

AGENDA ITEM NO. 2E

COUNCIL MEETING March 28, 2013

APPROVED BY \_\_\_\_\_

DEPARTMENT DIRECTOR \_\_\_\_\_

CITY MANAGER *Renena Smith*

March 28, 2013

FROM: RENENA SMITH, Assistant City Manager  
City Manager's Office *RS*

By: *WR* JOHN ROBERTSON, Interim Manager  
Housing and Community Development Division  
Development and Resource Management Department

SUBJECT: APPROVE AMENDMENT NO. I TO THE SEPTEMBER 29, 2011, HOME INVESTMENT PARTNERSHIPS PROGRAM AGREEMENT WITH REDDING RETIREMENT HOUSING CORP. TO: 1) INCREASE THE HOME PROGRAM LOAN FROM \$750,000 TO \$990,000, 2) EXTEND THE COMPLETION DATE FROM AUGUST 1, 2014 TO DECEMBER 29, 2014, AND 3) ASSIGN THE HOME AGREEMENT TO SIERRA GATEWAY SENIOR RESIDENCE II AS THE NEW ENTITY TO CONSTRUCT THE 68-UNIT AFFORDABLE SENIOR HOUSING PROJECT TO BE LOCATED AT THE SOUTHWEST CORNER OF WEST SAN JOSE AVENUE AND NORTH MARTY AVENUE (APN: 415-044-59) IN NORTHWEST FRESNO

### RECOMMENDATIONS

Staff recommends that the City Council approve Amendment No. I, approved as to form by the City Attorney's office, to the September 29, 2011, HOME Investment Partnerships ("HOME") Program Agreement (please see Exhibit "A" – Amendment No. I to HOME Program Agreement) with Redding Retirement Housing Corp. to:

- 1) Increase the HOME Program loan from \$750,000 to \$990,000;
- 2) Extend the completion date from August 1, 2014 to December 29, 2014; and
- 3) Assign the HOME Program Agreement to Sierra Gateway Senior Residence II ("SGSR II") as the new entity to construct the 68-unit affordable senior housing project to be located at the southwest corner of West San Jose Avenue and North Marty Avenue (APN: 415-044-59) in northwest Fresno (please see Exhibit "B" – Location Map).

### EXECUTIVE SUMMARY

On October 26, 2012, the project developer Southern California Presbyterian Homes ("SCPH") requested an additional \$240,000 in HOME Program funds to complete financing of the proposed SGSR II project. Additional HOME Program funds were requested to fill a gap created by: 1) an award of U.S. Department of Housing and Urban Development ("HUD") 202 Program funds that was less than the requested amount, 2) Redevelopment Agency ("Agency") funds previously reserved for the project that cannot be realized as the Agency has ceased to exist, and 3) an increase in construction costs from that listed in the 2010 project budget. In an effort to reduce the initial \$875,000 gap, SCPH and its general contractor Ashwood Construction ("Ashwood") incorporated value engineering reducing the gap to \$240,000. The total project cost is currently estimated at \$11,439,260.

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*Amendment No. 1 to HOME Agreement for construction of Sierra Gateway Senior Residence II*

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**BACKGROUND**

The existing September 29, 2011, HOME Agreement includes a total of \$750,000 in HOME funds. On April 28, 2011, the Council approved \$250,000 in HOME Program funds to the project by adoption of Resolution 2011-77 to show local support for the SCPH's HUD 202 funding application (a HUD prerequisite for competing for 202 Program funds). On September 29, 2011, the Council approved an additional \$500,000 in HOME Program funds as requested by SCPH in response to the City's HOME Notice of Funding Availability published on March 9, 2011. On October 26, 2012, SCPH requested an additional \$240,000 in HOME Program funds to close a gap in financing of the proposed SGSR II project.

At the commitment of the \$750,000 in HOME Program funds on September 29, 2011, and award of HUD 202 Program funds on March 2, 2012, the project budget had a gap of approximately \$875,000. The gap was created by: 1) a \$127,712 shortfall which resulted from a shortage of awarded 202 Program funds versus SCPH's 202 Program application funding request, 2) \$300,000 in Agency funds initially committed to the project that were lost when the Agency ceased to exist, and 3) an approximately \$447,288 increase in construction costs from that listed in the initial 2010 project budget. After several budget revisions, SCPH and Ashwood were able to reduce the gap to \$240,000. Ashwood has provided a letter assuring SCPH and the City that the construction of the project can be completed at a cost not to exceed \$8,184,822 (please see Exhibit "C" – Ashwood Companies' letter), provided that the project commences construction no later than the summer of 2013. Any further reduction to the development budget beyond that stated in Ashwood's letter and Revised Project Budget (attached as Exhibit "C" to the Amendment No. 1), will compromise the quality of the finished product as currently proposed. The total project cost is estimated at \$11,439,260, of which \$9,809,500 is to be financed from an allocation of HUD 202 Program funds. SCPH owns the project property and is ready to proceed, pending an additional \$240,000 in HOME Program funds to close the existing gap in financing. Project plans are with the City Planning Division for plan check and project documents are being compiled for submittal to HUD for final processing and 202 funding.

