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**File created:** 10/24/2017    **In control:** City Council

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**Title:** Actions pertaining to the Owner Participation Agreement with 1501 N. Blackstone Avenue, L.P.:

1. \*\*\*RESOLUTION - Approving an Interfund Loan Agreement between the General Fund and the Low and Moderate Income Housing Asset Fund (Subject to Mayor's veto)
2. \*\*\*RESOLUTION - 37th amendment to the Annual Appropriation Resolution (AAR) No. 2017-165 to appropriate \$600,000 for the project at 1501 N. Blackstone Avenue, L.P. (Requires 5 affirmative votes) (Subject to Mayor's veto)
3. \*\*\*RESOLUTION - 38th amendment to the Annual Appropriation Resolution (AAR) No. 2017-165, to appropriate \$500,000 to fund the Project at 1501 N. Blackstone Avenue, L.P. (Requires 5 affirmative votes) (Subject to Mayor's veto)
4. Approve the First Amended and Restated Owner Participation Agreement with 1501 N. Blackstone Avenue, L.P.

**Sponsors:** Esmeralda Z. Soria

**Indexes:**

**Code sections:**

**Attachments:** 1. Supplement - Amendment to OPA.pdf

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

**November 9, 2017**

**FROM:** ESMERALDA SORIA, Vice President  
City Council Offices

**SUBJECT**

Actions pertaining to the Owner Participation Agreement with 1501 N. Blackstone Avenue, L.P.:

1. \*\*\*RESOLUTION - Approving an Interfund Loan Agreement between the General Fund and the Low and Moderate Income Housing Asset Fund (Subject to Mayor's veto)
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4. Approve the First Amended and Restated Owner Participation Agreement with 1501 N. Blackstone Avenue, L.P.

## **RECOMMENDATION**

The City of Fresno and City in its capacity as Housing Successor to the Redevelopment Agency recommend approval of a Resolution of an Interfund Loan Agreement between the General Fund and the Low and Moderate Income Housing Asset Fund; Amendment to the Annual Appropriation Resolution (AAR) No 2017-165 to appropriate \$600,000; Amendment to the Annual Appropriation Resolution (AAR) No 2017-165 to appropriate \$500,000; and, approval of the First Amended and Restated Owner Participation Agreement with 1501 N Blackstone Avenue, L. P. .

## **EXECUTIVE SUMMARY**

The First Amended and Restated Owner Participation Agreement (OPA) with 1501 N Blackstone L.P. is for a mixed use of affordable housing and retail development located on the west side of Blackstone between McKinley and Home Avenues. The OPA will address affordable housing goals set forth in SB 341 and will redevelop an underutilized, unattractive infill site along the Blackstone Avenue Bus Rapid Transit Corridor with proximity to transportation and schools including Fresno City College. The Interfund Loan Agreement and Appropriation Resolutions combine with other sources to complete project funding.

## **BACKGROUND**

### **Introduction**

In the past few years, the City of Fresno has taken significant steps in responding to the changing needs of its growing population and the challenges that come with it. The various planning documents prepared within the last decade lay the framework for a responsible growth strategy that is focused around smart growth principles, a multi-modal transportation approach, complete neighborhood concept and development that promotes fiscal stability. The 2015 General Plan adopted in 2014 recommends strategies for addressing the city's challenges and capitalizing on its opportunities and assets.

The City has committed capital investment in public improvements and recognizes the need to: invest for long term sustainable equitable economic growth; incentivize infill development; create strategic partnerships; and, up-zone land along Bus Rapid Transit (BRT) corridors to attract investment.

The Blackstone McKinley project is an important step in realizing the vision and direction set forth in the General Plan through transit supportive infill development. The Project, situated at two major intersections along future high quality BRT stops, will be a catalyst project within an infill area. The project will help achieve important public policy objectives of both the City and the San Joaquin Valley Air Pollution Control District (SJVAPCD).

### **Project Description**

In January 2016 the City as Housing Successor approved an Owner Participation Agreement with 1501 N Blackstone Ave L.P. Since that time the developers and City have worked to improve the project scope, funding and feasibility resulting in the proposed First Amended and Restated Owner Participation Agreement. The Agreement would lead to the development of eighty eight (88) multifamily residential units and 7,500 square feet of ground floor retail situated in two, four story

buildings served by 112 on-grade, on-site parking spaces. The site of approximately three acres is located on the Bus Rapid Transit Corridor on the west side of Blackstone between McKinley Avenue on the north and Home Avenue on the South. The project site is zoned Neighborhood Mixed Use and is proposed for 30.8 units per acre.

