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Title: Actions pertaining to the sale of excess property at Fulton and Inyo Streets:

1. Approve a Purchase and Sale Agreement between the Successor Agency and the City of Fresno, for property located on 829 Fulton (APN 468-282-05T), 835 Fulton (APN 468-282-22T), and the Parking Lot on the northwest corner of Fulton/Inyo Streets (APN APN 468-282-23T).
2. Approve a Disposition and Development Agreement between the City of Fresno, the City as the Housing/Successor Agency to the City of Fresno, and Noyan Frazier Capital, LLC.

Sponsors: Successor Agency to the Redevelopment Agency of th

Indexes:

Code sections:

Attachments: 1. South Stadium_DDA_2-19-16_cc.pdf, 2. C-15-035 aprvltr 10.28.15.pdf, 3. FresnoFulton-StaticProForma-2-19-16_DB.PDF, 4. FresnoFulton-ProjectSummary-2-19-16_DB.PDF, 5. FresnoFulton-Sources-Uses-2-19-16_DB.PDF

Date	Ver.	Action By	Action	Result
2/25/2016	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

February 25, 2016

FROM: BRUCE RUDD, City Manager

BY: DANIELLE BERGSTROM, Government Affairs Manager
Office of the Mayor and City Manager

SUBJECT

Actions pertaining to the sale of excess property at Fulton and Inyo Streets:

1. Approve a Purchase and Sale Agreement between the Successor Agency and the City of Fresno, for property located on 829 Fulton (APN 468-282-05T), 835 Fulton (APN 468-282-22T), and the Parking Lot on the northwest corner of Fulton/Inyo Streets (APN APN 468-282-23T).
2. Approve a Disposition and Development Agreement between the City of Fresno, the City as the Housing/Successor Agency to the City of Fresno, and Noyan Frazier Capital, LLC.

RECOMMENDATION

Staff recommends that the Council approve the following actions pertaining to the sale of 829 Fulton,

835 Fulton, and the Parking Lot on the northwest corner of Fulton/Inyo Streets to Noyan Frazier Capital, LLC to construct a mixed-use residential and commercial development:

1. Approve a Purchase and Sale Agreement between the Successor Agency and the City of Fresno, for property located on 829 Fulton (APN 468-282-05T), 835 Fulton (APN 468-282-22T), and the Parking Lot on the northwest corner of Fulton/Inyo Streets (APN APN 468-282-23T).
2. Approve the material terms of the Disposition and Development and Agreement between the City and Noyan Frazier Capital, LLC, subject to approval as to form by the City Attorney.

EXECUTIVE SUMMARY

The Successor Agency of the Redevelopment Agency of Fresno and the City of Fresno has mutual interest in developing properties known as the South Stadium district in downtown Fresno. As such, a Request for Proposals (RFP) was issued on April 3, 2014, in which for a mixed-use, multi-phase development, that included several properties located in the vicinity of Fulton and Inyo Streets. On October 30, 2014, the Council and Successor Agency selected the Noyan Frazier Capital, LLC (developer) and the parties entered into an Exclusive Negotiating Agreement (ENA) to develop potential financing options and to negotiate the terms and conditions of a Development and Disposition Agreement (DDA).

As a result of this process, the developer, City and Agency collectively agreed to focus on identifying financing opportunities for Phase 1, which involves the construction of a four or five-story structure with approximately 50 units of housing over 10,000 square feet of retail and 50 parking stalls. Concurrently, the developer also secured a conditional use permit for Phase 1 and environmentally cleared all five phases of the proposed development. An optimal financing strategy has been identified and incorporated in the attached DDA. Approval of the DDA is needed in order for the developer to successfully compete for various funding opportunities available from the State of California.

BACKGROUND

The Successor Agency issued a Request for Proposals (RFP) to develop a mixed-use project at the subject site on April 3, 2014 with input from the City of Fresno. On October 30, 2014, the City Council and Successor Agency approved the selection of Noyan Frazier Capital, LLC for the purpose of proceeding with due diligence as recommended by the Review Committee. The Review Committee is comprised of Councilmembers Baines and Brand, Mayor Swearengin, and City and Agency staff. On December 17th, 2014, the Review Committee met with the Noyan Frazier Team to further review the proposed development that was generally conceived as a five-phase mixed-use residential, retail, and office development. The Review Committee recommended proceeding with an ENA to determine the feasibility of developing the site in a public private partnership and to negotiate the terms of a Disposition and Development Agreement (DDA). The ENA, which included a Performance Schedule that identified milestones to be accomplished over 120 days, was approved by the City Council on January 8, 2015.