In response to Finding #4, item 1 in the August 17, 2012, HUD monitoring letter, the Housing and Community Development Division staff completed the required analysis to determine support for the additional \$240,000 in HOME funds to the project. The analysis concluded that the \$240,000 would not exceed the HUD 221(d)(3) limits, other possible funding sources were exhausted and all possible cost reductions were made to the project budget. Also, in accordance with HUD direction, staff held a conference call on January 9, 2013, with the City's HUD Community Planning and Development ("CPD") representative and a HUD 202 Program representative to review the SCPH's request for the additional funding. Both representatives expressed their support for the additional HOME funds to the project. However, as requested by staff, the HUD representatives would not provide a letter to that affect stating that the final decision to award HOME Program funds rests with the local governing body. The representatives added that the commitment of the \$9.8 million in 202 Program funds, which equates to a leverage of 1:10, suffices as evidence of HUD's commitment and support for the project.

If the additional \$240,000 in HOME funds is approved, the funds will be provided in the form of a zero-interest, deferred, and forgivable loan, and contingent upon execution of the Amendment No. 1, which also assigns the HOME Agreement to Sierra Gateway Senior Residence II, a non-profit entity with tax exempt status. The Sierra Gateway Senior Residence II entity shall own, manage and operate the apartment complex.

Once completed, SGSR II will be situated on a 1.93-acre parcel, adjacent to Sierra Gateway Senior Residence I, located at the southwest corner of West San Jose Avenue and North Marty Avenue (District 2). The apartment building will consist of one three-story building that includes a total of 68 units of which 67 units (of approximately 540 square feet, as required by HUD), will be HOME-assisted affordable senior rental housing units with 55-year affordability covenants, and one unit reserved for an on-site manager. The

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ground floor will be occupied by a community center, with hospitality kitchen, lobby seating area, management office, library and computer room, restrooms, and an outdoor patio area. There will be approximately 58,400 square feet of living space at a cost of \$196 per square foot (\$11,439,260 project cost/58,400 sq. ft.). Construction of the building structure will incorporate energy-efficient low-maintenance materials, the City's Green building standards, and Universal Design features.

The development of SGSR II will assist the City in meeting its affordable housing goals as identified in the Housing Element of the 2025 General Plan and 2010-2014 Consolidated Plan. Also, an estimated 250 subcontracting and supplier jobs will be created for the duration of construction.

Qualifying senior residents shall be 62 years of age, or older, and have an income at, or below, 50% of area median income as established by HUD. For example, a household of one may have an income not to exceed \$20,100 per year which equates to an income of \$1,675 per month. The rent charged for a unit will be at 30% of a tenant's income or approximately \$502.50 based on the above income example.

A Finding of Conformity was prepared for the project and adopted by the City on August 31, 2004 for a 2-phased, 148 unit senior apartment complex. This finding was affirmed by the City on September 29, 2011 in conjunction with the HOME financing on this second phase of the project. This approval is to provide additional funding for that project. The project related to this subsequent approval was included in the project description for the Finding of Conformity. No substantial changes are proposed to the project which would require revisions to the Finding of Conformity due to the involvement of significant environmental effects or due to a substantial increase in the severity of previously identified significant effects. Further, no substantial changes have occurred with respect to the circumstances under which the project was undertaken which will require major revisions to the Finding of Conformity due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects. Finally, there is no new information which was not known and could not have been known at the time of the previous Finding of Conformity that the project will have a significant effect not discussed in the Finding of Conformity. Specifically, there is no change to the project description. Rather, this approval relates to a change in funding. As such, no further environmental documentation is required under CEQA Section 15162.

Predevelopment activities for Phase II were completed in conjunction with the Sierra Gateway Senior Residence I project. The Conditional Use Permit (No. C-04-062) was issued for both phases on July 7, 2004, and is still in effect.

SCPH, the project developer, is a well-known non-profit corporation that has over 56 years of experience with development and management of affordable housing projects. SCPH currently operates over 36 developments including 26 affordable housing communities with 1,840 units. On May 29, 2007, SCPH successfully completed Sierra Gateway Senior Residence I, an 80-unit affordable senior housing complex located just north of the proposed SGSR II site. Ashwood, the project general contractor, is a local leading builder of multi-family housing with over 37 years of residential building experience. Ashwood has constructed more than 16,500 units with projects varying in size from 40 to 400 units in over 50 California cities.

