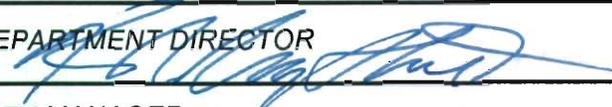




**REPORT TO THE CITY COUNCIL**

AGENDA ITEM NO.:
COUNCIL MEETING: July 31, 2007
APPROVED BY
DEPARTMENT DIRECTOR 
CITY MANAGER

July 31, 2007

FROM: NICK P. YOVINO, Director  
Planning and Development Department

BY: MICHAEL SIGALA, Manager   
Housing and Community Development Division

SUBJECT: RECOMMEND CITY COUNCIL APPROVE AMENDMENT NUMBER ONE TO THE HOME PROGRAM AGREEMENT BETWEEN CITY OF FRESNO AND ALVIS PROJECTS INC. TO EXTEND THE PROJECT'S TIMELINE TO AUGUST 31, 2008 AND INCREASE THE AMOUNT OF HOME FUNDS UTILIZED PER HOME FOR THE CONSTRUCTION OF THE CITY'S GREEN BUILDING DEMONSTRATION PROJECT (SINGLE FAMILY AFFORDABLE INFILL)

**KEY RESULT AREA**

One Fresno

**RECOMMENDATION**

Staff recommends that City Council approve Amendment No. One to the HOME Program Agreement between the City of Fresno and Alvis Projects Inc. (Alvis) to:

- 1) Extend the project's timeline to August 31, 2008, and;
- 2) Increase the amount of HOME funds per home to \$100,000 to be utilized as mortgage assistance to participating low-income homeowners.

**EXECUTIVE SUMMARY**

The City and Alvis Projects Inc. entered into a \$300,000 HOME Program agreement on April 29, 2005 for the construction of up to six single-family affordable homes to be built as an energy efficient demonstration project. The "Green Building Demonstration Project" is well underway with the first home completed in January 2007. The contractor is requesting additional time to complete this project. The contractor cites numerous impediments to a timely completion including: unanticipated additional time needed to design and engineer the project, extended building permit review process due to the alternative building methods used, and additional time needed to obtain favorable construction financing for the participating low-income families. All issues have now been resolved and the contractor is requesting a revised completion date of August 31, 2008. In addition, the original HOME agreement allocated \$50,000 per home in mortgage assistance for up to six homes. Staff is requesting to increase this amount to \$100,000 per home. This request will decrease the number of homes constructed under the agreement from six to three. Staff will return to Council after the third home is complete to report on the timely progress of the project and request additional funding for the fourth through sixth homes.

## REPORT TO THE CITY COUNCIL

Alvis Extension

July 31, 2007

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Approval of the amendment presents an opportunity to make a positive impact to the Customer Satisfaction, Employees Satisfaction, and Financial Management Key Objectives. The approval impacts the Customer Service aspect by demonstrating the City's commitment to building green affordable housing. The approval also attributes to Employee Satisfaction by authorizing the necessary extensions in order to complete housing projects. In addition, it demonstrates Financial Management through keeping our investment in the continued development of affordable green in-fill projects.

### **BACKGROUND**

The City and Alvis Projects Inc. entered into a \$300,000 HOME Program agreement on April 29, 2005 for the construction of up to six single-family affordable homes to be built as an energy efficient demonstration project. The first Green Building Demonstration House was completed on March 1, 2007. During the two-year long process, both the City and Alvis were met with obstacles to project completion.

The Green Building home concept encountered numerous obstacles in both in the design and plan approval processes. Alvis worked diligently with the City's Building Services Division to ensure that the Green Building materials were approved by both state and local ordinances. After several iterations of the plans, they were able to come to an agreement with the City to build the optimal Green Building House.

The project also experienced delays in securing advantageous construction financing for the homebuyers. The project participants are required to obtain a construction loan for the project. The City provides a second position mortgage at the end of construction, making this financing structure difficult to fund. Construction lenders could not provide a low-cost construction loan to low-income families (which is needed for the feasibility of this project) nor were they willing to assume a permanent loan at the end of construction. The first family worked together with the City for over a year to obtain a favorable construction loan, and was able to negotiate such a loan from United Security Bank. United Security Bank requested that the City provide a mortgage loan of \$100,000 to secure the availability of the construction loan, and to buy down that portion of the construction loan at completion.

