

**REDEVELOPMENT AGENCY OF
THE TOWN OF APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

STATUS OF THE OWNER PARTICIPATION AGREEMENT BETWEEN THE APPLE VALLEY REDEVELOPMENT AGENCY AND HOUSING PARTNERS I, INC., FOR THE DEVELOPMENT OF AN 80-UNIT SENIOR HOUSING PROJECT.

Background:

This staff report has been prepared to provide the Town Council and Redevelopment Agency a status of an 80-unit, Town/Agency-assisted senior housing project. The project is located on Sequoia Road, immediately south of Bear Valley Road and west of Kiowa Road.

By way of background, on May 8, 2007, the Town Council approved a HOME Fund Reservation Commitment Agreement in the amount of \$225,000 for acquisition and development costs related to construction of affordable housing located in Apple Valley. Approximately two-years later, the Planning Commission, on February 9, 2009, approved Conditional Use Permit No. 2008-014 to construct 80 affordable senior housing units. The Town Council and Agency Board concluded this series of official actions on May 26, 2009 by approving and adopting an Owner Participation Agreement/Loan Agreement between the Town of Apple Valley and Housing Partners I, Inc., to appropriate Town and Agency funds in the amount of \$2,225,000 toward funding the proposed 80-unit affordable senior housing complex.

Summary Statement:

Housing Partners I seeks the cooperation of the Town to consider amending the Owner Participation Agreement/Loan Agreement between the Town of Apple Valley and Housing Partners I to develop an affordable 80-unit senior rental project. The site consists of a two (2) story building on 4.82 acres and is appropriately zoned Medium Density Residential (R-M). The senior project is comprised of 72 one-bedroom and 7 two-bedroom units consisting of 650 and 886 square feet of livable area, respectively. The complex also includes a recreation building and common open space.

Recommended Action:

That the Town Council and Agency Board provide direction to staff as to whether or not staff should work with Housing Partners I, Inc., to consider funding alternatives that, if successful, will bring about the development of 80-units of senior housing on Sequoia Road, immediately south of Bear Valley Road and west of Kiowa Road.

Proposed by Economic Development & Housing Div. Item Number _____

T. M. Approval: _____ **Budgeted Item** **Yes** **No** **N/A**

Summary Statement
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Funding for the project included a total of \$2,225,000 from the Town of Apple Valley and the Apple Valley Redevelopment Agency, which comprises approximately 15.9% of the total anticipated development costs. Housing Partners I anticipated approval of \$11.0 million in California Tax Credit Allocation Committee (CTCAC) 9% tax credit proceeds. Housing Partners I submitted its application in June 2009, but was unsuccessful in acquiring the requested funding (see attached letter). Since receiving this news, Housing Partners I has worked with consultants to come up with alternative financing programs to cover the gap that is left with the absence of the \$11.0 million tax credit equity. The programs that have been identified are also available through CTCAC and would be in the form of its 4% Tax Credit Program. This program is a non-competitive program and does not provide nearly the level of tax credit equity as the competitive 9% Tax Credit Program.

The 4% Tax Credit Program targets seniors with incomes in the 50% and 60% AMI categories which are the program's minimum thresholds. This scenario generates tax credit equity in the amount of \$4.16 million, leaving a gap of \$4.99 million to fully develop the project.

A second option proposed by Housing Partner I in the attached letter would provide Project Based Section 8 Vouchers to the project. The vouchers would need to be applied for and obtained through the Housing Authority of the County of San Bernardino. The addition of Section 8 Vouchers to the project provides more flexibility in targeting lower income level seniors; however, it triggers the application of Davis Bacon wages and significantly increases construction costs. The net affect of this scenario is that \$4.77 million of tax credit equity is generated leaving a gap of \$5.34 million to fully develop the project.

Both scenarios assume that the \$2.225 million already committed by the Town is kept in the project and the gaps identified are in addition to this amount. Housing Partners I has indicated that the Town's requirement to carry earthquake insurance reduces the maximum loan amount the project can support by approximately \$500,000, thereby increasing the gap by a like amount.

