



REPORT TO THE CITY COUNCIL

March 20, 2007

FROM: Keith Bergthold, Acting Director
Planning and Development Department

BY: MICHAEL SIGALA, Manager 
Housing and Community Development Division

SUBJECT: RECOMMEND TO CITY COUNCIL CONDITIONAL APPROVAL OF HOME INVESTMENT PARTNERSHIPS (HOME) PROGRAM FUNDS FOR \$2.6 MILLION TO SADI LLC FOR CONSTRUCTION OF PHASE II OF THE TANAGER SPRINGS APARTMENTS, AN 80-UNIT AFFORDABLE MULTIFAMILY HOUSING DEVELOPMENT LOCATED AT THE SOUTHEAST CORNER OF CALIFORNIA AND MAPLE AVENUES

KEY RESULT AREA

One Fresno

RECOMMENDATION

Staff recommends to City Council conditional approval of HOME Program loan funds for \$2.6 million to SADI LLC for the construction of Phase II of the Tanager Springs Apartments, an 80-unit affordable rental housing development in southeast Fresno.

EXECUTIVE SUMMARY

The City has received a HOME funding request for \$2.6 million from SADI, LLC for its proposed Tanager Springs Apartments, Phase II. SADI's proposed project will be developed on the remaining portion of a 10-acre site at the southeast corner of Maple and California Avenues in southeast Fresno. As with Phase I, Phase II will also consist of 80 units of which 78 will be large-family rental housing units available to very low- and low-income families. Two of the residential units will be designated as manager units. The HOME Program loan will carry a minimum 55-year affordability period with the principal and interest payable from residual receipts from the project's net operating income. The HOME Program loan is contingent upon an award of Proposition 1C Multifamily Housing Program (MHP) funds from the State Department of Housing and Community Development and non competitive (4%) or competitive (9%) federal low income housing tax credits from the State of California Tax Credit Allocation Committee (TCAC) as the major source of funding.

KEY OBJECTIVE BALANCE

The conditional approval of additional HOME Program funds for the Tanager Springs Apartments Phase II presents an opportunity to make a positive impact to the Customer Satisfaction, Employee Satisfaction, and Financial Management Key Objectives. Conditional approval impacts the Customer Service aspect by demonstrating the City's commitment to strengthening local and private partnerships to ensure adequate and affordable housing for households at or below 60% of area median income. The conditional approval also attributes to Employee Satisfaction by supporting efforts that help to achieve the Housing Element goals of producing affordable housing. In addition, it demonstrates creative and resourceful Financial Management by encouraging the practice of leveraging private and public funds to develop affordable housing.

AGENDA ITEM NO.:
COUNCIL MEETING: March 20, 2007
APPROVED BY
DEPARTMENT DIRECTOR 
CITY MANAGER

BACKGROUND

SADI LLC is a limited liability company and joint venture of two well-established affordable housing developers, Squire Properties and Advanced Development and Investment, Inc. (ADI). This development team has extensive experience in developing affordable housing and has successfully completed over 50 rental housing projects throughout California.

The HOME Program loan is contingent upon an award of Proposition 1C Multifamily Housing Program (MHP) funds from the State Department of Housing and Community Development and non competitive (4%) or competitive (9%) federal low income housing tax credits from the State of California Tax Credit Allocation Committee (TCAC) as the major source of funding. Regardless of the financing approach, the requested City subsidy will remain \$2.6 million.

Phase I of the Tanager Springs project has successfully secured MHP funding in the amount of \$4,912,000. In October of 2006, the City conditionally approved \$2.1 million for Phase I. The City and SADI are preparing to enter into a HOME Agreement for construction of Phase one.

The requested HOME funds will provide gap financing to complete the estimated \$21.5 million project cost. The HOME loan will carry a two percent or higher interest rate and will be repaid with residual receipts derived from the net operating income of the project and will be secured by a deed of trust recorded against the property. The project shall remain affordable for a minimum of 55 years. All units in the Tanager Springs Apartments Project will be designated as very low- and low-income available to families at or below 60% of area median income as defined annually by the U.S. Department of Housing and Urban Development (HUD) for the Fresno metropolitan area.