City staff is confident that Alvis is now able to continue with the project expeditiously, and that the \$100,000 requested per home will assist with securing favorable construction financing for the homebuyers, thereby allowing the project to proceed. The revised project budget will allow \$100,000 in City financing per home, and extend the project's completion date to August 31, 2008. This request will effectively decrease the number of homes constructed under the agreement from six to three. Staff will return to Council after the third home is complete to report on the timely progress of the project and request additional funding for the fourth through sixth homes.

### **HOUSING AND COMMUNITY DEVELOPMENT COMMISSION**

The Housing and Community Development Commission recommended approval of this item on April 25, 2007.

### **FISCAL IMPACT**

HOME Program funds for the Green Building Demonstration Project were committed in the Planning and Development Department's 2006-07 Fiscal Year Budget.

### **APPENDICES**

Exhibit A - Amendment No. One to HOME Agreement

Exhibit B - Pictures of Green Building home number one

## EXHIBIT A

### AMENDMENT NO. ONE TO HOME INVESTMENT PARTNERSHIPS PROGRAM AGREEMENT "GREEN BUILDING DEMONSTRATION PROJECT"

This Amendment No. One to the HOME Investment Partnerships Program Agreement, hereinafter referred to as "Amendment No. One", is made and effective this \_\_\_\_\_, 2007, by and between the CITY OF FRESNO, a municipal corporation, acting through its Planning and Development Department - Housing and Community Development Division (hereinafter referred to as the "CITY"), and ALVIS PROJECTS, INC., a California corporation in good standing with principal offices in Fresno, California, including any and all nominees/assignees thereof consented to by CITY (collectively hereinafter referred to as "API").

#### RECITALS

WHEREAS, the CITY and API are parties to a April 29, 2005 HOME Investment Partnerships Program Agreement, referred to herein as the "HOME Agreement" incorporated herein, pursuant to which the CITY, to further its goal to increase the supply of Affordable Housing within the City of Fresno, agrees to assist API by providing HOME Program loan funds, upon the terms and conditions in the HOME Agreement, related to three (3) separate single-family Affordable Housing Units constructed with Green Building Methods and to be developed as Phase I, and an optional (in the discretion of CITY's Housing and Community Development Division Manager) additional three (3) separate single-family Affordable Housing Units to be developed as Phase II, both Phases including related on-site and off-site improvements. The HOME Agreement is attached hereto as Exhibit A; and

WHEREAS, due to unforeseen delays in completing the first Green Building Demonstration Home, including unexpected time needed to design, engineer and obtain permit approvals, API has requested a time extension to August 31, 2008, for the completion of two additional Phase I homes; and

WHEREAS, to obtain advantageous construction financing for the project, API has requested and City desires to increase from \$50,000 to \$100,000 the HOME Program funds for each home; and

WHEREAS, API's Board of Directors approved this Amendment No. One on \_\_\_\_\_, 2007.

#### AMENDMENT

NOW THEREFORE, in consideration of the above recitals, which recitals are contractual in nature, the mutual promises herein contained, and for other good and valuable consideration hereby acknowledged, the parties agree to the following:

1. The HOME Agreement is hereby amended to revise the completion date for Phase I to August 31, 2008.

2. HOME Program funds for each Phase I unit shall be increased to up to \$100,000.00 per unit/low income family as identified in the attached REVISED Exhibit B – Project Budget.

3. API hereby waives and releases any and all claims or causes of action against CITY it possesses or may possess arising out of or related to this Amendment No. One.

4. In the event of a conflict between the body of this Amendment No. One and any exhibit or Attachment hereto, the terms and conditions of the body of this Amendment No. One shall control and take precedence over the Exhibit/Attachment.

5. Except as expressly modified and amended hereby, the HOME Agreement shall remain in full force and effect. From and after the effective date of this Amendment, references in the HOME Agreement to “this Agreement” shall mean the Home Agreement as hereby amended.

