



Section 108 Loan Guarantee Application Senior Activity Center Development

U.S. Department of Housing and Urban Development
Community Planning and Development Programs



Planning and Development Department
Community Development Division
2600 Fresno Street, Room 3065
Fresno, CA 93721
559-621-8300
HCDD@fresno.gov

July 17, 2023

July 17, 2023

Overview

As a recipient of Community Development Block Grant (CDBG) funding, the City of Fresno is eligible to participate in the Section 108 Loan Guarantee program administered by the U.S. Department of Housing and Urban Development (HUD). Under this program, the City can leverage up to five times its annual CDBG allocation for large community development investments.

In its 2020-2024 Consolidated Plan, City residents identified the need for developing a public facility for seniors to recreate and commune. To meet this need, the City reprogrammed \$4,993,211.79 in CDBG funds to acquire property to develop a senior activity center through Substantial Amendments 2020-01 and 2020-03 to the 2020-2021 Annual Action Plan. The City of Fresno is proposing to apply for a Section 108 Loan Guarantee to fund the construction of the new senior activity center.

Eligible Activities

If approved, the City would use the Section 108 Loan proceeds to construct a public facility on City-owned land that would serve as a senior activity center. Under the CDBG regulations, this activity is considered eligible at 24 CFR 570.703 (I) as follows:

(I) Acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities (except for buildings for the general conduct of government) to the extent eligible under §570.201(c)...

The City expects to use all funding available through this application to build a 30,000 square foot state-of-the-art senior activity center.

National Objective to Be Met

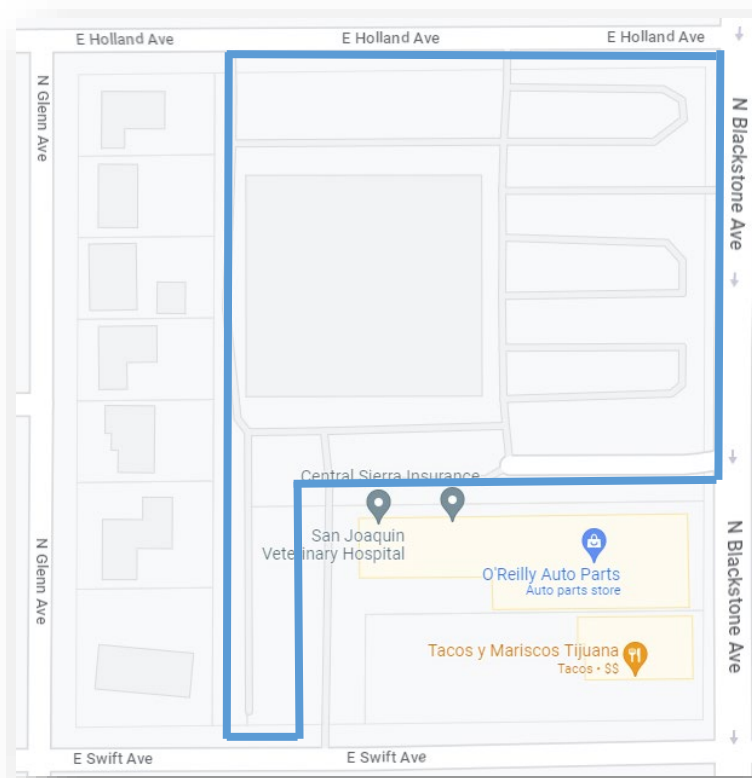
The City is required to fund CDBG activities that meet one of three national objectives. The three national objectives are:

- Benefit to people with low- and moderate-incomes (LMI)
- Aid in the prevention or elimination of slums or blight
- Meet an urgent need

The City determined that the activity qualifies under the LMI Benefit category because the proposed senior activity center will exclusively serve seniors. 24 CFR Section 570.208(a)(2)(A) notes that seniors are considered a group of people who are presumed to be low- or moderate-income.

