

AGENDA ITEM NO. IG
COUNCIL MEETING March 21, 2013
APPROVED BY _____

March 21, 2013

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

DEPARTMENT DIRECTOR _____

for Renena Smith
CITY MANAGER

BY: JOHN ROBERTSON, Interim Manager 
Housing and Community Development Division
Development and Resource Management Department

SUBJECT: APPROVE AMENDMENT NO. II TO THE AUGUST 25, 2011, \$1.4 MILLION HOME INVESTMENT PARTNERSHIPS PROGRAM COMMUNITY HOUSING DEVELOPMENT ORGANIZATION AGREEMENT WITH THE KING OF KINGS HOUSING DEVELOPMENT CORPORATION TO ASSIGN OWNERSHIP OF THE PROPOSED BRIDGES AT FLORENCE DEVELOPMENT, A 34-UNIT AFFORDABLE SENIOR HOUSING PROJECT TO BE LOCATED AT 649 EAST FLORENCE AVENUE (APN: 478-113-27) IN SOUTHWEST FRESNO, TO THE BRIDGES AT FLORENCE, LP

RECOMMENDATIONS

Staff recommends that the City Council approve Amendment No. II, substantially in the form attached as Exhibit "A" and subject to the City Attorney's prior approval as to form, to the August 25, 2011, \$1.4 million HOME Investment Partnerships ("HOME") Program Community Housing Development Organization ("CHDO") Agreement with the King of Kings Housing Development Corporation ("King of Kings") to assign ownership of the proposed Bridges at Florence development, a 34-unit affordable senior housing project to be located at 649 East Florence Ave. (APN: 478-113-27) in southwest Fresno (please see Exhibit "B" – Project Location Map), to the Bridges at Florence, LP.

EXECUTIVE SUMMARY

On February 8, 2013, the Kings of Kings requested an assignment of the development to the Bridges at Florence, LP. The assignment will change the King of Kings' role as the sole managing general partner, to a partnership in which the King of Kings will act as a member of the administrative general partner, in addition to being the project's developer. This ownership structure change is required by PNC, the senior lender and tax credit investor, and U.S. Bank, the construction loan lender. The proposed ownership structure and assignment will enable the King of Kings to fulfill the requirements of the senior lenders and obligation requirements under the HOME CHDO regulations for CHDO funding.

BACKGROUND

On August 25, 2011, the Council approved a \$1.4 million HOME CHDO Agreement with the King of Kings for the construction of the Bridges at Florence. At the time, the project was a proposed 21-unit affordable senior housing project. However, as a result of the then current higher yield on tax credits, the King of Kings proposed an increase to the number of units in the project. On March 8, 2012, the Council approved Amendment No. I to the HOME CHDO agreement to allow for: 1) an increase in the number of units from 21 to 34, 2) a revision to the project design, 3) an extension to the completion date, and 4) an increase to the project budget and an updated cash flow statement. There was no change to the 11 HOME CHDO-assisted units within the project that was originally proposed.

REPORT TO COUNCIL

AMENDMENT NO.II TO HOME CHDO AGREEMENT FOR CONSTRUCTION OF THE BRIDGES AT FLORENCE SENIOR APARTMENTS

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Since approval of the March 8, 2012, Amendment No. I, the King of Kings obtained PNC as a tax credit investor and have a tentative proposal from U.S. Bank to provide a construction loan. PNC, the senior lender and U.S. Bank, the construction loan lender is requiring the King of Kings to change its ownership structure by assigning the HOME CHDO Agreement and Amendment No. I, to a partnership in which the Bridges at Florence Administrative General Partner, LLC, will act as an owner and the King of Kings will act as a member of the Administrative General Partner. The HOME CHDO Agreement and Amendment No. I stipulates that the King of Kings is to act as the owner, developer, and subsequent sole managing general partner. The newly proposed ownership structure will enable the King of Kings to be a partner in the development and fulfill the requirements of the senior lenders and obligation requirements under the HOME CHDO regulations for CHDO funding.

The proposed partnership (please see Exhibit "C" – Proposed Ownership Structure) will consist of PNC Real Estate, Silvercrest, Inc., and Bridges at Florence Administrative General Partner, LLC (the management entity consisting of the Housing Authority of the City of Fresno ["Housing Authority"] and the King of Kings). PNC Real Estate is a nationwide tax credit investor of affordable housing that assists developers with financing packaging of construction or redevelopment of affordable housing projects. Silvercrest, Inc. is a 501(c)(3) wholly-owned subsidiary of the Housing Authority that was formed in 1998. Silvercrest's purpose, as stated in its bylaws, is to serve low-income persons and families with housing and services that fosters the advancement of low-income households from a position of dependency to one of self-sufficiency. Silvercrest's board is comprised of the executive director of the Housing Authority and two members from the Housing Authority of the City of Fresno Board and two from the Housing Authority of the Fresno County Board. Silvercrest has served as the Managing General Partner on numerous Housing Authority Low Income Housing Tax Credit projects and meets its obligations as a Managing General Partner.

The Bridges at Florence Administrative General Partner, LLC, will consist of the Housing Authority and the King of Kings. The Housing Authority is an experienced developer, manager, and owner of affordable housing and has served as a lower income housing provider to the City of Fresno for over 60 years. The Housing Authority has constructed hundreds of housing units for Fresno's low-income households and recently completed the development of a 215-unit apartment complex in central Fresno. The King of Kings is a well-known non-profit corporation that has over 34 years of experience with the development and management of affordable housing. In 1973, the King of Kings constructed the Martin Luther King Square Apartments, a 92-unit multi-family housing complex, in partnership with the City of Fresno, the then Fresno Redevelopment Agency, and the U.S. Department of Housing and Urban Development. In 1983, the King of Kings completed the construction of the Lula Haynes Plaza, a 46-unit senior housing project in southwest Fresno.