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IN WITNESS WHEREOF, the parties have executed this Amendment No. One to Agreement in Fresno, California, the day and year first above written.

CITY OF FRESNO,  
a Municipal Corporation

ALVIS PROJECTS, INC.  
a California for-profit Corporation

By: \_\_\_\_\_  
(Attach notary certificate of acknowledgment)  
ANDREW T. SOUZA  
City Manager

By: \_\_\_\_\_  
(Attach notary certificate of acknowledgment)  
MARLIN ALVIS  
Chief Executive Officer

Date: \_\_\_\_\_

Date: \_\_\_\_\_

APPROVED AS TO FORM:  
JAMES SANCHEZ  
City Attorney

By:     R      
Robert Coyle, Deputy

Date: 7-25-07

ATTEST:  
REBECCA E. KLISCH  
City Clerk

By: \_\_\_\_\_  
Deputy

Date: \_\_\_\_\_

Attachment:  
Exhibit A: June 15, 2004 HOME Agreement  
Exhibit B: Estimated Project Budget

**EXHIBIT A**

**June 15, 2004 HOME Agreement**

## EXHIBIT B - REVISED Project Budget

	Item Cost	HOME Funds	Other Funds
<b>"Soft" Construction Costs</b>			
Construction Documents	\$4,500		
Engineering/Reprographic Cost	\$4,175		
Agency Plan Review & Permits	\$3,435		
School Fees	\$2,956		
Domestic Water/Sewer Connection	\$3,689		
Gas/Electric Hook-up	\$1,875		
*Phone* Hook-up	\$375		
Parks/Fire/Police Assessment	\$4,561		
FMFCD Fee (Flood Control)	\$424		
Subtotal - Soft Costs	\$26,290	\$0	\$26,290
<b>Construction Costs</b>			
Grading, Ftg. trenches & Clearing	\$2,163		
Formwork / Screed Set	\$2,846		
Ftgs., Stem wall, Steel & Conc. Pour	\$8,722		
Garage Found./slab & Site Flatwork	\$5,217		
ICF Stem wall	\$5,778		
Floor Framing/Crawl Space Construction	\$5,754		
SIP Floor @ House	\$9,445		
Structural Steel Fab. & Install	\$2,326		
SIP Walls @ House (only)	\$9,516		
SIP Roof @ House	\$12,861		
Truss Roof; House & Garage	\$10,667		
Exterior Trim	\$2,297		
Building Wrap / Opening Flashing	\$870		
Rough Carpentry	\$11,562		
Roofing/Flashing	\$7,205		
Louvers and Vents	\$640		
Plumbing	\$9,338		
Electrical	\$9,400		
HVAC Mechanical	\$6,896		
Doors	\$3,887		
Windows	\$2,494		
Interior Insulation	\$433		
Drywall	\$4,099		
Garage Door & Operator	\$927		
Finish Carpentry - Interior	\$4,177		
Cabinets/Casework	\$8,202		
Wood Grain Siding	\$6,345		
Counters	\$2,328		
Painting	\$4,728		
Appliances	\$1,621		
Bathroom Accessories	\$675		
Gutters & Downspouts	\$680		
Finish Grade & Front Irrig./Landscape	\$1,700		
Fences	\$927		
Misc. Fasteners, Caulk, & Hdwr.	\$464		
Site Clean-up	\$791		
Subtotal - Construction Costs	\$167,977	\$0	\$167,977
<b>Miscellaneous Costs</b>			
General Conditions	\$5,879		
Overhead and Profit	\$15,958		
Subtotal - Miscellaneous Costs	\$21,837	\$0	\$21,837
<b>Total</b>			
Total "Soft" Construction Costs	\$26,290		
"Hard" Construction Cost	\$167,977		
Misc. Construction Cost	\$21,837		
Total Construction Costs	\$216,104		\$216,104
Land	\$15,000		
Total Hard Costs	\$231,104		\$231,104
Permanent Financing	\$231,104	\$100,000	\$131,104

## EXHIBIT B



**Insulated Concrete Forms**



**Open House**



**Completed Green Building Demonstration Home  
4121 Iowa Street**