**HOUSING AND COMMUNITY DEVELOPMENT COMMISSION**

The Housing and Community Development Commission considered and recommended this item for approval on February 27, 2013.

**FISCAL IMPACT**

The \$240,000 in HOME Program funds for the proposed SGSR II project is available in the Development and Resource Management Department's Fiscal Year 2013 Budget. The project's total construction cost is

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estimated at \$11,439,260, of which 85.75% is to be funded with HUD 202 Program funds and a total of \$990,000 or 8.65% is proposed to be funded with HOME Program funds.

**APPENDICES**

Exhibit A – Amendment No. I to HOME Program Agreement

Exhibit B – Location Map

Exhibit C – Ashwood Companies' Letter

K:\HOUSING\PROCEDURES MANUAL\CHAPTER 21 HCDC & COUNCIL\COUNCIL\STAFF REPORTS\2013\COUNCIL3-28-13SierraGatewayII

**EXHIBIT A – AMENDMENT NO. I TO HOME PROGRAM AGREEMENT**

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RECORDED AT THE REQUEST OF  
AND WHEN RECORDED RETURN TO:

City of Fresno  
City Clerk  
2600 Fresno Street, Room 2133  
Fresno, CA 93721-3603

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

This Amendment I to HOME Agreement is recorded at the request and for the benefit of the City of Fresno and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

CITY OF FRESNO

By: \_\_\_\_\_  
Name: Mark Scott  
Its: City Manager  
Date: \_\_\_\_\_

**AMENDMENT I TO  
CITY OF FRESNO HOME INVESTMENT PARTNERSHIPS PROGRAM  
AGREEMENT**

by and between

CITY OF FRESNO, a municipal corporation

and

Redding Retirement Housing Corporation, a California corporation

and

Sierra Gateway Senior Residence II, a California corporation

Regarding

Sierra Gateway Senior Residence II  
Affordable Multi-Family Senior Housing  
Adjacent to property at the southwest corner of  
West San Jose Avenue and North Marty Avenue  
Fresno, CA 93711 (APN: 415-044-59)

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## **ASSIGNMENT AND AMENDMENT OF HOME AGREEMENT**

This assignment and first amendment to the HOME Investment Partnerships Program Agreement ("Amendment I"), by and between the City of Fresno, a municipal corporation, acting through its Development and Resource Management Department - Housing and Community Development Division ("CITY"), Redding Retirement Housing Corp., a California corporation ("DEVELOPER" and "ASSIGNOR") and Sierra Gateway Senior Residence II, a California corporation ("SGSR II" and "ASSIGNEE") is effective upon the date it is recorded in the office of the Fresno County Recorder.

CITY and DEVELOPER entered into a HOME Investment Partnerships Program Agreement on September 29, 2011, recorded in the Fresno County Recorder's Office on September 30, 2011, as document number 2011-032012 ("Agreement") for a loan of \$750,000. The Agreement, relates to the development of a sixty-eight (68) unit senior rental housing project of which sixty-seven (67) units shall be constructed and preserved for low- and very low-income seniors.

DEVELOPER and SGSR II have requested: an assignment of the Agreement from DEVELOPER to SGSR II; a release of DEVELOPER's liability under the Agreement; and an increased loan amount of \$240,000 (for a total loan of \$990,000.00) to complete financing of the project.

### **The parties therefore agree as follows:**

1. DEVELOPER shall have Southern California Presbyterian Homes, Inc., a California Corporation, grant by deed to SGSR II all of its right, title and interest in the property located at the southwest corner of West San Jose Avenue and North Marty Avenue, Fresno, CA 93711, Assessor's Parcel Number 415-044-59, which property is the subject of the Agreement and said deed must be recorded with this Amendment I or sooner.
2. ASSIGNOR hereby assigns and transfers to ASSIGNEE and ASSIGNEE accepts all right, title, interest and obligations of and to the Agreement as amended hereby. ASSIGNOR and ASSIGNEE, without waiver or limitation, agree to take any and all actions required to bind ASSIGNEE to the Agreement and all applicable attachments thereto at the request of and as requested by CITY and such is both a condition precedent to this Amendment 1 and an obligation which survives the release of ASSIGNOR's liability contained herein until the termination of the Agreement.
3. All references in the Agreement to Redding Retirement Housing Corp., a California corporation are hereby replaced with Sierra Gateway Senior Residence II, a California corporation.
4. ASSIGNEE shall have no greater rights than ASSIGNOR under the Agreement.
5. CITY shall increase the Loan (as defined in Article 1, section 1.29 of the Agreement) by \$240,000.00 for a total Loan of \$990,000 of HOME funds