The residential portion of the development is proposed to consist of 88 units in a mix of twenty seven (27) one bedroom units; twenty nine (29) two bedroom units, thirty one (31) three bedroom units and a managers unit. In terms of affordability 18 units shall be available to households earning 30% of AMI or less, 35 units shall be available to households earning 50% of AMI or less and 34 units shall be available to households earning 60% of AMI or less. As shown in Exhibit C the various unit sizes (i.e. 1, 2 and 3 bedrooms) are available at every affordability level (i.e. 30%, 50% and 60%). The affordable units will be covenanted for a period of fifty five (55) years. The Project will be designed as both a LEED Gold Certified and net-zero-energy mixed use project in which the development generates as much on site energy as it consumes.

The majority of commercial space is being sought by Clinica Sierra for medical and health related services. The balance of space is being considered for lease to the City of Fresno to serve as a 2,000 square foot senior center for a term of 15 years at \$1.00 per year. Fresno City College intends to provide intern programs through both Clinica Sierra and the senior center.

The Blackstone McKinley mixed use project would be developed and owned by 1501 N Blackstone L.P. a California limited partnership comprised of : Integrated Community Development LLC a California limited liability company, the “ Administrative General Partner “; the Corporation for Better Housing a California a non-profit corporation “Managing General Partner”; and, Kavigam Inc, a California corporation , the Limited Partner who will be replaced at the time of tax credit syndication by the tax credit investor.

Integrated Community Development LLC, a real estate development company, and the Corporation for Better Housing, a 501 (c) (3) are experienced affordable housing developers headquartered in Woodland Hills California. Integrated Community Development LLC is headed by Charles Brumbaugh, Principal, Ben Lingo, Principal and Jake Lingo, Senior Vice President. Together, Integrated Community Development LLC and Corporation for Better Housing have constructed over 3,900 units in 59 projects throughout California since 1997. Locally they have 330 units in operation in Fresno County.

### ***Financing***

The total project costs are estimated at \$38,302,248. The financing plan consists of: \$12,627,600 from Affordable Housing Sustainable Communities (AHSC) program administered by the California Housing and Community Development Commission (HCD); a request of \$3,158,000 from permanent conventional loan financing through Cal HFA; \$1,760,000 from CalHFA Earned Surplus (soft loan); \$329,000 from the City of Fresno in the form of an impact fee exemption (FMC 12-4.1400); \$500,000 contribution from the City of Fresno General Fund; \$478,000 from the City of Fresno in off-site improvements; \$2,200,000 residual receipts loan from the Housing Successor’s Low and Moderate Income Housing Asset Fund (LMIHAF); a \$1,843,572,000 grant from the San Joaquin Valley Air Pollution Control District; \$3,064,446 from Deferred Developer Fees; and, \$12,341,790 from tax credit equity from the low income housing 4% tax credit program.

- *Housing Successor LMIHAF*

The terms of the Housing Successor’s Low and Moderate Income Housing Asset Fund Loan of

\$2,200,000 are as follows: the principal amount of the loan will be \$2,200,000; the loan will mature fifty -five years after the “payment commencement date” (May 15 of the year immediately following the Certificate of Occupancy); and, the loan will bear a 3% per annum interest rate with interest accruing as of the payment commencement date. Repayment of the loan starts on May 15th of the year that is one year after the certificate of occupancy and is based upon residual receipts. At loan maturity the entire remaining unpaid balance of principal with interest is due and payable.

- *Other City Contributions*

The \$2,200,000 loan includes a \$600,000 Interfund Loan from the City of Fresno’s General Fund to the Housing Successor’s Low and Moderate Income Housing Asset Fund. The \$600,000 loan to be made at the City’s Pooled Investment Rate will be effective upon the date which the developer has satisfied conditions precedent to the City’s obligation to perform as set forth in the Amended and Restated OPA. The loan will be repaid to the City General fund by the Housing Successor LMIHAF over a 5 year period. In addition, the City of Fresno proposes to contribute \$500,000 at no interest from the remaining EDA grant match from the General Fund that was placed into an affordable housing fund as part of the Fiscal Year 2018 budget adoption. Lastly the City is providing \$329,000 in the form of an impact fee exemption and \$478,000 in off-site improvements.