Proposed Location

The new senior activity center will be located at 4343 N. Blackstone Avenue on a 5.5-acre parcel west of N. Blackstone Avenue between E. Holland and E. Swift Avenues. A contiguous parcel to the South was purchased to develop senior affordable housing but is not part of this application for funding.



Financing

The cost of the new facility will be based on several factors, including the design plan. The City's selected contractor will conduct a citizen outreach campaign to identify the features and amenities that residents will want in the new facility. Potential features of the new facility could include but are not limited to:

- Full-sized kitchen
- Multi-purpose spaces
- Computer lab
- Dance room
- Games room
- Free Internet and Wi-Fi
- Community garden
- Indoor and outdoor recreational and fitness facilities
- Stage
- TV area
- Accessibility-focused restrooms
- Sharps disposal
- Community education rooms
- Aquatic facilities

Based on these factors, the City estimate to construct the senior activity center is \$25 million. This estimate includes the estimated financing fees associated with the Section 108 Loan Guarantee.

Section 108 loan proceeds would form a key component of the financing for this project. The total amount available via the Section 108 Loan Guarantee program will be equal to five times the City's current annual CDBG entitlement less any unpaid principal on prior loans. Since the City does not have any outstanding loans, the City can borrow up to \$34,485,805, which equals five times its current allocation of \$6,897,161.

To access Section 108 financing, the City proposes to pledge a portion of its future CDBG grants (Program Years 2023 – 2043) as collateral for repayment. The City proposes to use the maximum repayment period allowable, twenty years, to minimize the potential reduction of CDBG grant funds in any given year. In the event the United States Congress terminates the CDBG program prior to loan payoff, the City pledges the subject land and improvements as collateral.

The City will request Section 108 loan proceeds in the amount of \$20,000,000.

SOURCE OF FUNDING	AMOUNT	FUNDING TYPE	STATUS
CDBG 108 Loan Guarantee	\$20,000,000	Repayable Loan	Subject Request
TOTAL	\$20,000,000	100% Debt	

The City is estimating the following financing terms for the Section 108 funds:

- 0.94% financing fee, equal to \$188,000 ($\$20,000,000 \times .0094$).
- 20-year term with variable interest rate based on the 10-year Treasury Note, which is at 5.15% as of June 12, 2023. As of May 1, 2021, HUD has required 35 basis points, or 0.35%, be added to the variable interest rate. This makes the City's total interest rate 5.50%.

- The City's future CDBG grant funds, land, and improvements would serve as collateral for the loan.

The City plans on incurring eligible costs prior to the Section 108 Loan Guarantee commitment. The City is requesting permission to reimburse itself for pre-award costs per 24 CFR §570.200(h).

A proposed debt service schedule is attached to this proposal.

Additional Information

The City will follow its adopted Citizen Participation Plan to receive citizen input on this proposal. The City will undertake the following activities that will allow citizens to participate and comment on the proposal.

Public Hearing

The City will hold a public hearing at City Hall on September 14, 2023, in City Council Chambers. The City will accommodate translation and interpretation for Spanish, Hmong, and other languages, and for people with disabilities if a request is made at least 72 hours in advance. If the City cannot accommodate translation and interpretation, the City will make alternative opportunities available for non-English speaking people and people with disabilities to participate. People who wish to participate virtually will be able to do so through Zoom.

Public Comments

The City will accept public comments regarding Substantial Amendment 2023-01 and this loan proposal from July 17, 2023, to August 17, 2023, at 5 PM. All comments received will be considered when preparing the final application to HUD and will be included as an attachment.

