



Legislation Details (With Text)

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Title: Approve a First Amendment to the April 12, 2006, Owner Participation Agreement with Martin Luther King, LP authorizing the City of Fresno, a municipal corporation (City) and the City, in its capacity as Housing Successor to the Redevelopment Agency (FHS) to subordinate to a senior mortgage lender conditioned upon full repayment of City and FHS Loans

Sponsors: Housing Successor to the Redevelopment Agency

Sponsors:

Indexes:

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Attachments: 1. Exhibit A - First Amendment to the 2006 Owner Participation Agreement, 2. Exhibit B - Subordination Agreement, 3. Additional Information Revised 4-20-21 Exhibit A - First Amendment to the 2006 Owner Participation Agreement to Staff Report ID 21-544.pdf

Date	Ver.	Action By	Action	Result
4/22/2021	1	City Council	approved	Pass

Report to the City Council, the City in its capacity as Housing Successor to the Redevelopment Agency of the City of Fresno and the Fresno Revitalization Corporation

April 22, 2021

FROM: MARLENE MURPHEY, Executive Director
Housing Successor Agency to the Redevelopment Agency

CORRINA NUNEZ, Project Manager
Housing and Community Development Division

SUBJECT

Approve a First Amendment to the April 12, 2006, Owner Participation Agreement with Martin Luther King, LP authorizing the City of Fresno, a municipal corporation (City) and the City, in its capacity as Housing Successor to the Redevelopment Agency (FHS) to subordinate to a senior mortgage lender conditioned upon full repayment of City and FHS Loans

Sponsors: Housing Successor to the Redevelopment Agency

RECOMMENDATION

It is recommended that the City and FHS approve the First Amendment to the April 12, 2006, Owner Participation Agreement (Exhibit “A”) that provided for the acquisition and rehabilitation of the Martin Luther King Square Apartments, authorizing the City to subordinate its \$500,000 HOME Investment Partnerships loan, FHS to subordinate its \$500,000 housing set-aside loan, and allow the City and FHS to subordinate the Regulatory Agreement to a senior mortgage lender for purposes of refinancing conditioned upon the full payoff of both loans at refinancing.

BACKGROUND

On March 15, 2005, and effective as of April 12, 2006, the Council and RDA approved an Owner Participation Agreement (Agreement) with Martin Luther King Square, LLC for the acquisition and rehabilitation of the Martin Luther King Square Apartments located at 823 East Florence Avenue in Fresno (District 3). After executing the Agreement, Martin Luther King Square, LLC converted to a Martin Luther King Square, LP, a California limited partnership. The April 12, 2006, agreement provided a \$500,000 HOME loan from the City and a \$500,000 FHS Housing Set-Aside loan; both of which were structured as 55-year loans with an interest rate tied to the then applicable 4.79% Long-Term Federal Rate payable from a portion of annual residual receipts generated from the property’s operations. Since 2006, the City and FHS have received \$29,264 and \$29,314 respectively in loan repayments.

In 2006, the original developer, AF Evans Development, Inc., financed the project with the City and FHS loans along with a \$6.5 million dollar construction loan from Citi Community Capital and \$6.58 million in tax credit equity from Centerline Capital Group.

The current General Partner of Martin Luther King Square, LP, has begun the process of refinancing Martin Luther King Square’s current finance structure with a Freddie Mac 7-year loan term. The loan proceeds will be used to pay off the City and FHS loans, other partnership liabilities, and make capital improvements to the structures and property. The new permanent lender, CBRE Capital Markets, Inc. is requesting to hold a senior position lien to that of the City and FHS loans, the Agreement, and the Regulatory Agreement. As such, the General Partner is requesting that the City and FHS authorize subordination of their loans, Agreement, and Regulatory Agreement to subsequently accept a payoff of the loans (Exhibit B - Subordination Agreement).

The 2007 project was a \$14 million undertaking to acquire and rehabilitate the Martin Luther King Square property that included construction of a new resident activity building. The apartment complex was originally designed for larger-sized families that features one, two, three, four and five-bedroom units. All of the 92 apartment units in the Martin Luther King Square have been reserved for families earning up to 60% of the Fresno area median income or currently approximately \$41,940 for a family of four. The project was successfully completed on September 12, 2007 and continues to help preserve housing affordability by using its establishing financing structure that utilizes Section 8 rental support for many of the residents.

ENVIRONMENTAL FINDINGS

The First Amendment is not a “project” for the purposes of CEQA, pursuant to CEQA Guidelines Section 15378.

LOCAL PREFERENCE

Local preference is not applicable because this amendment does not include a bid or award of a construction or services contract.

FISCAL IMPACT

This item sets the foundation for the (principal and interest) repayment of the Housing Successor's Low Moderate Income Housing Fund (LMIHF) loan and the City's HOME Program Income Fund loan to their respective accounts.

APPENDICES

Exhibit A - First Amendment to the 2006 Owner Participation Agreement

Exhibit B - Subordination Agreement