- *San Joaquin Valley Pollution Control District*

The San Joaquin Valley Air Pollution Control District (SJVAPCD) has preliminarily awarded a grant of \$1,843,572.36 to the City of Fresno for the construction of the Blackstone and McKinley Transit Oriented Development Project (C-53862-A). The grant is being awarded under the District’s Public Benefit Grants Program-Community Improvement Projects that Reduce Vehicle Use and Emissions Component. The City has agreed for the grant to be passed through to the developer for construction of the project.

### ***Performance Schedule***

The performance schedule (Exhibit B) estimates the AHSC funding application date of January 2018 with an estimated award date of June 2018 followed by application for 4% tax credits in July 2018 with an award date of September 2018. The building plans are proposed to be submitted in September 2018 with the commencement of construction and loan disbursement in March 2019. The project completion date is scheduled for September 2020.

### ***OPA Highlights***

The OPA sets forth conditions precedent to the Housing Successor and City obligations. Chief among these conditions are the following:

1. The owner provides acceptable evidence of property ownership;
2. The Owner has entered into (and provides evidence of) agreements with any and all funding sources and the general contractor for the project; and,
3. The owner has provided evidence that the combined monies from the various funding sources are not less than the greater of the total development cost or the amount which the City determines is necessary to complete the project.

### ***Implementation of Plans and Policies***

The development supports and helps implement numerous public policy objectives related to transportation and land use practices that reduce air pollution, increase transit ridership, support infill and increase accessibility to jobs, housing and urban services.

The Blackstone McKinley Project's 88 units help to meet the City Housing Element's Regional Housing Needs Allocation (RHNA) quantified 2015-2023 Objectives for 7,971 extremely low, very low and low income affordable housing units. In addition to quantified goals, the project helps to meet numerous objectives and policies outlined in the City's Housing Element including those to: encourage development of residential uses in strategic proximity to employment, schools and transportation routes; promote the development of affordable housing near transit and/or smart growth areas; facilitate housing development that is affordable to extremely low and very low income households; promote and encourage sustainable development and green building practices; and, provide incentives for residential projects constructed specifically for lower income households.

The proposed project helps to fulfill SB 341 affordable housing goals and its most challenging expenditure requirements wherein at least 30% of the Housing Successor's LMIHAF must be spent for the development of rental housing affordable to and occupied by extremely low income households earning 30% or less of AMI; and, wherein 50% of LMIHAF must be spent for very low income households earning 50% or less of AMI. Eighteen of the 88 units are earmarked for households earning 30% or less of AMI and all of the LMIHF are designated for these units. In addition, in consideration of the OPA the Housing Successor will also receive 55 year affordability covenants on the remaining 69 units of which 35 and 34 serve very low and lower income households respectively. The Project provides affordable housing to the lowest income groups as envisioned and required by SB 341 for expenditure of LMIHA funds.

### **ENVIRONMENTAL FINDINGS**

This project was determined to be statutorily exempt from the requirements of CEQA pursuant to CEQA Guidelines section 15061(b)(3) because it was determined with certainty that there is no possibility the project will have a significant effect on the environment. Council adopted an exemption pursuant to this section on January 14, 2016. The project description has not substantially changed since that action and no additional environmental review is required.

### **LOCAL PREFERENCE**

The local preference is not applicable because this is not a contract for goods, services or public works of improvement.

### **FISCAL IMPACT**

The \$2.2 million provided by the Housing Successor is available through the adopted FY 17-18 budget (\$1.6 million) and the Interfund Loan Agreement (\$600,000); a \$500,000 contribution in the from the City of Fresno General Fund; \$478,000 from the City of Fresno in off-site improvements; and \$329,000 from the City of Fresno in the form of an impact fee exemption.

#### **Attachments:**

- Resolution Approving the Interfund Loan Agreement
- Resolution Amendment number 37th of AAR
- Resolution Amendment number 38 of AAR
- First Amended and Restated OPA
- Vicinity Map