Submit Comments by Mail:

City of Fresno
Planning and Development Department
Attn: Community Development Division
2600 Fresno Street, Room 3065
Fresno, CA 93721

Submit Comments by Email:

HCDD@fresno.gov

Please include "Sub Amend 2023-01" in the subject line

Submit Comments by Phone:

559-621-8300

Submit Comments by TTY:

559-621-8721

Submit Comments by Fax:

559-457-1579

Submit Comments Online:

<https://www.surveymonkey.com/r/sa2023-01>

The Substantial Amendment is scheduled for consideration by the Council of the City of Fresno at its September 14, 2023, meeting. For more information on the City Council meeting, visit
July 17, 2023

www.fresno.gov/calendar.aspx and select the agenda for the meeting. The agenda will be posted at least 72 hours in advance. Accommodations are available upon request by contacting the office of the City Clerk at (559) 621-7650 or clerk@fresno.gov at least three business days prior to the meeting.

Attachment 1: Proposed Debt Service Schedule

Principal Amount \$20,000,000
Interest Rate 5.15%
Term 20 years
Payments (Semi-annual) 40

Estimated Annual Rate	Payment #	Payment Date	Est. Semi Rate	Semi-Annual Debt Service	Semi-Annual Interest Payment	Principal Payment	Principal Balance	Annual Debt Service payments
5.500%							\$20,000,000	
	1	Feb-24	2.81%	\$562,500	\$562,500			
5.625%	2	Aug-24	2.81%	\$1,562,500	\$562,500	\$1,000,000	\$19,000,000	\$2,125,000
	3	Feb-25	2.83%	\$536,750	\$536,750			
5.650%	4	Aug-25	2.83%	\$1,536,750	\$536,750	\$1,000,000	\$18,000,000	\$2,073,500
	5	Feb-26	2.84%	\$510,750	\$510,750			
5.675%	6	Aug-26	2.84%	\$1,510,750	\$510,750	\$1,000,000	\$17,000,000	\$2,021,500
	7	Feb-27	2.85%	\$484,500	\$484,500			
5.700%	8	Aug-27	2.85%	\$1,484,500	\$484,500	\$1,000,000	\$16,000,000	\$1,969,000
	9	Feb-28	2.86%	\$458,000	\$458,000			
5.725%	10	Aug-28	2.86%	\$1,458,000	\$458,000	\$1,000,000	\$15,000,000	\$1,916,000
	11	Feb-29	2.88%	\$431,250	\$431,250			
5.750%	12	Aug-29	2.88%	\$1,431,250	\$431,250	\$1,000,000	\$14,000,000	\$1,862,500
	13	Feb-30	2.89%	\$404,250	\$404,250			
5.775%	14	Aug-30	2.89%	\$1,404,250	\$404,250	\$1,000,000	\$13,000,000	\$1,808,500
	15	Feb-31	2.90%	\$377,000	\$377,000			
5.800%	16	Aug-31	2.90%	\$1,377,000	\$377,000	\$1,000,000	\$12,000,000	\$1,754,000
	17	Feb-32	2.91%	\$349,500	\$349,500			
5.825%	18	Aug-32	2.91%	\$1,349,500	\$349,500	\$1,000,000	\$11,000,000	\$1,699,000
	19	Feb-33	2.93%	\$321,750	\$321,750			
5.850%	20	Aug-33	2.93%	\$1,321,750	\$321,750	\$1,000,000	\$10,000,000	\$1,643,500
	21	Feb-34	2.94%	\$293,750	\$293,750			
5.875%	22	Aug-34	2.94%	\$1,293,750	\$293,750	\$1,000,000	\$9,000,000	\$1,587,500
	23	Feb-35	2.95%	\$265,500	\$265,500			
5.900%	24	Aug-35	2.95%	\$1,265,500	\$265,500	\$1,000,000	\$8,000,000	\$1,531,000
	25	Feb-36	2.96%	\$237,000	\$237,000			
5.925%	26	Aug-36	2.96%	\$1,237,000	\$237,000	\$1,000,000	\$7,000,000	\$1,474,000
	27	Feb-37	2.98%	\$208,250	\$208,250			
5.950%	28	Aug-37	2.98%	\$1,208,250	\$208,250	\$1,000,000	\$6,000,000	\$1,416,500
	29	Feb-38	2.99%	\$179,250	\$179,250			
5.975%	30	Aug-38	2.99%	\$1,179,250	\$179,250	\$1,000,000	\$5,000,000	\$1,358,500
	31	Feb-39	3.00%	\$150,000	\$150,000			
6.000%	32	Aug-39	3.00%	\$1,150,000	\$150,000	\$1,000,000	\$4,000,000	\$1,300,000
	33	Feb-40	3.01%	\$120,500	\$120,500			
6.025%	34	Aug-40	3.01%	\$1,120,500	\$120,500	\$1,000,000	\$3,000,000	\$1,241,000
	35	Feb-41	3.03%	\$90,750	\$90,750			
6.050%	36	Aug-41	3.03%	\$1,090,750	\$90,750	\$1,000,000	\$2,000,000	\$1,181,500

