,000 per unit. Two two-bedroom units will be reserved for on-site property managers (Exhibit "D" - Site Plan and Elevations).

In exchange for HOME funding, the City will receive 11 HOME-assisted units which shall remain affordable for 55 years. Qualifying senior tenants occupying the HOME assisted units will have an income of 50% to 80% of area median income and be age 62 and over. The remaining units will be rented to tenants with an income of no greater than 82% of area median income. The estimated completion date of this affordable senior housing development is scheduled for January 2022.

The Development team created River Park, Campus Point, Park View Plaza, Palm Crossing, and is currently working on a master plan development at Fancher Creek in the central southeast area of Fresno. Once completed, the Fancher Creek Master Plan Development will consist of 90+ acres and will be home to 970,000 sq. ft. of commercial and retail businesses, a senior housing development, a multifamily housing development, a plaza, recreational space, and approximately 1.5 miles of trail along the canal.

Once the Project is complete, the units will assist the City in meeting its affordable housing goals as identified in the Housing Element of the 2035 General Plan, Consolidated Plan, and HOME Program funding priorities for new housing development. The Project is also expected to make a positive impact to the neighborhood by offering new, quality, durable, affordable senior housing.

This item was presented to the Housing and Community Development Commission for approval recommendation on November 11, 2019.

ENVIRONMENTAL FINDINGS

Environmental Impact Report (EIR) No. 10133, prepared for the Fancher Creek Project (EIR No. 10133) was certified by the Fresno City Council on May 17, 2005, by Resolution No. 2005-183. EIR No. 10133 evaluated the construction of over 2,300 residential units in the entire 475 acre area for the Fancher Creek development, including 240 residential units in a mixed use portion of the Town Center. On March 25, 2010, the Fresno City Council adopted an Addendum to EIR No. 10133, dated June 29, 2009 which addressed a total of 740 residential units in the Town Center, which is an increase of 500 units. After adoption of the Addendum to EIR No. 10133, the Fresno City Council approved a Development Agreement by and between the City of Fresno and Fancher Creek Properties, LLC which set forth the rights and responsibilities for development of the Fancher Creek Town Center, including the residential units within the Town Center Area. This approval is for a portion of the development of the Town Center as contemplated by the Development Agreement, EIR No.

10133, and the Addendum to EIR No. 10133. An analysis has been performed pursuant to California Environmental Quality Act (CEQA) Guidelines § 15162 to determine whether subsequent environmental review is required for this approval. 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 to EIR No. 10133 or the Addendum to EIR No. 10133 due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects.
2. No substantial changes occurred with respect to the circumstances under which the Fancher Creek Project or the Development Agreement for the Fancher Creek Town Center were undertaken which will require major revisions to the EIR No. 10133 or the Addendum to EIR No. 10133 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 with the exercise of reasonable diligence at the time EIR No. 10133 was certified or the Addendum to EIR No. 10133 was adopted that shows any of the following:
 - a. The project will have one or more significant effects not discussed in EIR No. 10133 or the Addendum to EIR No. 10133;
 - b. Significant effects previously examined will be substantially more severe than shown in EIR No. 10133 or the Addendum to EIR No. 10133;
 - c. Mitigation measures or alternatives previously found not to be feasible would in fact be feasible, and would substantially reduce one or more significant effects of the project, but the project proponents decline to adopt the mitigation measure or alternative; or
 - d. Mitigation measures or alternatives which are considerably different from those analyzed in the EIR No. 10133 or the Addendum to EIR No. 10133 would substantially reduce one or more significant effects on the environment but the project proponents decline to adopt the mitigation measure or alternative.

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

Furthermore, an environmental review of the Fancher Creek Senior Housing Project activities were reviewed pursuant to the National Environmental Policy Act (NEPA) guidelines on August 2, 2017, and resulted in a finding of No Significant Impact.

LOCAL PREFERENCE

Local preference is not applicable because of the use of federal funding.

FISCAL IMPACT

The HOME Program funds for the proposed Fancher Creek Senior Housing project were appropriated to the Planning and Development Department as part of its fiscal year 2020 Budget.

Attachments:

Exhibit A - Part 1 HOME Agreement

Exhibit A - Part 2 HOME Agreement

Exhibit B - Project Location Map

Exhibit C - Project Finance Plan

Exhibit D - Site Plan and Elevations