



Legislation Details (With Text)

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Attachments: 1. Hotel Fresno Project--New LP--Org Chart (2019).pdf, 2. Hotel Fresno Assignment and Assumption.pdf

Date	Ver.	Action By	Action	Result
4/25/2019	1	City Council	approved	Pass

REPORT TO THE CITY IN ITS CAPACITY AS HOUSING SUCCESSOR TO THE REDEVELOPMENT AGENCY OF THE CITY OF FRESNO AND FRESNO REVITALIZATION CORPORATION

DATE: April 25, 2019
FROM: MARLENE MURPHEY, Executive Director

SUBJECT

Approve Assignment and Assumption of the Hotel Fresno Owner Participation Agreement

RECOMMENDATIONS

It is recommended that Council approve Assignment and Assumption of the Hotel Fresno Owner Participation Agreement (OPA) and related documents by and between Hotel Fresno Apartments, LP, (Assignor) Broadway Plaza Family Apartments (Assignee) and the City of Fresno in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno (attached). Approval will satisfy new tax requirements that will enable investment participation in the project by Bank of West to go forward in, most likely, the first Opportunity Zone investment in Fresno.

EXECUTIVE SUMMARY

The Hotel Fresno project is located within a new Opportunity Zone made possible through the Tax Cuts and Jobs Act. Credit Capital, the tax credit syndicator for the Hotel Fresno project has secured Bank of the West as an Opportunity Zone investor. Opportunity Zone rules require that the investor identify and fund the investment within 180 days of realizing the capital gain. In addition, in order for the investment to qualify, the project must be transferred/sold to a new legal entity created after the effective date of the Opportunity Zone regulations. The Hotel Fresno project is owned by Hotel Fresno Apartments LP. To meet the Opportunity Zone

ownership/transfer condition, Hotel Fresno Apartments LP is proposing that the project be transferred/sold to a new California limited partnership (LP) Broadway Plaza Family Apartments LP--concurrent with the closing. Approving the Assignment and Assumption is a technical change to facilitate the use of the Opportunity Zone credit and will not negatively impact project deadlines or the City's financial commitment/liability for the project.

BACKGROUND

The Hotel Fresno Project is a 79 unit multifamily affordable housing project located at 1241-1263 Broadway Plaza. On September 27, 2018 the City Council approved an amendment to the Owner Participation Agreement for the Hotel Fresno Project. In compliance with the provisions of the amended agreement the developer, Hotel Fresno Apartments, LP has deeded the Kidney lot to the Fresno Housing Successor and secured committed funding from: Affordable Housing and Sustainable Communities (\$4.8 million); TCAC 4% Low income Housing Tax Credits (approximately \$7.8 million); CDLAC tax exempt bonds (for the construction loan); Bank of Hope construction loan commitment (up to \$15.5 million); and Cedar Rapids Bank and Trust (CRBT) permanent loan commitment (for up to \$6.4 million). The Developer plans to close escrow on construction financing at the end of May 2019 and begin construction shortly thereafter with occupancy approval by July 31, 2020 as set forth in the amendment.

The Hotel Fresno project is located within a new Opportunity Zone made possible through the Tax Cuts and Jobs Act. The Opportunity Zone is intended to attract investors to distressed areas by allowing the deferral, reduction and potential elimination of capital gains tax. Opportunity Zone rules require that the investor identify and fund the investment within 180 days of realizing the capital gain. Thus timing is critical to the use of this tool. Credit Capital, the tax credit syndicator for the project has secured Bank of the West as the tax credit investor.

In addition to the short time frame, in order for the investment to qualify, the project must be transferred/sold to a new legal entity created after the effective date of the Opportunity Zone regulations. The Hotel Fresno project is owned by Hotel Fresno Apartments LP. To meet the Opportunity Zone ownership/transfer condition, a new California limited partnership (LP) is proposed and the project will be transferred/sold to the new LP - Broadway Plaza Family Apartments LP--concurrent with the closing. As shown in the attached organizational chart, Apec International, LLC and Deep Green Housing and Community Development remain the general partners and the Bank of the West entity is the new Investor Limited Partner.

ENVIRONMENTAL FINDINGS

N/A

LOCAL PREFERENCE

N/A

FISCAL IMPACT

The proposed action qualifies the project for investment from the private sector through the new Opportunity Zone. The action does not create a new obligation for the City of Fresno in its Capacity as Housing Successor.

Attachments:

Assignment and Assumption of the Hotel Fresno Owner Participation Agreement
Hotel Fresno Organizational chart