Estimated Annual Rate	Payment #	Payment Date	Est. Semi Rate	Semi-Annual Debt Service	Semi-Annual Interest Payment	Principal Payment	Principal Balance	Annual Debt Service payments
	37	Feb-42	3.04%	\$60,750	\$60,750			
6.075%	38	Aug-42	3.04%	\$1,060,750	\$60,750	\$1,000,000	\$1,000,000	\$1,121,500
	39	Feb-43	3.05%	\$30,500	\$30,500			
6.100%	40	Aug-43	3.05%	\$1,030,500	\$30,500	\$1,000,000	\$0	\$1,061,000
				\$32,145,000	\$12,145,000	\$20,000,000		\$32,145,000

Attachment 2: Additional Underwriting Information

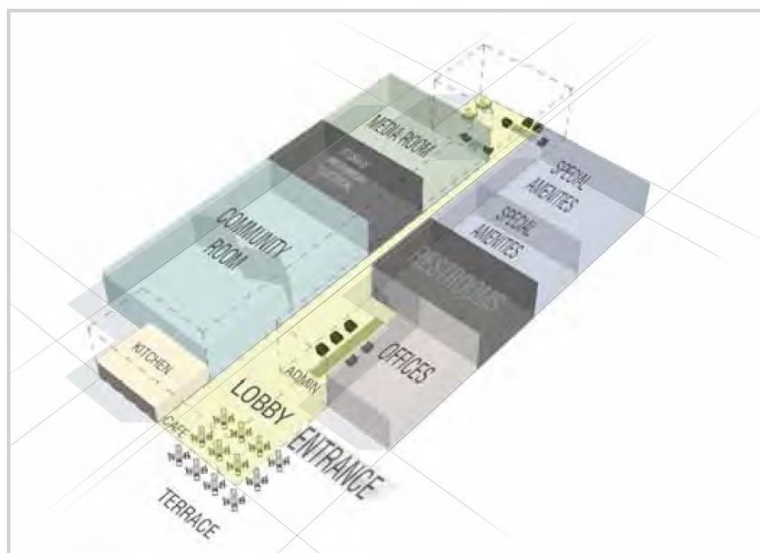
Description of the Facility

The City would like to create a 30,000 square foot senior activity center that provides recreation and enrichment activities to seniors in Fresno. The main features of the facility will be determined through a community outreach process, but the City envisions possible features to include multi-purpose meeting and recreation areas with modular walls for small group activities; a kitchen for warming meals; areas to accommodate outdoor and indoor recreational activities; a computer lab with the ability to access the Internet and print documents; a dance room; a games room with board games; a dedicated fitness area; a community garden; a stage to produce plays and present awards; a TV area with access to cable or satellite programming; sharps disposal; and restrooms that include grab bars and handrails, raised toilets, lever faucets, and an alert system in cases of emergency.

The City will endeavor to implement the design guideline recommendations outlined in the Parks Master Plan adopted by the City on January 25, 2018, available on the City's website. The Parks Master Plan Design Guidelines include recommendations for sustainability, public safety, durability, user experience, accessibility, and identity/branding. The mockup below is an example floor plan for a 10,220 square foot community center from the Parks Master Plan design guidelines, so the design for the senior center. The actual floor plan will be determined through consultation with the community.