Successful development of this project will provide affordable housing opportunities to financially needy seniors, ensure compliance with its recently approved Housing Element and will assist the Town in meeting its share of the SCAG Regional Housing Needs Allocation (RHNA) relative to the production of affordable housing. The Town's contribution is necessary and appropriate to ensure that the project is 100% affordable and remains so for a period of 55 years.

Based upon the foregoing, staff recommends adoption of the form motion.

Attachment: Housing Partners I letter dated October 26, 2009

HOUSING PARTNERS I, INC.

715 East Brier Drive • San Bernardino, California 92408-2841
(909) 890-0644 • Fax (909) 890-4618

October 26, 2009

11-02-09 A11:22 IN

Ken Henderson
Director of Economic and Community Development
14955 Dale Evans Parkway
Apple Valley, CA 92307

Re: 80-Unit Senior Citizen Affordable Housing Complex

Dear Mr. Henderson,

On behalf of Housing Partners I, Inc., I would like to thank you for the support the Town has provided for our proposed 80-Unit Senior Citizen Affordable Housing Community to be constructed in the vicinity of Bear Valley Road and Kiowa Road.

As you know, significant progress was made in the predevelopment stages of the project. The land was acquired, entitlements obtained and funding was secured through the Town in the amount of \$2,225,000. Beginning in the first quarter of 2009, we worked diligently to put together a 9% tax credit application for submittal in June 2009 to the California Tax Credit Allocation Committee (CTCAC). The application was to generate over \$11.0 million in Tax Credit Equity.

The attached list titled 2009 Single Round 9% Applicant List By Geographic Region provided by CTCAC, shows there were 16 projects submitted for funding in the category for the Inland Empire geographic region. Unfortunately, due to limited funding from CTCAC, our application was not approved as evidenced by the attached list titled 2009 Single Round Approved Recommendations for the Geographic Regions. Of the three projects approved, all were large family projects and were located in the cities of Fontana, Montclair and Cathedral City.

We have worked with consultants to come up with alternative financing programs to cover the gap that is left with the absence of the \$11.0 million tax credit equity. The programs that have been identified are also available through CTCAC and would be in the form of their 4% Tax Credit Program. This program is a non-competitive program and does not provide nearly the level of tax credit equity as the competitive 9% Tax Credit Program.

Through this program, we are able to target seniors with incomes in the 50% and 60% AMI categories which are the program minimum thresholds. Under this scenario, tax credit equity in the amount of \$4.16 million would be generated leaving a gap of \$4.99 million to fully develop the project.

There is a second option under this scenario which would provide Project Based Section 8 Vouchers to the project. These would need to be applied for and obtained through the Housing Authority of the County of San Bernardino. While the addition of Section 8 Vouchers to the project provides more flexibility in targeting lower income level seniors, it triggers the application of Davis Bacon Wages and the construction cost increases significantly. The net affect of this scenario is that \$4.77 million of tax credit equity is generated leaving a gap of \$5.34 million to fully develop the project.

It is important to note that in both scenarios listed above, the \$2.225 million already committed by the Town is kept in the project and the gaps identified are in addition to this amount. The proformas as well as the sources and uses statements are attached for each scenario.

Additional sources of funding such as the Mental Health Services Act (MHSA) could provide potential funding to close the above referenced gap. If you would like us to provide additional research on the availability of these funds, please let us know. Please also note that the provision to carry earthquake insurance reduces the amount of loan that the project can support by approximately \$500,000 thereby increasing the gap by a like amount.

We would like to thank you again for your support of this affordable senior community development and look forward to continuing to work to find ways to make the project feasible. If we can answer any additional questions, please let us know.

