

**TOWN OF  
APPLE VALLEY, CALIFORNIA**

**AGENDA MATTER**

**Subject Item:**

**HAPPY TRAILS VILLAS**

**Summary Statement:**

This matter was placed on the Town Council April 27, 2010 agenda by Mayor Pro-Tem Bob Sagona. The Town Council most recently considered this matter on March 23, 2010 and, after discussion, voted 3-2 (Sagona; Roelle) to approve the project and direct the Town Attorney to prepare an Owner Participation Agreement for future Town Council consideration. The staff report below is the same report provided to the Town Council on March 23, 2010. It is noted that Project HART has opened an escrow with the Federal Deposit Insurance Corporation (FDIC), the legal owner of the property, and it is anticipated escrow will close once the Redevelopment Agency approves the Owner Participation Agreement and Town financial assistance is assured.

Town financial assistance will approximate \$2.1 million, with the sources of such funding coming from the Redevelopment Agency Twenty-Percent Set-Aside housing program and the Federal Neighborhood Stabilization Program grant proceeds. Staff will attempt to respond to any questions Council might have regarding this project and the Town's affordable housing obligations.

**Background:**

Happy Trails Villas is a 34-unit condominium project that was never certified for occupancy by the Town. The project was foreclosed on and, ultimately, wound up being owned by the Federal Deposit Insurance Corporation (FDIC). The property is located on a 5.04-acre parcel to the north of Highway 18, between Kiowa Road and Jicarilla Road. The 34 townhouse units require a substantial amount of site work and some final unit interior work. Work on the project ceased over two years ago. Although the property is in good condition considering the extent of time it has been vacant, if continued to be left unfinished, it will, potentially, deteriorate and could eventually become an unfortunate blighting influence on the surrounding community. The surrounding community is comprised of well maintained single family residences on one-acre lots. All units in the two-story townhome complex consist of 3 bedrooms, 2.5 bathrooms and 2-car garages, with an average living area of 2,025 square feet. Amenities include a clubhouse, small pool and jacuzzi.

**Recommended Action:**

That the Town Council approve the project and direct the Town Attorney to prepare an Owner Participation Agreement (OPA) pursuant to the business terms discussed at the February 23, 2010 Council meeting.

Proposed by Economic Development & Housing Div. Item Number \_\_\_\_\_

T. M. Approval: \_\_\_\_\_ Budgeted Item  Yes  No  N/A

## Happy Trails Villas (Continued)

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#### Summary Statement:

Housing Action Resource Trust (HART) is a non-profit housing and community development corporation, servicing communities and home buyers, primarily, with down payment assistance programs. HART also acquires and develops properties to provide affordable housing to low income families and home buyers. In addition, HART is an Apple Valley-certified Community Development Housing Organization (CHDO), a designation required in order to receive CHDO funds. Since 1999, HART has gifted over \$200,000,000 and assisted 50,000 families and individuals in home ownership opportunities. Most recently, HART secured financing for the construction of a 44 unit condominium project. HART was founded by Frank Williams, President and Vice Chairman of the Board. Mr. Williams' extensive background includes appointment as the Executive Officer of the Building Industry Association of Southern California, Baldy View Chapter, as well as being President of HIP Projects, LLC, a home building business.

Barry Ephraim, principal of Ephraim Development has extensive experience with affordable housing development and financing throughout San Bernardino County. In the past six months, Ephraim Development has closed the purchase of several distressed properties: 1) 12 acres in Hesperia; 2) 164 apartment units in Victorville, and, 3) 17 houses, 51 finished lots and 36 graded lots in Victorville. Prior to forming Ephraim Development, Mr. Ephraim was with the Lewis Group of Operating Companies ((Lewis op)) and was responsible for both affordable housing activities and for the financing and sale of all income producing properties. He negotiated affordable housing obligations for more than 10,000 residential lots and closed more than \$1,000,000,000 in financing for apartment communities, shopping centers, residential lot development and community facility improvements.

With their combined extensive experiences, HART and Ephraim Development propose to form AVHTV, LLC, a single purpose entity, in order to acquire and complete the construction of Happy Trails Villas, with plans to operate it as an affordable rental housing complex. Ephraim Development will take the lead in the financing and development of Happy Trails Villas, while HART will take the lead in the management and stewardship of the project. The project will be funded through a combination of resources: Tax exempt bond financing, 4% tax credits and the infusion of the Town's Home Investment Partnerships Program (HOME) CHDO funds and Neighborhood Stabilization Program (NSP) funds. These funds must be expended no later than June 30, 2010 and August 20, 2010, respectively, or be returned to the U.S. Department of Housing and Urban Development (HUD) with penalties.

Acquisition and completion of construction of Happy Trails Villas will provide numerous benefits to the community: (1) Completion of the apartment project will contribute to neighborhood stabilization and prevent it from becoming a potential eyesore in a high profile location, (2) It will provide affordable and high quality rental housing, (3) It will assist the Town in meeting its RHNA and Housing Element requirements, (4) Since it is an NSP and HOME eligible project, it will make it possible for the Town to expend these funds appropriately within the required time constraints, and, (4) the Town will receive approximately \$525,000 in previously uncollected permit and impact fees for this development.