The primary uses of the senior activity center are expected to be:

- Functions where seniors can socialize
- Recreation and fitness activities utilizing green space and fitness equipment
- Computer rooms for seniors to access the Internet and print materials
- A community garden for seniors to enjoy
- A TV area where seniors can watch their favorite programs



Market Need for Facility

Community feedback from public comment opportunities during the formation of the 2020-2024 Consolidated Plan and subsequent Annual Action Plans has strongly supported the creation of a senior activity center.

Further, the City does not currently have a senior activity center available to its residents.

Site Control

The City currently owns the site which is located at 4343 N. Blackstone Ave in Fresno on a 5.5-acre parcel and will continue to own and operate the senior activity center upon completion. An environmental assessment of the property was completed in April 2022 and included the demolition of the existing building and construction of the Senior Activity Center and concluded a Finding of No Significant Impact.

Organizational Arrangements

At the time this Substantial Amendment was written, the City was in the process of evaluating Statements of Qualifications submitted in response to the City's Request for Qualifications for a Progressive Design-Build Procurement for the Senior Activity Center and Senior Affordable Housing Development. The selected organization will be responsible for the entire process through two phases: preconstruction services and construction services. The preconstruction services will generally consist of preliminary engineering, geotechnical investigations, and design development based on community input and stakeholder meetings, as well as preparation in close collaboration with the City of a proposed construction price and schedule. The construction services phase will generally encompass completing the final design, permitting, construction, and project closeout as necessary.

The City will evaluate the proposals for an understanding of the work to be done, availability and experience of staff and any and all subcontractors, project approach, expertise with a similar project funding type, and experience with similar projects in the last 10 years. Once an organization is selected, the City will enter into a phase one agreement for the design of the senior activity center. The contractor will prepare a design to approximately 80 percent and negotiate a guaranteed maximum price proposal. The City will evaluate the proposal to ensure cost reasonableness and award a contract for the guaranteed maximum price. Should the City and design-builder be unable to agree on a guaranteed maximum price, the City has the right to release the design-builder and use the design documents to move the project forward under an alternative procurement method.

Summary of Work Completed to Date

The City of Fresno has completed several preliminary tasks and is ready to proceed to the next stage of feasibility once it has secured the Section 108 loan.

- Through Substantial Amendments 2020-01 and 2020-03 to the 2020-2021 Annual Action Plan, the City reprogrammed \$4,993,211.79 in CDBG funds to acquire property to develop a senior activity center.
- The City published a Request for Qualifications for the design and construction of a new senior activity center on May 26, 2023.
- Through the 2023-2024 Annual Action Plan, the City programmed \$1,000,000 in CDBG funds for the demolition of the existing building on the parcel to develop a senior activity center.

As part of the design-build contract, the contractor will facilitate community input on the design of the senior activity center. The City will also conduct a public hearing and public comment period on this substantial amendment for a Section 108 Loan application.

Projected Timeline

The City's goal is to have construction commence in 2024. As such, below is the estimated project timeline:

Award Phase 1 Preconstruction Services	July 2023
Preliminary Conceptual Design	November 2023 – March 2024
Final Design and 100% Plans	March 2024 – July 2024
Award Phase 2 Construction Contract	September 2024
Construction	November 2024 – November 2026

Construction Budget

Below is a summary of the proposed sources and uses for the development. A description is provided for each source and use.