- pursuant to all the terms and conditions of the Agreement.
6. All sections of the Agreement, including but not limited to 1.16, 1.29, 1.32, 2.1, 6.1, 6.3, Exhibit F and Exhibit G are amended hereby to reflect the revised and restated Loan amount of \$990,000.00.
  7. Article 1, section 1.35 of the Agreement is corrected to read:  
Project Schedule means the schedule for completion of the Project included in EXHIBIT A: PROJECT DESCRIPTION AND SCHEDULE
  8. Section II, PROJECT SCHEDULE, of EXHIBIT A: PROJECT DESCRIPTION AND SCHEDULE to the Agreement is stricken in its entirety and replaced with the following:

TASK	COMPLETION DATE
Plan Check, Contractor Bidding, Firm Documents, and all Tax Exemptions	June 3, 2013
HUD Closing	August 6, 2013
Commence Construction	August 13, 2013
Complete Construction	December 29, 2014
Lease Up	March 1, 2015

9. EXHIBIT C: PROJECT BUDGET attached to the HOME Agreement is stricken in its entirety and replaced with EXHIBIT C: REVISED PROJECT BUDGET attached hereto and incorporated herein.
10. DEVELOPER is released from all liability under the Agreement except as reserved herein.
11. In the event of any conflict between the body of this Amendment I and any exhibit or attachment hereto, the terms and conditions of the body of this Amendment I shall control and take precedence over the exhibit/attachment.
12. All capitalized terms used in this Amendment No. I, unless otherwise defined herein, shall have the meanings assigned to such terms in the HOME Agreement.
13. Except as expressly modified and amended hereby, the HOME Agreement shall remain in full force and effect. Commencing on the effective date of this Amendment I, references in the HOME Agreement to Agreement shall mean the HOME Agreement as hereby amended.

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# EXHIBIT C

## REVISED PROJECT BUDGET

<b>ITEM:</b>	<b>HUD 202:</b>	<b>Owner</b>	<b>HUD HOME</b>	<b>TOTAL</b>
Construction + Ins.	\$7,504,822		\$680,000	\$ 8,184,822
Architect's fee	\$ 398,000			\$ 398,000
Other fees	\$ 861,351			\$ 861,351
HUD 2% contingency	\$ 187,883			\$ 187,883
Taxes	\$ 10,000			\$ 10,000
Insurance	\$ 35,000			\$ 35,000
Title & Recording	\$ 25,000			\$ 25,000
Legal	\$ 38,800			\$ 38,800
Cost certification	\$ 12,000			\$ 12,000
Land	\$ 152,000		\$310,000	\$ 462,000
Organizational costs	\$ 28,000			\$ 28,000
Consultant fee	\$ 60,000			\$ 60,000
Closing	\$ -0-	\$639,760		\$ 639,760
Rent up/furniture	\$ 273,326			\$ 273,326
Working capital	\$ 223,318			\$ 223,318
<b>TOTAL:</b>	<b>\$9,809,500</b>	<b>\$639,760</b>	<b>\$990,000</b>	<b>\$11,439,260</b>

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## EXHIBIT B – LOCATION MAP

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# Project Location Maps



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**EXHIBIT C – ASHWOOD COMPANIES' LETTER**

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# Ashwood Companies

January 29, 2013

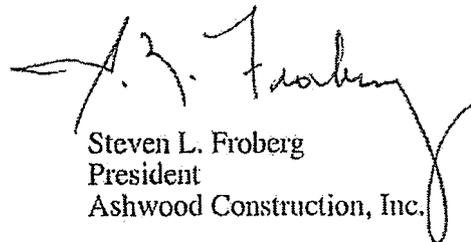
Ms. Renena Smith  
City of Fresno  
Assistant City Manager  
2600 Fresno Street  
Room 2064  
Fresno, CA 93721

Mr. Ben Beckler  
Vice President, Project Development  
be.group  
516 Burchett Street  
Glendale, CA 91203

Dear Ms. Smith and Mr. Beckler,

This letter certifies that Ashwood Construction, Inc. will build Sierra Gateway II, a HUD 202 project for the be.group for a cost of no more than \$8,184,822. This price reflects Federal Davis-Bacon wage rates, the construction drawings as submitted for plan check and including recommended "value engineering", and a start date no later than Summer 2013.

Sincerely,



Steven L. Froberg  
President  
Ashwood Construction, Inc.

01/29/13 10:59 AM  
www.ashwood.com  
5755 E. Kings Canyon Rd., Suite 110, Fresno, CA 93727