Sincerely,



Susan Benner
Secretary/Treasurer

cc: Emily Wong
attachments

2009 Single Round 9% Applicant List By Geographic Region

Application #	Project Name	Project City	Project County	Federal Credits		State Credits		Set-Aside	Housing Type	Geographic Region	Total Income	
				Requested	Requested	Requested	Requested				Units	Low-Units
Inland Empire - 16												
CA-2009-002	The Magnolia at Highlands	San Bernardino	San Bernardino	\$1,517,314	\$0	\$0	\$0		Senior	Inland Empire	80	79
CA-2009-007	Juniper Avenue Family Apartments	Fontana	San Bernardino	\$1,292,242	\$0	\$0	\$0		Large Family	Inland Empire	80	48
CA-2009-013	Apple Valley Senior Apartments	Apple Valley	San Bernardino	\$1,488,714	\$0	\$0	\$0		Senior	Inland Empire	80	79
CA-2009-045	Oak Tree Apartments	Temecula	Riverside	\$409,488	\$0	\$0	\$0	At Risk	At-Risk	Inland Empire	40	39
CA-2009-055	Shadow Brooks Apartments	Banning	Riverside	\$1,583,312	\$0	\$0	\$0		Large Family	Inland Empire	49	48
CA-2009-082	Fairway Apartments	Colton	San Bernardino	\$1,094,412	\$0	\$0	\$0		Large Family	Inland Empire	38	37
CA-2009-088	Village at Snowberry Senior Apartments	Riverside	Riverside	\$2,478,810	\$0	\$0	\$0		Senior	Inland Empire	124	122
CA-2009-103	River Canyon Apartments	Cathedral City	Riverside	\$1,002,538	\$0	\$0	\$0	Nonprofit	Large Family	Inland Empire	80	59
CA-2009-112	Horizons at Yucaipa	Yucaipa	San Bernardino	\$2,072,282	\$0	\$0	\$0		Senior	Inland Empire	77	78
CA-2009-119	Corona Senior Arts Colony	Corona	Riverside	\$2,500,000	\$0	\$0	\$0		Senior	Inland Empire	152	150
CA-2009-186	Summerhouse	Tamocula	Riverside	\$2,008,794	\$0	\$0	\$0		Large Family	Inland Empire	90	86
CA-2009-170	Pottery Court Apartments	Lake Elsinore	Riverside	\$2,484,154	\$0	\$0	\$0		Large Family	Inland Empire	113	111
CA-2009-180	Mills Family Housing	Montclair	San Bernardino	\$1,231,282	\$0	\$0	\$0	Nonprofit	Large Family	Inland Empire	50	49
CA-2009-189	Rancho Donato South	Moreno Valley	Riverside	\$1,693,041	\$0	\$0	\$0		Large Family	Inland Empire	79	76
CA-2009-216	Village West At Victorville	Victorville	San Bernardino	\$1,467,262	\$0	\$0	\$0		Large Family	Inland Empire	57	56
CA-2009-224	Coy D. Estes Expansion Project	Upland	San Bernardino	\$1,370,305	\$0	\$0	\$0	Nonprofit	Senior	Inland Empire	72	71
San Diego County - 18												
CA-2009-009	Brighton Place	Poway	San Diego	\$2,142,675	\$0	\$0	\$0		Large Family	San Diego	77	76
CA-2009-017	Vista Grande Apartments	San Diego	San Diego	\$1,137,818	\$0	\$0	\$0		Large Family	San Diego	49	48
CA-2009-026	Florida Street Apartments	San Diego	San Diego	\$2,334,390	\$0	\$0	\$0	Nonprofit	Large Family	San Diego	83	82
CA-2009-032	Verdona Family Apartments	San Ysidro	San Diego	\$1,981,857	\$0	\$0	\$0		Large Family	San Diego	80	79
CA-2009-052	15th and Commercial	San Diego	San Diego	\$2,500,000	\$0	\$0	\$0	SRO	Single Room	San Diego	140	139
CA-2009-105	Arbor Village Apartments	San Diego	San Diego	\$1,108,117	\$0	\$0	\$0	Nonprofit	Large Family	San Diego	112	111
CA-2009-133	Tanawa Senior Apartments	Carlsbad	San Diego	\$1,333,371	\$0	\$0	\$0		Senior	San Diego	50	49
CA-2009-146	The Crossings at Escondido	Escondido	San Diego	\$2,033,305	\$0	\$0	\$0		Large Family	San Diego	55	54
CA-2009-159	Juniper Senior Village	Escondido	San Diego	\$883,947	\$0	\$0	\$0	Nonprofit	Senior	San Diego	61	60
CA-2009-181	Lanai-Creek Apartments WITHDRAWN	Vista	San Diego	\$2,438,624	\$0	\$0	\$0		Large Family	San Diego	94	92
CA-2009-182	Golden Avenue Row Homes	Lemon Grove	San Diego	\$718,181	\$0	\$0	\$0	Small Development	Large Family	San Diego	22	20
CA-2009-216	Fairmount 26	San Diego	San Diego	\$894,919	\$0	\$0	\$0		Large Family	San Diego	28	26
CA-2009-220	Citronica Two	Lemon Grove	San Diego	\$1,725,241	\$0	\$0	\$0		Senior	San Diego	80	79