SOURCES	AMOUNT	USES	AMOUNT
CDBG 108 Loan Guarantee	\$20,000,000	Construction costs	\$17,500,000
Local funds and/or private funding	\$5,000,000	Section 108 financing costs	\$188,000
		Other soft costs	\$7,312,000
TOTAL	\$25,000,000	TOTAL	\$25,000,000

Sources

- **CDBG Section 108 Loan Guarantee (\$20,000,000)**

The City envisions the Section 108 loan proceeds will be used as the primary funding source for the construction of the facility. Without the Section 108 loan, the development would be financially infeasible. The total amount available via the Section 108 Loan Guarantee program will be equal to five times the City's current CDBG allocation less any outstanding loans. Since the City does not have any outstanding loans, the City can borrow up to \$34,485,805, which equals five times its 2023-2024 allocation of \$6,897,161.

- **Local and/or Private Funding (\$5,000,000)**

The City is in the process of identifying the balance of funding needed to cover the construction costs less the Section 108 Loan proceeds. Funding could include the use of local funding and/or may include private funding sources as well.

Uses

- **Construction – Hard Costs (\$17,500,000)**

The City does not yet have a completed design for the senior activity center. The estimate given is based on the estimated total cost of construction.

- **Financing Costs (\$188,000)**

The City will pay the 0.94% financing fee from Section 108 Guaranteed Loan funds (or CDBG funds), up to \$188,000.

- **Other Soft Costs (\$7,312,000)**

The City will incur other soft costs of about \$7.3 million estimated as 30 percent of the total construction cost and inclusive of: project management, plan check/permitting, construction management, inspection and testing services, etc.

Debt Service

The City anticipates the debt service will be met by future CDBG entitlement funds.

Collateral

The City proposes to pledge a portion of its future CDBG grants (Program Years 2023 – 2043) as collateral for repayment. The City proposes to use the maximum repayment period allowable, twenty years, to minimize the impact of the repayment obligation on any given year. If the Federal government terminates the CDBG program or reduces the City's entitlement amount to a level below the annual debt service prior to loan payoff, the City will pledge the subject land and improvements as collateral. An appraisal will be completed to ensure that the property and improvements have a current loan-to-value ratio greater than 80%, or greater than 125% of the principal. In the event the property and improvements do not meet this requirement, the City will work with HUD to find additional collateral to secure the loan.

Operating Expenses

Once constructed, the City will use local or general funds to operate the senior activity center as part of the PARCS Department annual budget.

City's Capacity to Administer the Project

The City has developed large projects similar in nature, the most recent being Inspiration Park.

The City's Department of Public Works would serve as the project lead for the development with assistance from the PARCS Department and Planning and Development Department. The Department of Public Works focuses on building and maintaining infrastructure of the City such as streets, sidewalks, traffic signals, streetlights, median islands, street trees, landscaping, trails, and public facilities. The department has years of experience successfully completing large construction projects in compliance with both state and federal funding. The PARCS Department offers public access to green space and recreation and will be the eventual operator of the senior activity center. The Planning and Development Department is responsible for administering the City's annual allocations of HUD grants including CDBG, HOME, HOPWA, and ESG and will provide oversight to ensure compliance with federal regulations.

The City considered the potential for Federal funding of this project from the very beginning. As such, the Director of Planning and Development has ensured that City staff have conducted preliminary reviews of the proposed project to ensure compliance with all applicable Federal regulations, including environmental review and procurement.

Next Steps

The City will select a design-build contractor to begin phase 1, preconstruction services including the community outreach and engagement, and preparation of the design plans to 80 percent completion. The City and design-build contractor will then negotiate the guaranteed maximum price proposal. Should the City and design-builder be unable to agree on a guaranteed maximum price that the City ensures is reasonable, the City has the right to release the design-builder and use the design documents to move the project forward under an alternative procurement method. If the City and design-builder agree to a guaranteed maximum price, the design-builder will be awarded the construction agreement and commence phase 2, construction. At each stage, the City will notify HUD as it moves forward with more detailed information on the construction budget.



2023-2024 Annual Action Plan Substantial Amendment 2023-01

U.S. Department of Housing and Urban Development
Community Planning and Development Programs

Public Review Document

Comment Period: July 17, 2023 – August 17, 2023 (5:00 P.M.)

