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Title: Approve a \$3,000,000 Local Housing Trust Fund Agreement with Avalon Commons Phase II, LP, for the proposed Avalon Commons Phase II project located at 7521 North Chestnut Avenue in northeast Fresno (District 6).

Sponsors: Planning and Development Department

Indexes:

Code sections:

Attachments: 1. Exhibit B - Project Location Map.pdf, 2. Exhibit C - Sources and Uses of Funds.pdf, 3. Exhibit D - Site Plan and Elevations.pdf, 4. Exhibit E - LHTF NOFA.pdf, 5. 1-J (23-650) Supplement Packet

Date	Ver.	Action By	Action	Result
5/11/2023	1	City Council	ADOPTED	Pass

REPORT TO THE CITY COUNCIL

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SUBJECT

Approve a \$3,000,000 Local Housing Trust Fund Agreement with Avalon Commons Phase II, LP, for the proposed Avalon Commons Phase II project located at 7521 North Chestnut Avenue in northeast Fresno (District 6).

RECOMMENDATION

Staff recommends the City Council approve a \$3,000,000 Local Housing Trust Fund Agreement (Exhibit "A" - LHTF Agreement) with Avalon Commons Phase II, LP, a California Limited Partnership, for the development of Avalon Commons Phase II, which consists of the new construction of 44-units of affordable permanent rental housing; and authorize the City manager to execute the Local Housing Trust Fund Agreement and sign all implementing documents. Approval of this agreement will result in the obligation of 65% of the City's Round 1 Local Housing Trust Fund program resources.

EXECUTIVE SUMMARY

On May 2, 2023, the Local Housing Trust Fund Review Committee selected the Housing Authority of the City of Fresno's Avalon Commons Phase II project through a 2023 Local Housing Trust Fund Notice of Funding Availability (NOFA) to be recommended for \$3,000,000 in LHTF Program funds. Avalon Commons Phase II will consist of 44 affordable rental housing units and be located at 7521 North Chestnut Avenue in northeast Fresno (Exhibit "B" - Project Location Map). The estimated project cost is \$32,673,528 of which \$3,000,000 is proposed to be funded with LHTF Program funds. Once completed, Avalon Commons Phase II will provide 44 newly constructed units of which 11 will be LHTF-assisted and reserved as affordable for a period of 55-years through a declaration of restrictions recorded on the property. If approved, this action will achieve the City's affordable housing goals to increase the supply of affordable housing and create affordable rental housing. If approved, this will result in the obligation 65% of the City's Round 1 Local Housing Trust Fund program resources.

BACKGROUND

On July 29, 2021, the City Council approved resolution 2021-201, establishing the City of Fresno Local Housing Trust Fund (LHTF) to support access to decent, safe, and affordable housing within the City. This resolution designated up to \$1,500,000 of the real estate transfer tax as a dedicated and annual source of funding for the LHTF. In addition, a one-time deposit of \$1,000,000 was made to the LHTF from the General Fund carryover to bring the total LHTF allocation to \$2,500,000. This commitment level enabled staff to pursue a grant application to the State of California's Local Housing Trust Fund Grant Program seeking \$2,500,000 in matching funds. On December 28, 2022, staff received confirmation from the State Department of Housing and Community Development (HCD) that under agreement number 21-LHTFCOM-16922, the City of Fresno was awarded the full match of \$2,500,000 from HCD, totaling \$5,000,000 in 2022 LHTF program funds.

