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**Redevelopment
Division**

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Staff Report

**ITEM
NO.** 17

To: Lemoore Redevelopment Agency Board
From: Brooke Austin, Housing Specialist
Date: March 3, 2011
Subject: Adjustment to Financial Assistance for Cinnamon Villas

Discussion:

In March of 2010, the Board discussed the Cinnamon Villas housing development and ultimately issued a funding commitment to Pacific West Communities for \$1,680,000 (a copy of the commitment letter is attached). The project is an 80-unit senior complex located on the southeast corner of Fox Street and Cinnamon Drive, which consists of 68 one-bedroom units, 11 two-bedroom units, and one (1) two-bedroom manager's unit. The developer has estimated that the project will cost approximately \$12,757,997 and that it would require an additional \$1,000,000 in financial assistance for the project to be successful in applying for tax credits. Their request for additional funds is attached. An additional commitment would bring the total assistance to \$2,680,000, or \$33,924 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 issued to other proposed projects.

As you may recall, the property for this project was purchased by the Housing Authority of Kings County in June of 2008 and transferred to Pacific West Communities in December of 2009. Kings County Management and Development Corporation, a non-profit development arm of the Housing Authority, and Pacific West Communities are partners in the long-term ownership of the project.

Staff realizes that the Board has considered multiple projects recently that have previously received Agency support and that there is concern about the number of units needed in the City. It is important to understand that although the Agency may choose to support multiple projects, construction on any project will not begin until all financing is secured and it has been awarded tax credits. Tax Credit Regulations only allow one project to be awarded in the City each year. In addition, once a project is awarded, it must be completed and occupied before another tax credit award can be made in the

City. Therefore, no two projects will be awarded tax credits or require utilization of financial assistance from the Agency in the same year.

This fiscal year \$1,650,000 was budgeted for a different multi-family project and \$500,000 was budgeted for property acquisition. These amounts are not expected to be spent 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.

Fiscal Year	2010-2011	2011-2012	2012-2013
Beginning Balance	\$ 4,936,113	\$ 5,385,208	\$ 2,575,904
Estimated Revenue	\$ 1,699,068	\$ 1,606,696	\$ 1,600,000
Estimated Expenditures			
Property Acquisition	\$ -	\$ -	\$ -
Multi-Family Projects			
Village at Acacia			
Oleander Terrace			
Cinnamon Villas (proposed)		\$ (2,680,000)	
Ongoing Programs	\$ (820,000)	\$ (1,000,000)	\$ (1,000,000)
Transfers Out	\$ (429,973)	\$ (736,000)	\$ (736,000)
Estimated Ending Balance	\$ 5,385,208	\$ 2,575,904	\$ 2,439,904

The Agency currently has a deficit of approximately 29 very-low income units in its Housing Production Requirement. If constructed, Cinnamon Villas will provide 34 very-low income units countable toward this income category, which will fill the current gap and count towards our future production requirement.

The RDA Implementation Plan includes the following goals to “Promote Safe and Affordable Housing and Related Amenities for All Segments of the City’s Population Base” with the objective to “financially assist in the construction of multi-family and senior housing projects for very low, low and moderate income persons”; and to “Increase the Supply of and Improve the Condition of Housing Units for Senior and Disabled Adults” with the objective to “financially support the construction of senior housing projects, as needed”. In addition to fulfilling these goals, the Cinnamon Villas is also desirable as it will help beautify the area, complete the neighborhood with the installation of curbs, gutters and sidewalks, extend Follett Street to Cinnamon Drive and improve the entryway to Downtown.

For the Board’s consideration Tuesday evening is a loan to Pacific West Communities that is conditioned upon the developer successfully securing all other funding sources. The attached resolution issues a loan commitment of \$2,680,000 for Cinnamon Villas and authorizes staff and legal counsel to negotiate and enter into a loan agreement and the related documents. The developer anticipates applying for tax credits this month. In order to submit a competitive tax credit application, Pacific West Communities needs verification that all other funding is committed. In addition to applying for tax credits and

Agency assistance, the project has secured \$1,000,000 in USDA Rural Development assistance and \$800,000 in Community Development Block Grant funds. Shellan Miller, Caleb Roope and Bob Hoskins of the development team will be in attendance Tuesday night to answer any additional questions the Board may have.

Budget Impact:

If approved, \$2,680,000 of the Low-Moderate Income Housing Fund will be budgeted for this project in the 2011-2012 Fiscal Year. During the term of the 30-year loan, the Agency expects to receive minimal payments per year from the residual receipts totaling approximately \$837,818 during the loan term. However, at the end of the loan term full repayment of the principal of \$2,680,000 and unpaid interest is required.

Recommendation:

That the Agency Board adopt Resolution No. 2011-03 approving the Loan Commitment of \$2,680,000 and authorizing Agency staff and legal counsel to negotiate and enter into a Loan Agreement and the related documents.