Planning and Development Department
Community Development Division
2600 Fresno Street, Room 3065
Fresno, CA 93721
559-621-8300
HCDD@fresno.gov

This is a draft document that has been made available for public review and comment.

The Public Comment Period will begin July 17, 2023, and conclude on August 17, 2023, at 5:00 P.M. Residents are encouraged to submit comments by one of the following methods:

Submit Comments by Mail:

City of Fresno
Planning and Development Department
Attn: Community Development Division
2600 Fresno Street, Room 3065
Fresno, CA 93721

Submit Comments by Email:

HCDD@fresno.gov

Please include "Sub Amend 2023-01" in the subject line

Submit Comments by Phone:

559-621-8300

Submit Comments by TTY:

559-621-8721

Submit Comments by Fax:

559-457-1579

Submit Comments Online:

<https://www.surveymonkey.com/r/sa2023-01>

The Substantial Amendment is scheduled for consideration by the Council of the City of Fresno at its September 14, 2023, meeting. For more information on the City Council meeting, visit www.fresno.gov/calendar.aspx and select the agenda for the meeting. The agenda will be posted at least 72 hours in advance. Accommodations are available upon request by contacting the office of the City Clerk at (559) 621-7650 or clerk@fresno.gov at least three business days prior to the meeting.

Summary

The City of Fresno (City) is a federal entitlement community that receives an annual allocation of Community Development Block Grant (CDBG) funds from the U.S. Department of Housing and Urban Development (HUD). As an entitlement community, the City is required to prepare an Annual Action Plan detailing the uses of CDBG funds to meet its affordable housing and community development goals as outlined in its Consolidated Plan. For Program Year 2023-2024, the city is proposing a substantial amendment to the Action Plan to include a \$20 million Section 108 Loan to fund the construction of a Senior Activity Center. This effort is in alignment with the City's goals as stated in the 2020-2024 Consolidated Plan to provide public facilities improvements.

The City will accept comments on the proposed substantial amendment for a period of 30 days from July 17, 2023, through August 17, 2023.

Source and Use of Program Funds

TOTAL SOURCES TO BE PROGRAMED

\$20,00,000.00

The City of Fresno will allocate \$20,000,000 of CDBG Section 108 Loan funding for Program Year 2023 for the construction of a Senior Activity Center at a 5.5-acre parcel west of N. Blackstone Avenue between E. Holland and E. Swift Avenues at 4343 N. Blackstone Avenue. The Senior Activity Center will be designed based on community input and may include multi-purpose meeting and recreation areas with modular walls for small group activities; a kitchen for warming meals; areas to accommodate outdoor and indoor recreational activities; a computer lab with the ability to access the Internet and print documents; a dance room; a games room with board games; a dedicated fitness area; a community garden; a stage to produce plays and present awards; a TV area with access to cable or satellite programming; sharps disposal; and restrooms that include grab bars and handrails, raised toilets, lever faucets, and an alert system in cases of emergency. The remainder of the estimated \$25,000,000 will be funded using private or local funds.

USE OF PROGRAMMED CDBG FUNDS

FFY	Project #	IDIS Activity ID	Activity Name	Proposed Substantial Amendment 2023-01 Award
2023	17	17	Senior Activity Center	\$20,000,000.00
TOTAL USES TO BE REPROGRAMMED:				\$20,000,000.00

Integrated Data and Information System (IDIS) Project Information

IDIS Field	IDIS Entry
IDIS Project ID Number	17
Project Name	Senior Activity Center
Target Area	Citywide
Goals Supported	Public Infrastructure and Facilities
Needs Addressed	Public Infrastructure and City-Owned Facilities
Funding	CDBG: \$20,000,000
Description	Development of a Senior Activity Center
Target Date	6/30/2025
Goal Indicators	One building
Location Description	Citywide
Planned Activity	03A: Acquisition, construction, or rehabilitation of facilities for seniors (24 CFR 570.201(c))