

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject Item:

HAPPY TRAILS VILLAS

Pursuant to a request made by Mayor Pro-Tem Bob Sagona, staff is providing an update on the Happy Trails Villas Project as well as responding to some of the public comments at the Town Council meeting of May 11, 2010. The Town Council previously considered this matter on March 23, 2010 and, after discussion, voted 3-2 to approve the project and direct the Town Attorney to prepare an Owner Participation Agreement for future Town Council consideration.

Town financial assistance will be approximately 2.1 million, with the sources of such funding coming from both federal HOME Investment Partnerships Program (HOME) Neighborhood Stabilization Program (NSP) grant proceeds.

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 nearly 2 1/2 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 receive and file the report.

Proposed by Economic Development & Housing Div. Item Number _____

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

Summary Statement:

AVHTV, the developer, originally proposed to acquire and complete the construction of Happy Trails Villas, with plans to operate it as an affordable rental housing complex, with opportunities for renters to transition into a for-sale home ownership product. However, after listening carefully to concerns voiced through public comments as well as comments from the Town Council, representatives of AVHTV have been working diligently to restructure Happy Trails Villas into a 100% for-sale affordable project.

In an effort to revitalize the neighborhood, and continue to be sensitive to the needs of the community, AVHTV will be revising its proposal to acquire the subject property, complete construction and sell all 34 units to owner-occupied home owners. The project will be an affordable mixed income project with low and moderate as well as middle income residents occupying the units. A future agenda item, to include a proposed development agreement, is anticipated to move forward for Town Council review on June 22, 2010.

Acquisition and completion of construction of Happy Trails Villas will provide numerous benefits to the community: (1) Completion of the for-sale townhome 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 ownership 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; (5) It will provide jobs for local contractors; and; (6) the Town will receive approximately \$525,000 in permit and development impact fees for this development.

In response to questions pertaining to the escrow, AVHTV first opened up escrow for Happy Trails Villas on October 28, 2009, in hopes of successfully negotiating a development agreement with the Town of Apple Valley. The Town has never been a party to this or any other escrow involving Happy Trails Villas. The escrow is yet to close, pending the approval of a development agreement by the Town Council. Prior to this escrow, Housing Partners I opened up escrow on the subject property, contingent upon an updated appraisal. Upon further due diligence and investigation into outstanding costs to complete construction of the project, Housing Partners I declined to move forward with the project in August of 2009.

The majority of the concerns voiced by the public pertain to the original proposal to operate Happy Trails as a rental housing complex. The developer, in turn, has responded by coming up with a viable alternative that repositions this project as an affordable home ownership opportunity, and is seeking support from the Council and surrounding residents of the community.

A copy of a letter from AVHTV addressed to the Town Council is provided for your information.

June 2, 2010

Mayor Peter Allan and Members of Council
Town of Apple Valley
14955 Dale Evans Parkway
Apple Valley, CA 92307

Re: Request for Support to Reposition the Happy Trails Villas as a For-Sale Home Ownership Project

Dear Honorable Mayor and Members of Council:

We appreciate the support we have received from the Town of Apple Valley to purchase and complete the Happy Trails Villas as an affordable housing project.

Previously, we proposed that the project be developed as an apartment development with opportunities for renters to transition into a for-sale home ownership product. Some members of Council and some members of the community have opposed our efforts and voiced a concern that they believe the property is not suitable as an apartment rental project.

We are sensitive to some of the issues raised and want to be a good partner and neighbor in our efforts to revitalize the proposed project and meet the needs of the community. For the past several weeks, we have been diligently making every effort to restructure Happy Trails Villas into a 100% for-sale affordable project. We now propose to acquire the property, complete construction and sell all 34 units to homeowners.

AVHTV, LP, the developer, will expand its team of HART and Ephraim Development to include AOF/Pacific – Golden State, a CHDO with experience in the sale of affordable housing.

By repositioning the proposed project, AVHTV, LP will accomplish the following objectives: (1) provide jobs for local contractors, (2) deliver much needed affordable housing, (3) eliminate a potential blight at a prominent intersection, and (4) utilize funds which may be used only for the purposes of affordable housing in a timely manner.

Thank you for your consideration and we look forward to bringing this project forward to Council in the next few weeks.

Cordially,

Barry Ephraim
Ephraim Development