

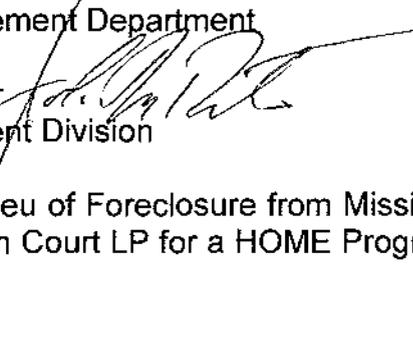
AGENDA ITEM NO. 2A
COUNCIL MEETING 04/10/14
APPROVED BY


DEPARTMENT DIRECTOR

CITY MANAGER 

April 10, 2014

FROM: Jennifer K. Clark, AICP Director
Development and Resource Management Department

BY: John M. Robertson, Interim Manager 
Housing and Community Development Division

SUBJECT: Approve acceptance of a Deed in Lieu of Foreclosure from Mission Housing Development Corporation for Bastian Court LP for a HOME Program Loan in the amount of \$1,176,317.13

RECOMMENDATION

Approve acceptance of a Deed in Lieu of foreclosure from Mission Housing Development Corporation ("Mission Housing") for Bastian Court, LP HOME Program loan.

EXECUTIVE SUMMARY

On October 10, 2013 the City Council evaluated this in closed session and agreed to take this to public session. On August 12, 2008, the City of Fresno and Mission Housing acting as the Managing General Partner for Bastian Court, LP entered into a HOME Program Agreement for the construction of a mixed use affordable housing project with sixty-one (61) low income housing units located on the northwest corner of Stanislaus Street and L Street ("Project"). The Project never broke ground on construction and was ultimately cancelled during the City's Housing and Urban Development monitoring because Bastian Court, LP was unable to secure Low Income Housing Tax Credits ("LIHTC"). Mission Housing is financially unable to repay the City but has offered to deed the property back to the City and pay approximately \$26,600 in liens currently recorded against the property.

BACKGROUND

In 2008, Bastian Court, LP requested \$4,050,000 in HOME Program funds. Staff recommended and Council approved \$2,100,000 in HOME Program funds from the 2008 fiscal year. On March 18, 2010, staff recommended and Council approved an additional \$950,000 in HOME funds to assist Bastian Court, LP in facilitating a competitive tax credit application bringing the total HOME Agreement to \$3,050,000.

REPORT TO THE CITY COUNCIL

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In September of 2008, the City reimbursed Bastian Court, LP \$837,445.63 for the purchase of the property and associated architectural and legal fees. In March of 2009, the City reimbursed Bastian Court, LP \$162,671.50 for architectural and legal fees. In 2011, the City reimbursed Bastian Court, LP \$176,200 for costs to raze the existing structures on the property bringing the total amount reimbursed to Bastian Court, LP to \$1,176,317.13.

Mission Housing's applications for LIHTC funding for the Project were not successful in receiving funding. Since then Mission Housing has not regained its competitiveness and is unable to secure any additional funding for the Project.

In its August 17, 2012, auditing response letter, the U.S. Department of Housing and Urban Development ("HUD") determined that Mission Housing was unable to obtain capital to complete the construction of the Project after several unsuccessful attempts of submitting LIHTC applications. Furthermore, HUD determined the Project did not have full funding at the time HOME funds were committed and after four years the Project still did not have the necessary funding secured. Pursuant to 24 CFR 92.205(e), HUD determined the Project had been involuntary terminated and repayment was required in accordance with 24 CFR 92.503(b).

The City's research on Mission Housing and Bastian Court, LP confirms they do not have the ability repay the loan and continue to be a high financial risk. Foreclosure on the Property would likely result in receiving the property at a cost greater than facilitating a Deed in Lieu of foreclosure.

The value of the property is estimated to exceed \$200,000 and therefore does not trigger the Better Business Act.

ENVIRONMENTAL FINDINGS

This is not a project based upon Section 15378(b) (4) of the California Environmental Quality Act Guidelines.

LOCAL PREFERENCE

N/A

FISCAL IMPACT

Through agreement with HUD repayment of HOME funds in the amount of \$1,162,329.27 will be made from the City's future HOME allocations over the next three years starting with HUD's program year 2013 or City FY14. Each year HOME allocations will be reduced by \$387,443.09. No General fund money will be used. The Deed in Lieu of can offset those amounts from the sale of the property currently estimated to be \$250,000.