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**Redevelopment  
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## Staff Report

RDA Item No. 14

**To: Lemoore Redevelopment Agency Board**  
**From: Judy Holwell, Redevelopment Project Manager**  
**Date: May 3, 2007**  
**Subject: Financial Assistance for Oleander Terrace**

### Discussion:

Staff has been approached regarding partnering with Simpson Housing Solutions, LLC to build Oleander Terrace, a 66-unit affordable family apartment community on the corner of "D" and Smith Streets. The project will include 33 two-bedroom units, 32 three-bedroom units and 1 three-bedroom manager's unit. The total development costs for the project are estimated at \$15,117,735. The developer has requested assistance from the Redevelopment Agency of \$26,923.08 per "affordable unit" for a total of \$1,750,000.

As the attached proposal indicates, the Agency funds would be used in two phases. In the first phase, they are requesting that the Agency apply \$900,000 towards the acquisition of the property. In the second phase, the remaining \$850,000 would be contributed as part of the permanent financing.

The developer has requested assistance in the form of loans. However, the Agency could provide assistance from the Low-Moderate Housing Fund in the form of loans and/or grants. The Agency could choose to grant a total of \$900,000 for the acquisition of the property and loan the remaining \$850,000 through a loan with payments from the available cash flow. Currently, the Agency provides grants up to \$30,000 per unit in our First-Time Homebuyer Program. A grant in the amount of \$900,000 would equate to \$13,846.15 per unit. The Board could also decide to provide assistance in a different amount. A spreadsheet is attached which lists various loan amounts and interest rates for your consideration. Dependent on the loan amount and length, payments and interest can be deferred for the first five years to allow sufficient cash flow for payments.

In addition, Simpson Housing is requesting the City's assistance in applying for HOME funds of \$1,264,838. This is the maximum amount of HOME funds that can be used on the project without triggering the prevailing wage requirement. The next round of HOME funding will be in August of 2007. It should be noted that the City can only submit an application for one rental project per year and there may be other developers interested in applying for these funds for different projects.

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 65 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 45 units restricted to very-low income residents and 20 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 45 of these units towards that shortage. The other 20 units would apply to our low-moderate unit requirement, which we are currently meeting.

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”.

City staff feels that out of all the potential sites for a multi-family housing project, assistance on this site is desirable due to its high visibility as an entry point to the city. In addition, this lot is difficult to develop due to the long, narrow strip along “D” Street. This developer, however, has done a nice job of incorporating the City’s ideas and creating a project with curb appeal.

**Budget Impact:**

If approved, \$900,000 of the Low-Moderate Housing Fund will be allocated toward the acquisition of the property in the proposed 2007-2008 RDA Budget. This amount can be provided in the form of a grant, loan or combination of both. The remainder of assistance in the amount of an \$850,000 loan will not be needed until the 2009-2010 RDA Budget when the project nears completion.

**Recommendation:**

That the Agency Board direct staff as to the amounts and types of assistance to provide for this project, so that a formal agreement can be prepared and brought back for approval. In addition, it is requested that, if assistance is approved, staff be authorized to work with Simpson Housing, LLC to apply for HOME funds.