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**Title:** Approve a First Amendment to the Disposition and Development Agreement between the City of Fresno in its capacity as Housing Successor and Fresno Housing Authority for Heritage Estates located at the southeast corner of East Florence and Plumas Avenues.

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

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**Attachments:** 1. First Amendment - Heritage

Date	Ver.	Action By	Action	Result
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**JOINT MEETING OF THE CITY COUNCIL, THE CITY OF FRESNO IN ITS CAPACITY AS HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO, THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO, AND FRESNO REVITALIZATION CORPORATION**

**DATE:** June 20, 2024

**FROM:** MARLENE MURPHEY, Executive Director

**SUBJECT**

Approve a First Amendment to the Disposition and Development Agreement between the City of Fresno in its capacity as Housing Successor and Fresno Housing Authority for Heritage Estates located at the southeast corner of East Florence and Plumas Avenues.

**RECOMMENDATION**

Staff recommends that the City of Fresno in its capacity as Housing Successor to the Redevelopment Agency (FHS) approve and authorize the Executive Director to execute a First Amendment to the Disposition and Development Agreement with Fresno Housing Authority (Housing Authority) for Heritage Estates a 33-unit single family housing development.

**EXECUTIVE SUMMARY**

The Housing Authority seeks changes to the Disposition and Development Agreement (Agreement) approved January 12, 2024, for Heritage Estates, a 33-unit single family housing development in

southwest Fresno located at the southeast corner of Florence and Plumas Avenues.

The existing Agreement provides for the contribution of a 7.94-acre FHS-owned vacant parcel and a \$1.2 million loan provided to the Housing Authority for construction costs to be conveyed by the Housing Authority to eligible first-time homebuyers as mortgage assistance. In accordance with the Surplus Land Act (SLA) and as required by various funding sources, the homes will be eligible to households from a range of income levels and affordable units will be covenanted for owner-occupancy and affordability requirements for up to 45 years. The project is funded from conventional financing and public sector housing assistance.

The First Amendment will update the proposed allocation of FHS units from 8 to 14, thus adding an additional 6 units at 60% of AMI and redistributing funds across the 14 units as shown in EXHIBIT B SCOPE OF DEVELOPMENT AND BASIC DESIGN of the Agreement. The PLHA funding from the city has a maximum limit of \$100,000 per unit. Expanding the number of FHS funded units in combination with the expansion of PLHA units and the redistribution of PLHA funds enables the Housing Authority to maximize PLHA fund use and comply with the per-house limit.

The First Amendment will also update EXHIBIT D SOURCES AND USES to reflect an estimated project cost of \$13,391,023 and sources of funds to close the budget gap between the cost of production and sale proceeds. Proposed funding sources identified in the Exhibit include \$1,200,000 from FHS Low Moderate Income Housing Fund, \$3,000,000 from PLHA funds, \$917,942 in CalHOME funds, \$7,214,400 in 1st mortgages/downpayments \$480,150 in fee waivers and \$578,531 in Housing Authority restricted funds. The Housing Authority restricted funds cannot be used for construction and will serve as forgivable loans to the homebuyers. Currently the Housing Authority anticipates approximately \$280,000 of the existing \$1.2 million FHS assistance will be needed to address the construction budget gap This leaves approximately \$920,000 of FHS funds for first-time home buyer mortgage assistance with the balance of need covered by Housing Authority funds and other sources.

The First Amendment in EXHIBIT H DEVELOPER PROMISSORY NOTE of the Agreement addresses the potential construction budget gap. The existing \$1.2 million in FHS assistance will not change. However, the First Amendment will modify the loan forgiveness terms to allow for the potential forgiveness of FHS funds to the Housing Authority in the event of a project budget shortfall. The First Amendment will continue to allow for the conditional forgiveness of FHS loan funds conveyed to homebuyers as mortgage assistance. This would require the homebuyer to maintain the house as their principal place of residence during the 45-year affordability period for the loan to be forgiven. The First Amendment will now also allow for forgiveness of any unconveyed FHS funds remaining after the final home has been sold, provided the Housing Authority can demonstrate that a gap exists between actual construction costs and actual sales proceeds.

Lastly, the First Amendment includes more clearly defined loan forgiveness terms in EXHIBIT J HOMEBUYER PROMISSORY NOTE and only minor housekeeping corrections within EXHIBITS F and L.

## **BACKGROUND**

On September 29, 2022, the City Council declared the site exempt surplus land subject to the SLA and directed staff to proceed with negotiations for a Disposition and Development Agreement with FHS for Council consideration that was approved on January 12, 2024. A description of the proposed

project and DDA follows.

The Development is planned for three and four-bedroom, two bath, two car garage homes averaging about 1600 square feet with flexibility for alternative bedroom options based on market demand. The City's Universal Design Elements will be incorporated into the homes along with energy efficient design and drought tolerant landscaping.

The approximate 8-acre development will include both on and off-site infrastructure improvements including new utilities, landscaping, streets, sidewalks, curbs, gutters and lighting. In addition, the subdivision includes an approximately .25-acre neighborhood park and 26-foot-wide set aside along East Florence Avenue for a future trail.

The thirty-three homes will be sold at market rate and available to households at a range of income levels shown in EXHIBIT B SCOPE OF DEVELOPMENT AND BASIC DESIGN. The affordable units assisted with FHS funds will be owner-occupied with up to 45-year affordability covenants.

### **ENVIRONMENTAL FINDINGS**

This action does not qualify as a "project" pursuant to the definition provided in California Environmental Quality Act (CEQA) Guidelines Section 15378.

### **FISCAL IMPACT**

Funds are available in the Housing Successor's Low Moderate Income Housing Fund budget.

Attachments:

- First Amendment to the DDA