Updated September 2, 2009

2009 Single Round Approved Recommendations for the Geographic Regions
September 10, 2009

ORANGE COUNTY

Geographic Region Credit Available
\$4,891,902

42	146.00	92.909%	CA-2009-006	Citrus Grove Apartments	Large Family	\$1,269,939	\$0	\$1,269,939
51	146.00	68.871%	CA-2009-142	Royalte Apartments	Large Family	\$1,266,500	\$0	\$1,266,500
58	146.00	63.231%	CA-2009-158	Manchester Park*	Large Family	\$1,478,861	\$0	\$1,478,861
64	146.00	63.191%	CA-2009-232	Orangewood Villas*	Large Family	\$1,694,361	\$0	\$1,694,361
						\$5,709,661	\$0	\$5,709,661
						Remaining Balance in Geographic Region (\$817,759)		

INLAND EMPIRE REGION

Geographic Region Credit Available
\$3,723,306

43	146.00	85.660%	CA-2009-007	Juniper Avenue Family Apartments	Large Family	\$1,252,242	\$0	\$1,252,242
52	146.00	57.552%	CA-2009-180	Mills Family Housing	Large Family	\$1,231,262	\$0	\$1,231,262
59	146.00	54.691%	CA-2009-103	River Canyon Apartments	Large Family	\$1,002,538	\$0	\$1,002,538
						\$3,486,042	\$0	\$3,486,042
						Remaining Balance in Geographic Region \$237,264		

SAN DIEGO COUNTY

Geographic Region Credit Available
\$5,151,870

44	146.00	71.857%	CA-2009-032	Verdona Family Apartments	Large Family	\$1,991,857	\$0	\$1,991,857
53	146.00	70.604%	CA-2009-105	Arlow Village Apartments*	Large Family	\$1,109,117	\$0	\$1,109,117
60	146.00	68.068%	CA-2009-225	Riverwalk Apartments*	Large Family	\$646,150	\$0	\$646,150
65	146.00	58.651%	CA-2009-148	The Crossings at Escondido*	Large Family	\$2,033,305	\$0	\$2,033,305
						\$5,680,429	\$0	\$5,680,429
						Remaining Balance in Geographic Region (\$828,559)		

NORTH & EAST BAY REGION

Geographic Region Credit Available
\$4,592,443

45	146.00	60.567%	CA-2009-198	Toussin Senior Apartments*	Senior	\$301,078	\$1,003,592	\$401,437
54	146.00	59.428%	CA-2009-012	Amorosa Village II	Large Family	\$1,363,139	\$0	\$1,363,139
61	146.00	58.200%	CA-2009-129	The Alameda At San Leandro Crossings*	Large Family	\$2,338,357	\$0	\$2,338,357
66	145.00	32.164%	CA-2009-209	Oak Forest Senior Villas	Senior	\$945,548	\$0	\$945,548
						\$4,944,122	\$1,003,592	\$5,048,481
						Remaining Balance in Geographic Region (\$456,038)		