As part of the Agency and the City's due diligence process, Keyser Marston Associates (KMA) was retained to work with staff and the developers to evaluate financial feasibility for various development scenarios for Phase 1. An optimal scenario was decided upon that included public financing through federal 4% low-income housing tax credits (LIHTC), tax-exempt multi-family bonds, the California

Strategic Growth Council's Affordable Housing and Sustainable Communities (AHSC) grant and loan program, City contributions of land, and Measure C TOD funds. The developer proceeded with securing entitlements and CEQA for the multi-phase project in February of 2015 to be eligible for state financing for Phase 1 of the project. In February of 2015, the City and the Developer co-applied for AHSC funds from the State as a significant gap-financing source at the recommendation of staff from the California Strategic Growth Council. In April of 2015, the funding request from the State was denied due to a lack of entitlements and CEQA clearance for the project. The project was subsequently environmentally cleared pursuant to EA No. C-15-035 filed September 18, 2015 and Conditional Use Permit No. C-15-035 was approved by the Development and Resource Management Director on October 28, 2015.

Subsequent to the approval of entitlements and CEQA, staff and the developers have been working to ensure adequate preparation of the project for application of approximately \$3.2 million in grant and deferred-interest loan from the Strategic Growth Council's Affordable Housing and Sustainable Communities program, a significant source of gap financing for the project. Local leverage is a significant contributor to success of an AHSC application. As such, in negotiations over the terms of the DDA City staff agreed to sell each of the subject properties to the developers for \$1 each following the purchase of the properties at fair market value from the Successor Agency and the City as the Housing Successor. The property located on 829 Fulton (APN 468-282-05T), 835 Fulton (APN 468-282-22T) have been appraised at \$48,750 each, according to appraisals by Zengel and Associates dated March 31, 2015. The parking lot on the northwest corner of Fulton and Inyo Streets has been appraised at \$328,000, according to an appraisal by Zengel and Associates dated September 4, 2014. As part of the terms of the DDA, the City has also agreed to apply for FY15-16 Measure C TOD funds for the amount of \$711,085, which will significantly improve the competitive nature of the City and developer's request for funds from the California Strategic Growth Council for the project. AHSC funding awards will be announced in September 2016. Measure C TOD funds are subject to approval by the Fresno COG in late February 2016. A development pro forma and Sources and Uses document (see attached) provides more detail on project financing and feasibility.

There following deal points are included in the DDA that must be met prior to the sale and transfer of the subject properties to the developer and include

- The closing of escrow of the subject properties is contingent upon developers securing all financing for Phase 1 of the project.
- For Phase 2 of the project, the developers have exclusive negotiating rights to work with the City on amenable lease terms for the retail portion of the Spiral Garage until December 31, 2016, subject to a 180-day extension.
- The developers will have the opportunity to compete in two rounds of AHSC funding; should they not be successful in either round or secure alternative financing, the DDA, including the exclusive development rights for Phases 1-4, will terminate on December 31, 2017, subject to a 180 day extension.

ENVIRONMENTAL FINDINGS

An initial study was prepared for the South Fulton Street Project, which resulted in the preparation of a Finding of Conformity pursuant to CEQA Guidelines §15177. The Finding of Conformity was adopted for C-15-035 which authorized the development of 4.52 acres of property locate on both sides of Fulton Street between Kern and Inyo streets, a portion of a property located on the northwesterly corner of Inyo and Home Run Alley, and a portion of

property located on the north side of I-5 between Federal Alley and Van Ness Avenues. The development consists of a five-phase mixed use project including multiple family residential units, ground-floor retail, demolition of some vacant buildings, adaptive reuse of an existing building, general retail and office use, as well as additional development activities such as a lot line adjustment or merger. This approval is to adopt a Disposition and Development Agreement for portions of that project.

An analysis has been performed pursuant CEQA Guidelines § 15162 to determine whether subsequent environmental review is required for the South Stadium DDA. 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 the project.
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. In this case, there are no changes to the project
3. There is no new information, which was not known and could not have been known at the time of the previous Finding of Conformity that the project will have significant effect not discussed in the Finding of Conformity.

Furthermore, it has been determined that none of the mitigation measures and alternatives previously determined to be infeasible are now feasible. In addition, no new mitigation measures or alternatives that would substantially reduce one or more significant effect on the environment have been identified.

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

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The City and the City as the Housing Successor are committing an estimated \$432,277 for the purchase of the subject properties and subsequent sale of those properties subject to the terms of the DDA to the developer for \$1 per parcel as well as \$711,085 in Measure C TOD funds.

Attachments:

Disposition and Development Agreement

Approval Letter for Conditional Use Permit C-15-035

Project Development Pro Forma and Sources and Uses

