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**Redevelopment
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Staff Report

**ITEM
NO.** 13

To: Lemoore Redevelopment Agency Board
From: Brooke Austin, Housing Specialist and
Judy Holwell, Redevelopment Project Manager
Date: June 12, 2007
Subject: Financial Assistance for Montgomery Crossing

Discussion:

Staff has been approached regarding partnering with Pacific West Communities to build Montgomery Crossing, a 57-unit multi-family affordable housing community on the northeast corner of 19th Avenue and Tammy Lane. The project will include 24 two-bedroom units, 24 three-bedroom units, 8 four-bedroom units and 1 three-bedroom manager's unit. The total development costs for the project are estimated at \$14,076,491. The developer has requested assistance from the Redevelopment Agency of \$21,428.57 per "affordable unit" for a total of \$1,200,000. The assistance is requested in the form of a loan at a simple interest rate of 3% for a term of 55 years with payments based on 30% of residual receipts.

Any assistance provided by the Agency would require that 55-year affordability covenants be recorded on all the units. This would allow us to count all 56 "affordable" units towards our Housing Production Requirement. This project is targeted to very-low and low income residents, which are not being assisted through the First-Time Homebuyer Program. The project will include 20 units restricted to very-low income residents and 36 units restricted to low-income residents.

The Agency currently has a gap of 72 very-low income units that we are required to meet. By assisting this project, we will be able to apply 20 of these units towards that shortage. The other 36 units would apply to our low-moderate unit requirement, which we are currently meeting. However, as new homes are constructed in the community, the production requirement increases.

The RDA Implementation Plan lists as one of its goals to "promote safe and affordable housing and related amenities to all segments of the City's population base" with the objective to "support the construction of a new low and moderate income multi-family housing project".

As with any Tax Credit assisted project, this project will be eligible for a property tax exemption. Therefore, the City and other agencies would not receive their customary portion of property tax.

In conjunction with this project, the developer will be dedicating approximately one acre to the City for the expansion of the park/ponding basin south of the property. Also, 30,000 square feet of the property will be dedicated to the City once Tammy Lane is extended to 19th Avenue. In addition, the developer has offered to assist the City in securing CDBG Funds to facilitate construction of the entire street, thereby saving the City its required partial street construction costs. If we were successful in receiving CDBG Funds, this would reduce the anticipated project costs by \$120,000, which would in turn reduce the amount of assistance required from the Agency. The development of this project eliminates the need for the City to purchase the land needed for the ponding basin. Therefore, this project benefits the City in multiple ways: 1) it provides for the completion of Tammy Lane, 2) it contributes to the City's need for an expansion of the park/ponding basin and 3) it allows the use of Low-Moderate Housing Funds to support the project, instead of the RDA Capital Projects Fund to purchase the land for ponding.

The project will require approximately \$169,418 in impact fees for Storm Drainage Facility, Parkland Acquisition and Park Improvements. As compensation for the donation of the above-mentioned land, the Redevelopment Agency could pay these impact fees as part of the \$1,200,000 assistance.

The Board also has the option to approve a different amount of funding or different terms. For example, the Board could recommend a loan at 3% simple interest amortized over 55 years, but due in a term of 30 years. This would mean that the developer would make yearly payments based on thirty-percent of residual receipts, which would convert to fifty-percent once the Deferred Developer Fee is fully paid and at the end of year 30, a balloon payment of approximately \$1.8 million dollars, including accrued interest, would be due.

Staff would like our Financial Consultants, Urban Futures, to review and analyze the developer's pro forma to ensure that estimated project costs seem reasonable and that Agency assistance will be properly leveraged. Urban Futures standard rate is \$185 per hour and they estimate that it would take no longer than eight hours to analyze the pro forma.

Pacific West Communities will be available to answer questions regarding this project and provide an update of their plans for a senior/multi-family affordable housing project at the corners of Fox and Cinnamon Streets. They are currently waiting on the General Plan Update to be completed before moving forward on the second project. Pacific West Communities' two projects and Simpson Housing's Oleander Terrace are the only projects that staff has been approached about at this time.

The following table provides a comparison of the estimated sources and uses for this project and Oleander Terrace.

	Montgomery Crossing	Oleander Terrace
Total Project Costs	\$14,076,491	\$15,118,000
Developer Fee	\$ 1,517,987	\$ 1,400,000
Deferred Developer Fee	\$ 285,000	\$ 766,042
Agency Assistance Requested	\$ 1,200,000	\$ 1,750,000
Agency Assistance per Unit	\$ 21,428.57	\$ 26,923.08
RDA Production Requirement Countable Units – Very Low	20	45
RDA Production Requirement Countable Units – Low and Moderate	36	20
Total Number of Assisted Units	56	65

This is only a preliminary commitment to “ earmark ” funds to this project. The final loan commitment would be conditioned upon the developer successfully securing all other funding sources. In order to submit applications for their remaining sources of financing, Pacific West Communities needs a Preliminary Commitment Letter by July 12, 2007. If the Board were comfortable with the information presented on June 19th, they could authorize the issuance of a commitment letter and further negotiations. If the Board would like more time to review this request, there would be another opportunity to consider it at the July 3rd meeting.

Budget Impact:

The estimated 2006-2007 ending balance for the Low-Moderate Housing Fund is \$3,533,781. There are anticipated revenues for 2007-2008 of \$1,654,062 and anticipated expenses of \$2,978,444, including \$900,000 for Oleander Terrace. Therefore, there is an estimated balance of \$2,209,399 available. Assistance for this project is expected to be needed in March of 2008.

Recommendation:

That the Agency Board approve the request for assistance up to \$1,200,000 and authorize Executive Director Britz to issue a Preliminary Commitment Letter. This should be contingent upon Urban Futures analysis of the project. Staff should also be directed to work with Urban Futures in analyzing the pro forma and negotiating the details of the final funding commitment that will be brought back for approval.