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**Redevelopment
Division**

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Staff Report

**ITEM
NO.** 11

To: Lemoore City Council/
Redevelopment Agency Board
From: Brooke Austin, Housing Specialist
Date: April 6, 2011
Subject: Financial Assistance for The Acacia's

Discussion:

In March, the Board reviewed a financial assistance request of \$4,200,000 from ROEM Corporation for the Village at Acacia 81 unit multi-family housing project. The project has since been renamed "The Acacia's". The majority of the Board seemed supportive of the project; however, there was concern over the amount of assistance requested. After further review, the developer has determined that they should be able to create a competitive project with a lower amount of Agency assistance, if the City will further support the project by applying for HOME and CDBG Funds from the Department of Housing and Community Development (HCD), when they become available. ROEM Corporation has submitted a new financial assistance request letter, which is attached. The developer is now seeking assistance of \$2,500,000 from the Redevelopment Agency Low-Moderate Income Housing Fund. In addition, they are requesting that the City apply for HOME Funds from HCD for the project. The Notice of Funding Availability (NOFA) for HOME Funds is generally released in June with an application deadline of August 15th. The last NOFA allowed jurisdictions to apply for up to \$3,100,000 for Rental New Construction, of which \$100,000 remains with the City for Administration and Activity Delivery. The developer would also like the City to apply for CDBG Funds for Public Improvements in Support of Housing New Construction. In the past, the City has been eligible to apply for up to \$800,000, of which \$148,800 was allocated to the City for Administration and Activity Delivery.

The developer has estimated that the project will cost approximately \$15,656,900 and every dollar of local funding that they are able to secure will increase the competitiveness of the their tax credit application. RDA Assistance of \$2,500,000 equates to \$31,250 per "affordable unit". The assistance is proposed in the form of a loan that will bear a simple interest rate of 3% per annum for a term of 30 years, amortized over 55 years and payments based on 50% of residual receipts. This is the same financing structure used for Montgomery Crossing, and that has previously been approved for other proposed projects.

This fiscal year \$1,650,000 was budgeted for this project and \$500,000 was budgeted for property acquisition. The commitment for this project expired December 31, 2010, and no funds are expected to be spent on property acquisition this fiscal year. The table below indicates the estimated ending balance for this fiscal year without these two expenditures, as well as the potential effect on the fund balance over the next three years if a funding adjustment is approved for this project. Please note that these estimates do not include any allocation to property acquisition over the three year period. In addition, the amount budgeted for housing programs has been reduced to \$820,000 per year. This would eliminate allocating any funds for the Solar or Infill Housing Programs which have not had expenditures this or last fiscal year. It should also be noted that the funding commitment of \$230,000 for Oleander Terrace expires June 30, 2011 and these funds are not expected to be expended.

Fiscal Year	2010-2011	2011-2012	2012-2013	2013-2014
Beginning Balance	\$ 4,936,113	\$ 5,155,208	\$ 2,525,904	\$ 69,904
Estimated Revenue	\$ 1,699,068	\$ 1,606,696	\$ 1,600,000	\$ 1,600,000
Estimated Expenditures				
Property Acquisition	\$ -	\$ -	\$ -	\$ -
Multi-Family Projects				
The Acacia's (Proposed)			\$ (2,500,000)	
Oleander Terrace	\$ (230,000)			
Cinnamon Villas		\$ (2,680,000)		
Ongoing Programs	\$ (820,000)	\$ (820,000)	\$ (820,000)	\$ (820,000)
Debt Service	\$ (429,973)	\$ (736,000)	\$ (736,000)	\$ (736,000)
Estimated Ending Balance	\$ 5,155,208	\$ 2,525,904	\$ 69,904	\$ 113,904

This project is somewhat unique from other projects in that it is currently occupied with a commercial business and several houses. There are existing blighted conditions on the site and the current use is incompatible with the surrounding neighborhood. The Purchase Agreement states that the seller is responsible to pay any relocation costs for existing tenants and the buyer is responsible for removing all existing structures. A project at this location may be the only opportunity to remove Wills Trucking from the current location and realize the public improvements along Bush Street and Acacia Drive.

The opportunity to apply for other funding sources for the project is not available until later in the year, so the developer does not anticipate applying for tax credits until next year at the earliest (This will of course depend upon whether any other projects are awarded this year). Therefore, staff recommends a funding commitment through December 31, 2012. Funds for this project will be incorporated into the 2012-2013 Fiscal Year Budget. Any other applications for grant funding will come before the Council for approval prior to submittal to HCD.

Budget Impact:

If approved, \$2,500,000 of the Low-Moderate Income Housing Fund will be budgeted for this project in the 2012-2013 Fiscal Year. During the term of the 30-year loan, the Agency expects to receive minimal payments per year from the residual receipts. However, at the end of the loan term full repayment of the principal of \$2,500,000 and unpaid interest is required.

Recommendation:

That the Agency Board approve the request for assistance up to \$2,500,000 and authorize Executive Director Briltz to issue a Preliminary Commitment Letter; and

That Council instruct staff to work with the development team to apply for additional funding from HCD through the HOME and CDBG Programs, when funding becomes available.