After setting aside a State-allowable 5% (\$250,000) of the available LHTF Round 1 program funds to support administrative costs, on March 6, 2023, the Housing and Community Development Division (Division) released a Local Housing Trust Fund Notice of Funding Availability (NOFA) in the amount of \$4,750,000 soliciting proposals from housing development organizations to construct new affordable rental housing restricted to households with average incomes of no more than 60% Area Median Income (AMI) with a minimum of 30% of units supporting households with an average income of no more than 30% AMI. In response to the NOFA, the Division received eight applications, one of which was the Avalon Commons Phase II project. After preliminary underwriting review of the applications, the Division convened the LHTF Review Committee to review and score the applications. The LHTF Review Committee consisted of: Dr. Amber Crowell, Associate Professor at California State University Fresno; Edith Rico, Project Director at Fresno Building Health Communities; Casey Lauderdale, City of Fresno Supervising Planner; Danny Tohme, City of Fresno Projects Administrator; and UnChong Parry, City of Fresno Housing & Neighborhood Revitalization Manager. Based on the Committee's scores, the Avalon Commons Phase II project was determined to be the most shovel ready and is therefore being recommended for funding in the amount of \$3,000,000 in LHTF program funds. The LHTF funds will be provided as a residual receipts loan, in 3rd position, at 3% interest, with the balance due and payable at the 55-year maturity date. If approved, this will result in the obligation 65% of the City's Round 1 Local Housing Trust Fund program resources.

Avalon Commons Phase II project cost is estimated at \$32,673,528: \$750,000 conventional bank construction loan; \$28,923,528 tax credit equity; and \$3,000,000 LHTF Program loan (Exhibit "C" - Sources and Uses of Funds).

Avalon Commons Phase II is part of the first Housing Authority project located in northeast Fresno. The units will be contained within 11 one- and two-story residential structures with a community laundry room as well as recreational and open space (Exhibit “D” - Site Plan and Elevations) at the northeast corner of E. Alluvial Avenue and N. Chestnut Avenue. The project will have a total of 44 units, comprised of 43 affordable rental units and one on-site manager unit (12 one-bedroom units, 17 two-bedroom units, and 15 three-bedroom units). Eleven of the units will be LHTF-assisted units and be reserved as affordable for a period of 55 years through a declaration of restrictions recorded on the property. The community room will serve as a resource center and include a management office, multi-purpose room, kitchen, restroom facilities, and a recreation area. In addition, construction materials will be durable and environmentally friendly and incorporate the City of Fresno Green building standards and Universal Design features. The units will be rented to households with average incomes of no more than 60% AMI with a minimum of 30% of units supporting households with an average income of no more than 30% AMI.

The ownership structure consists of Fresno Avalon Commons Phase II, LP, a California Limited Partnership; Wells Fargo the tax credit investor and a limited partner; and the Housing Authority of the City of Fresno.

The Housing Authority has constructed, rehabilitated, managed, and owned thousands of affordable housing units for lower income households. As part of its mission to create vibrant communities, the Housing Authority provides service rich social programs to its residents to help promote self-sufficiency. Some of its most recent projects include the Fenix Apartments in the Lowell neighborhood, Alegre Commons, Bridges at Florence, and City View Apartments at Van Ness Avenue and Inyo Street in downtown Fresno.

The approximate completion date of the project is November 2025. Once completed, Avalon Commons Phase II will assist the City of Fresno with its affordable housing goals and objectives as outlined in the Housing Element of the 2035 General Plan, 2020-2024 Consolidated Plan, and the City’s One Fresno Housing Strategy.

This project is exempt from the Better Business Act (BBA) because it is receiving direct or indirect funding assistance a result of a City-initiated RFP/NOFA process.

ENVIRONMENTAL FINDINGS

The Developer has requested a streamlined Ministerial Approval pursuant to Government Code Section 65913.4. On June 25, 2021, the Planning and Development Department determined that the project as described was exempt from California Environmental Quality Act (CEQA) under Sections 15268 and 153001.1 of the CEQA Guidelines. There is no further environmental assessment required at this time.

FISCAL IMPACT

The Local Housing Trust Funds for the Avalon Commons Phase II project were appropriated to the Planning and Development Department as part of its fiscal year 2023 Budget.

Attachments:

Exhibit A - Local Housing Trust Fund Agreement

Exhibit B - Project Location Map

Exhibit C - Sources and Uses of Funds

Exhibit D - Site Plan and Elevations

Exhibit E - LHTF NOFA