Phase II of the Tanager Springs Apartments will be located on the remaining portion of the 10-acre site next to Phase I at the corner of Maple and California Avenues in southeast Fresno. The proposed design consists of an array of 13 apartment buildings situated in a garden setting with open space and amenities, such as a swimming pool, sports courts, play areas, and a community room very similar to the first phase.

The project will consist of seven two-bedroom units with rents approximately \$457 per month, 55 three-bedroom units with monthly rents approximately \$528, and 16-four bedroom units with monthly rents approximately \$589. One two-bedroom unit and one three-bedroom unit will be reserved for on-site property managers.

A Phase I, National Environmental Policy Act (NEPA) and California Environmental Quality Act (CEQA) environmental assessments for the Tanager Springs Apartments, Phase II are completed and have concluded that the project will not have an adverse effect on the environment.

The provision of large family units for very low- and low-income households is a priority of the City's Housing Element of the 2025 General Plan and the 2006-2010 Consolidated Plan to HUD.

HOUSING AND COMMUNITY DEVELOPMENT COMMISSION

The Housing and Community Development Commission considered and recommended approval of this item on March 14, 2007.

FISCAL IMPACT

HOME Program funds for the proposed Tanager Springs Apartments Phase II are available in the Planning and Development Department's Fiscal Year 2006-07 Budget.

APPENDICES

- Exhibit A – Site Map
- Exhibit B - Project Financial Information
- Exhibit C - Site Plan
- Exhibit D - Building Elevations

