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**Redevelopment
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Staff Report

**SS ITEM
NO. 6**

To: Lemoore Redevelopment Agency Board
From: Brooke Austin, Housing Specialist
Date: February 17, 2011
Subject: Financial Assistance for Village at Acacia

Discussion:

In January of 2009 the Agency committed \$1,650,000 to the Village at Acacia affordable housing development proposed for the southwest corner of Bush Street and Acacia Drive. This amount has not been sufficient for the project to competitively apply for tax credits. Consequently, the previous developer's option to purchase the property from Richard Wills of Wills Trucking expired and the property went back on the market. Since then, ROEM Corporation has obtained an option to purchase the property and approached the Agency to request funding for the project. The new developer plans to use the current entitlements for the site and build the same 81-unit multi-family complex, which consists of 24 two-bedroom units, 40 three-bedroom units, 16 four-bedroom units, and one (1) three-bedroom manager's unit. Please see the attached Staff Report for information regarding the previous commitment and proposed project. Chuck Treach of ROEM Corporation has requested that the funding request be considered on March 1st, so that if there is support, the project can return on March 15th for a funding commitment to be included with their March Tax Credit Application.

The developer has estimated that the project will cost approximately \$15,656,900 and that they will need \$4,100,000 in financial assistance to make the project feasible, which equates to \$51,250 per "affordable unit". As the attached pro forma indicates, 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 55 years and payments based on 50% of residual receipts. This is similar to the financing structure used with previously assisted projects; however, we have previously required a term of 30 years with a 55-year amortization period. The developer anticipates that this level of commitment will increase the project's competitiveness in the next tax credit application round in March.

This fiscal year \$1,650,000 was budgeted for Village at Acacia and \$500,000 was budgeted for property acquisition. These amounts are not expected to be spent this fiscal year. The 2010-2011 RDA Budget indicates that the Low-Moderate Income Housing Fund has an estimated ending balance of \$3,158,408. This balance plus the

\$2,150,000 budgeted for Village at Acacia and property acquisition represents an estimate of the funds available - \$5,308,408. In addition, the Low-Moderate Income Housing Fund has estimated annual net revenue of approximately \$1.7 million and estimated annual expenses for ongoing programs of approximately one million dollars; therefore, there is approximately \$700,000 available for projects each year. The Board does have the ability to “ earmark ” future funds.

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 developer will be in attendance Tuesday night to provide you with a PowerPoint presentation regarding their development experience and an overview of the proposed project and financing plans for the site. At the conclusion of the discussion, the developer seeks input as to whether the Agency is interested in supporting this project. If the Board is in favor of moving forward, the item will be brought back at the March 15th meeting for action.

Budget Impact:

None at this time; however, a potential impact to the RDA Low-Moderate Income Housing Fund of \$4,100,000.

Recommendation:

Staff remains supportive of a project at this location; however, somewhat hesitant at this funding level. This would be a substantial increase from previous commitments. The Board has the option to recommend funding at the level requested or to indicate an acceptable level of support and instruct staff to explore other opportunities to apply for additional funding for the project, such as HOME, CDBG, etc.