Once construction of the Bridges at Florence Apartments is complete, it will consist of 33 one- and two-bedroom units of affordable senior housing ranging in size from 744 to 950 square feet, a community building which will be occupied by a resource center, management office, multi-purpose room, kitchen, restroom facilities, and one manager's unit. The development will also include on-site parking.

Qualifying senior residents shall be 62 years of age, or older, and have an income that range from 30% to 60% of area median income as established by HUD. Proposed rents will range from \$326 to \$879 per unit depending on the bedroom size and location within the project.

Prior to the Council's approval of the August 25, 2011, HOME CHDO Agreement, the City completed a National Environmental Policy Act assessment that resulted in a Finding of No Significant Impact and California Environmental Quality Act assessment that resulted in a Categorical Exemption.

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HOUSING AND COMMUNITY DEVELOPMENT COMMISSION

This item was placed on the March 13, 2012, Housing and Community Development Commission agenda for consideration. Due to scheduling matters, the Council staff report was routed on March 12, 2012, prior to the HCDC meeting, for signatures and subsequent placement on the City Council agenda for March 21, 2012.

FISCAL IMPACT

Approval of this item will not impact the Development and Resource Management Department's FY 2013 Budget.

APPENDICES

Exhibit A – HOME CHDO Amendment No. II

Exhibit B – Project Location Map

Exhibit C – Proposed Ownership Structure

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EXHIBIT "A"

HOME CHDO Amendment No. II

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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 II to HOME CHDO 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 NO. II TO
CITY OF FRESNO HOME INVESTMENT PARTNERSHIPS PROGRAM
COMMUNITY HOUSING DEVELOPMENT ORGANIZATION
AGREEMENT**

by and between

CITY OF FRESNO, a municipal corporation

and

King of Kings Housing Development Corporation, a California non-profit corporation

Regarding

“Bridges at Florence Apartments”
649 East Florence Ave., Fresno, CA 93706 (APN: 478-113-27)
(North of East Florence Ave., East of South Fairview Ave., in southwest Fresno)

ASSIGNMENT AND AMENDMENT NO. II OF HOME CHDO AGREEMENT

This assignment and second amendment to the HOME Investment Partnerships ("HOME") Program Agreement ("Amendment No. II"), by and between the City of Fresno, a municipal corporation, acting through its Development and Resource Management Department - Housing and Community Development Division ("CITY"), and the King of Kings Housing Development Corporation, a California non-profit corporation ("DEVELOPER" and "ASSIGNOR") and _____ ("_____") 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 CHDO Program Agreement on August 25, 2011, recorded in the Fresno County Recorder's Office on September 6, 2011, as document number 2011-0117476 ("Agreement") for a loan of \$1,400,000, and on January 9, 2013, entered into Amendment No. I, recorded in the Fresno County Recorder's Office on January 17, 2013, as document number 2013-0007154. The HOME CHDO Agreement and Amendment No. I relate to the development of a thirty-four (34) unit senior rental housing project of which eleven (11) units shall be constructed and preserved as HOME CHDO-assisted low- and very low-income rental units for seniors.

The DEVELOPER has requested an assignment of the Agreement from DEVELOPER to _____; a release of DEVELOPER's sole liability under the Agreement and Amendment..

The parties therefore agree as follows:

1. The DEVELOPER shall grant by deed to _____ all of its right, title and interest in the property located at 649 East Florence Ave., Fresno, CA 93706, Assessor's Parcel Number 478-113-27, which property is the subject of the Agreement. Said deed must be recorded with this Amendment No. II or sooner.
2. The 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, Amendment No. I and all applicable attachments thereto at the request of and as requested by CITY and such is both a condition precedent to this Amendment No. II 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 and Amendment No. I to King of Kings Housing Development Corp., a California non-profit corporation are hereby replaced with _____, a California LLC/LP.
4. ASSIGNEE shall have no greater rights than ASSIGNOR under the Agreement and Amendment No. I.

5. The DEVELOPER is released from all liability under the Agreement and Amendment No. I except as reserved herein.
6. In the event of any conflict between the body of this Amendment No. II and any exhibit or attachment hereto, the terms and conditions of the body of this Amendment No. II shall control and take precedence over the exhibit/attachment.
7. All capitalized terms used in this Amendment No. II, unless otherwise defined herein, shall have the meanings assigned to such terms in the HOME Agreement and Amendment No. I.
8. Except as expressly modified and amended hereby, the HOME CHDO Agreement shall remain in full force and effect. Commencing on the effective date of this Amendment No. II, references in the HOME CHDO Agreement to Agreement shall mean the HOME Agreement as hereby amended.

IN WITNESS WHEREOF, the authorized agents of the parties hereto have executed this Amendment No. II, at Fresno, California, the day and year first above written.

CITY OF FRESNO,
a California municipal corporation

By: _____
Name/Title: Mark Scott, City Manager
(Attach notary certificate of acknowledgment)
Date: _____

KING OF KINGS HOUSING DEVELOPEMNT
CORPORATION, a California non-profit
corporation

By: _____
Name/Title: Nadar Ali, Chairman
(Attach Notary certificate of acknowledgment)
Date: _____

a California corporation

By: _____
Name/Title: _____
Date: _____

ATTEST:
YVONNE SPENCE, CMC
City Clerk

By: _____
Deputy

APPROVED AS TO FORM:
FRANCINE M. KANNE
Interim City Attorney

By: _____
Robert C. Abrams, Deputy City Attorney
Date: _____

Exhibit "C"
Ownership Structure
Bridges at Florence