TANAGER SPRINGS APARTMENTS PROJECT, PHASE II SITE MAP



APN:480-080-14
434,728 Square Feet
2121 South Maple
Fresno, CA 93725

EXHIBIT A

PROJECT FINANCING INFORMATION

1 Sources - Construction Financing

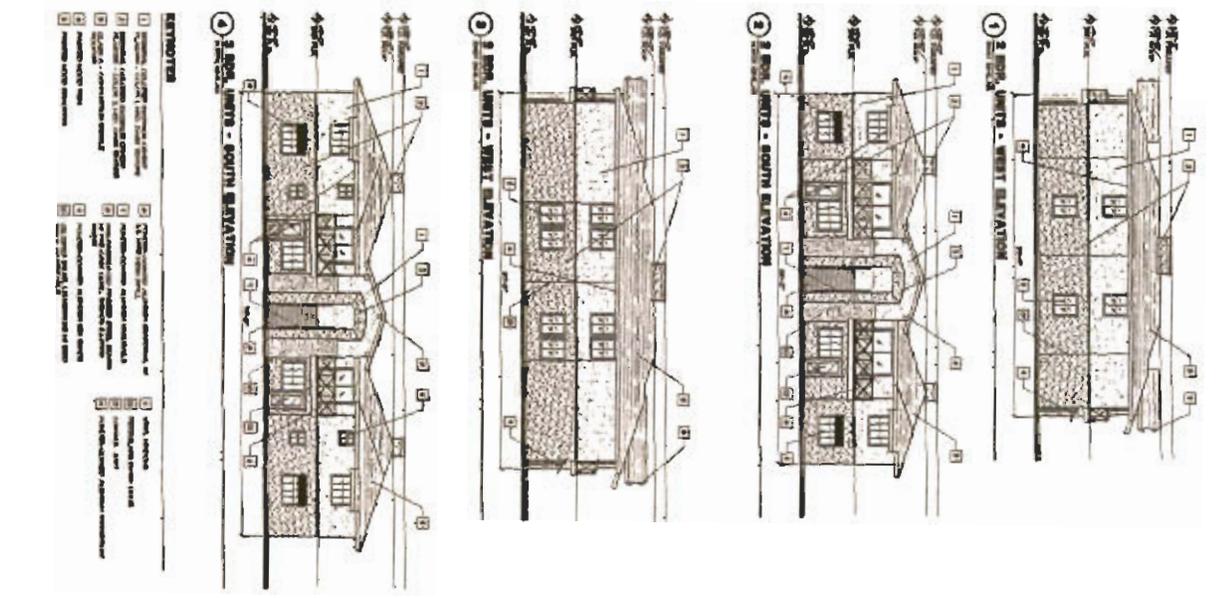
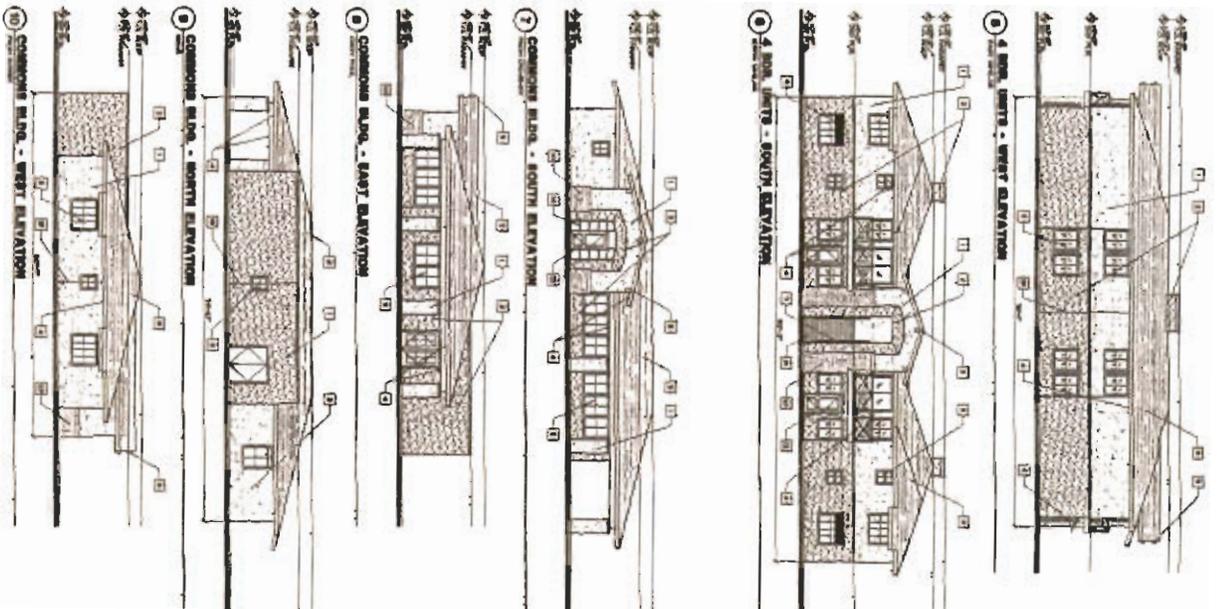
Tax-Exempt Bond Proceeds	\$ 15,230,000
Taxable Debt Proceeds	\$ -
Developer Equity	\$ 2,500,000
Low Income Housing Tax Credit Equity	\$ 1,218,177
Direct & Indirect Public Funds	\$ 2,600,000
Other (please identify): Rental Income	\$ -
Other (please identify): Deferred Costs	\$ -
Total Sources:	\$ 21,548,177

2 Sources - Permanent Financing

Tax-Exempt Bond Proceeds	\$ 1,832,000
Taxable Debt Proceeds	\$ -
Developer Equity	\$ 1,868,142
Low Income Housing Tax Credit Equity	\$ 9,376,035
Direct & Indirect Public Funds	\$ 7,512,000
Other (please identify): AHP	\$ 960,000
Total Sources:	\$ 21,548,177

3 Uses

Land	\$ 1,195,119
Soft Costs	\$ 4,870,500
Hard Costs	\$ 13,753,411
Finance	\$ 1,729,147
Total Uses:	\$ 21,548,177



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ELEVATIONS
DATE: 5-1-77

A2

APARTMENT ELEVATIONS

DATE: 5-1-77

PROPOSED
TANAGER SPRINGS APARTMENTS
FRESNO, CALIFORNIA

DATE: 5-1-77

SCALE: 1/8" = 1'-0"

BY: [Signature]