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Title: Actions pertaining to a Neighborhood Stabilization Program 3 Agreement with the Housing Authority of the City of Fresno, CA: (Council District 5)
1. Adopt a finding of Categorical Exemption pursuant to Section 15303/Class 3 of the California Environmental Quality Act (CEQA) Guidelines; and
2. Approve a \$148,700 development agreement for the new construction of a single-family house located at 844 S. Chance Avenue.

Sponsors: Planning and Development Department

Indexes:

Code sections:

Attachments: 1. Exhibit A - NSP Agreement, 2. Exhibit B - Photographs, 3. Exhibit C - Project Location, 4. Exhibit D - CEQA Exemption Form

Date	Ver.	Action By	Action	Result
9/20/2018	1	City Council	approved	

REPORT TO THE CITY COUNCIL

September 20, 2018

FROM: JENNIFER K. CLARK, Director
Development and Resource Management Department

THROUGH: KELLI FURTADO, Assistant Director
Development and Resource Management Department

BY: THOMAS MORGAN, Housing Manager
Housing and Community Development Division

SUBJECT

Actions pertaining to a Neighborhood Stabilization Program 3 Agreement with the Housing Authority of the City of Fresno, CA: (Council District 5)
1. Adopt a finding of Categorical Exemption pursuant to Section 15303/Class 3 of the California Environmental Quality Act (CEQA) Guidelines; and
2. Approve a \$148,700 development agreement for the new construction of a single-family house located at 844 S. Chance Avenue.

RECOMMENDATION

Staff recommends the City Council approve a \$148,700 Neighborhood Stabilization Program 3 (NSP3) Agreement (Exhibit “A”) with the Housing Authority of the City of Fresno, CA (Housing Authority) for the new construction of a single-family house located at 844 Chance Avenue (APN: 470 -073-10) (Exhibit “B” and “C”), 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

The Housing Authority is proposing to partner with Fresno City College and Habitat for Humanity Fresno County (Habitat) to demolish the existing 834 square foot house and carport and construct one new 1,285 square foot, three-bedroom/two-bath house and carport at 844 Chance Avenue (Chance House). Upon completion of construction, the Chance House will be sold to a low-income household at the fair market appraised value. At the close of escrow, the City will forgive the difference between the total construction cost and the final sale price of the house.

BACKGROUND

As a recipient of HUD NSP3 funding, the City is required to use these funds for affordable housing activities. The City anticipates that this will be the final NSP3 project, and will work with HUD on the close-out process. These funds are subject to the Program’s Low-Income Set-Aside. The Low-Income Set-Aside requirement of the Program provides for 25 percent of the funds to be used to benefit a low-income beneficiary whose income is at, or below, 50 percent of the area median income for Fresno County. To comply with this requirement, the proposed homebuyer’s income for the Chance House will not exceed 50 percent of the area median income for Fresno County. For example, using HUD’s adjusted income limits for 2018, a household of six cannot have a combined income of more than \$34,650 to be considered in the 50 percent income category.

Since the Housing Authority already owns the property, the City proposes to enter into a Neighborhood Stabilization Program Agreement with the Housing Authority for the project activity. The Housing Authority will in turn work in partnership with Fresno City College and Habitat, to demolish the house and build a new 1,285 square foot, three-bedroom/two-bath house and carport. The Housing Authority initially purchased the house in 2010 for \$44,418.80. Funds for the property acquisition were previously provided to the Housing Authority through the City’s NSP3 as a grant. Demolition will be paid for by Habitat and the Housing Authority. The demolition/construction cost is estimated at approximately \$160,000 ($160,000/1,285 = \124.51 per square foot). The \$148,700 in Neighborhood Stabilization Program funds will be provided to the Housing Authority as a three percent interest loan. Upon completion of the project, the Housing Authority will transfer of the loan to the homebuyer, through escrow at which time the loan will convert to a 30-year loan at zero percent interest with annual payments and a balloon at maturity. Also upon transfer to the homebuyer, the City will forgive the difference amount between the construction cost (estimated at \$269,000) and the final purchase price of the home (estimated at \$160,000). The City will hold a first position lien on the property after the transfer of the loan to the homebuyer. A March 23, 2018 appraised value of a proposed 1,285 square foot three-bedroom/two-bath house was determined to be \$186,000. However, given the homebuyer income limit requirement, the house will more likely sell for approximately \$160,000.

The Housing Authority construction team, Fresno City College Construction Management Program Director and the Habitat construction team are planning to partner together to help students meet the Fresno City College's Construction Management Program curriculum. The Fresno City College Construction Management Program is designed to provide students with technical and hands-on training to prepare them for work in the construction industry. Students receive professional instruction in residential construction with an emphasis on quality. Through this hands-on training, students can enter the construction industry as an advanced apprentice with masonry, framing, roofing, plumbing, and/or electrical skills. Throughout the program, the students will gain experience and prepare for the California Residential Code certification and take the National Center for Construction Education and Research Certification in construction and maintenance. This certification provides credentials that are recognized by many construction industry companies throughout the Central Valley. If, for some reason, the students are not able to fully construct the house by the end of the 2019 spring semester, the Housing Authority will complete construction of the house and carport.

The Housing Authority has partnered with Fresno City College on this Construction Management Program in the past and believes the Chance House demo/construction project will be an ideal training opportunity for new students preparing to obtain certifications. The Housing Authority, Fresno City College and Habitat's partnership is important as it helps one family achieve homeownership, revitalizes a neighborhood street, and gives students the necessary workforce training designed to ready them for work in construction, of which after completion, are able to obtain full-time employment in the construction industry. The Fresno City College's Construction Management Program is seen as a model in the State of California, graduating 25 to 30 students from the program each year. The Construction Management Program also realizes a 98 percent pass rate on state-wide exams and nearly a 100 percent job placement rate for those that pass the necessary exams.

Habitat's partnership portion involves training students to utilize its "sweat equity" building techniques. The "sweat equity" method provides for a licensed contractor to oversee the construction of a house utilizing the homebuyer and household members to contribute at least 500 "sweat equity" hours to help build their house. In addition to providing this training technique to students and the homebuyer, Habitat selects a homebuyer for this house and provides them with homeownership education in the areas of home maintenance, home improvement, interior design, budgeting, and consumer awareness.

A newly constructed housing at this site will help make a positive visual impact to the block as well as the overall neighborhood. New construction of single-family house will fit in well into the community as the west portion of the street is lined with single-family houses and a small church. There are several nearby amenities as the site is in close proximity to King Canyon Road. New construction of a house on this parcel will help increase the City's stock of affordable housing and bring the City closer to meeting its Housing Element goals of the 2035 General Plan and the Consolidated Plan to HUD.

This item was presented the Housing and Community Development Commission on September 12, 2018.

ENVIRONMENTAL FINDINGS

On July 24, 2018, the project activities were found to be Categorical Exempt from CEQA, pursuant to Section 15303/Class 3 as construction of conversion of a small structure (Exhibit "D" - CEQA

Exemption form). On July 24, 2018, a National Environmental Policy Act (NEPA) for the project activities resulted in a Finding of No Significant Impact.

LOCAL PREFERENCE

Local preference is not applicable based on conditions of federal funding.

FISCAL IMPACT

The NSP3 Program Income funds for the proposed project were appropriated to the Development and Resource Management Department as part of its Fiscal Year 2019 Budget.

ATTACHMENTS

Exhibit A - NSP Agreement
Exhibit B - Photographs
Exhibit C - Project Location
Exhibit D - CEQA Exemption Form