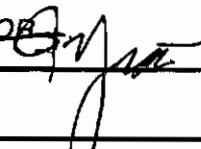




**REPORT TO THE CITY COUNCIL**

AGENDA ITEM NO.:
COUNCIL MEETING: August 28, 2007
APPROVED BY
DEPARTMENT DIRECTOR 
CITY MANAGER

August 28, 2007

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

BY: MICHAEL SIGALA, Manager   
Housing and Community Development Division

SUBJECT: RECOMMEND CITY COUNCIL APPROVE \$214,000 IN HOME PROGRAM FUNDS TO MARKO CONSTRUCTION GROUP, INC. FOR PROPERTY ACQUISITION AND MAJOR REHABILITATION OF AN AFFORDABLE HOUSING DUPLEX LOCATED AT 164 N. ECHO AVENUE

**KEY RESULT AREA**

One Fresno

**RECOMMENDATION**

Staff recommends City Council approve \$214,000 in HOME Program funds to Marko Construction Group, Inc. for property acquisition and major rehabilitation of an affordable housing duplex located at 164 N. Echo Avenue. The recommended action allows the City Manager or his designee to execute a HOME agreement, subject to City Attorney approval, on behalf of the City.

**EXECUTIVE SUMMARY**

In June of 2006, City Council approved the purchase of two boarded up houses on Echo Avenue for the purpose of performing major rehabilitation on the structures and to create additional affordable housing opportunities on the site. City staff has agreed to terms with a developer to purchase the property at 164 North Echo, move the house currently located at 172 North Echo to behind the house at 164 North Echo, and then perform major rehabilitation on both structures. Once rehabilitated, the property will be rented as an affordable housing duplex to households earning less than 80 percent of the area median income. Marko Construction Group will purchase the property located at 164 North Echo for the same fair market value that the City paid. HOME Program funds will be provided as gap financing to the developer in the form of a 20-year residual receipts loan. After project completion, City staff intends to recommend the property be placed on the local register of historic properties.

**KEY OBJECTIVE BALANCE**

Approval of HOME funds to Marco Construction Group presents an opportunity to make a positive impact to the Customer Satisfaction, Employee Satisfaction, and Financial Management Key Objectives. The approval impacts the Customer Satisfaction aspect by demonstrating the City's commitment to strengthening partnerships to ensure adequate and affordable housing. Approval of HOME funds to Marko Construction Group 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 funds from other sources to develop affordable housing.

**BACKGROUND**

In an effort to preserve two of the oldest cottages in the Fulton/Lowell area, the Planning and Development Department's Housing and Community Development Division purchased the houses with the intent of creating a rehabilitated duplex and then making the units available to low-income households. In June of 2006, City Council approved the purchase of the property and boarded up houses located at 164 and 172 North Echo Avenue. The City now owns the properties and is ready to enter into a HOME Agreement with the developer.

The property to be purchased and developed is as follows:

Location	Assessor Parcel Number	Size	Appraised Value	Purchase Price
164 N. Echo	459-292-25T	5,600 square feet	\$88,000	\$88,000

The property at 164 North Echo will be purchased for the same fair market appraised value that the City paid. HOME Program funds to the developer for acquisition and rehabilitation will be provided as gap financing in the form of a 20-year residual receipts loan.

The project includes purchasing the property and structure at 164 North Echo, moving the structure currently at 172 North Echo to behind the structure at 164 North Echo, then performing major rehabilitation on both structures creating a duplex that will be made available as rental units to low-income households. These cottage homes are not on the Local Register of Historic Properties, however, the developer will be working with the assistance of a consultant and the City's Historic Preservation Project Manager to retain much of the historic architectural style. Once rehabilitation work is completed, staff intends to nominate the duplex for a preservation award.

Rehabilitation of the two structures is part of a larger project to create affordable housing on North Echo Avenue. In June 2006, the City purchased the property and boarded up houses at 164 North Echo and 172 North Echo with the intent of moving the structure at 172 North Echo off the parcel. The parcel located at 172 North Echo was used to help create two parcels. Creating two lots consisted of taking the total square footage of the lot at 172 North Echo and a very small parallel portion of the lot at 164 North Echo, then splitting the total square footage into two. After the lots were divided, the City created two single-family (R-1) lots for the development of single-family infill houses. The City is currently in discussions with a local non-profit to construct the two single-family infill houses.

Staff has worked on predevelopment activities for these projects for nearly a year and in addition to accomplishing a parcel split and rezone, has obtained a lead-based paint abatement estimate as well as completed a termite inspection and performed extensive outreach in search of a development team to complete both projects. The City has spent an estimated \$278,606 on property acquisitions, staff time, various environmental assessments, title work, and continues to pay for fencing-off of the two property sites. Staff is anticipating that the major rehabilitation work will begin sometime in September of 2007.

The structures were built in the late eighteen hundreds to earlier nineteen hundreds and are in need of major rehabilitation work to the interiors and exteriors, installation of new foundation, and preservation of the historic architectural style of the structures.

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Development of these vacant parcels will bring the City closer to meeting the Housing Element goals of the 2025 General Plan for rehabilitation and infill housing, 2006-2010 Consolidated Plan to HUD, and closer to achieving the goals of the 10X10 Affordable Housing Plan to create 10,000 units by the year 2010.

A National Environmental Protection Act (NEPA) environmental review was completed for the subject sites prior to acquisition by the City and it was concluded that there is no adverse effect on the environment from the proposed development.

**FISCAL IMPACT**

HOME Program funds for the project are available in the Planning and Development Department's FY 2007-2008 Budget.

**APPENDICES**

Exhibit A – Site Plan

Exhibit B – Budget

# SITE PLAN



EXHIBIT "A"

## SOURCES AND USES OF FUNDS

<b>Sources:</b>			
HOME		\$	214,000.00
County Bank Loan		\$	100,000.00
<b>TOTAL</b>		<b>\$</b>	<b>314,000.00</b>
<b>Uses:</b>			
Land		\$	88,000.00
<b>Soft Cost</b>			
Architect/Engineer		\$	5,000.00
Financing		\$	2,000.00
Developer Fee		\$	14,046.13
Permitting/Fees		\$	5,000.00
Other(overhead/m-up subs)		\$	30,056.95
<b>Hard Costs</b>			
On site direct		\$	169,896.92
Off site direct		\$	-
<b>TOTAL</b>		<b>\$</b>	<b>314,000.00</b>