

**TOWN OF  
APPLE VALLEY, CALIFORNIA**

**AGENDA MATTER**

**Subject Item:**

**HAPPY TRAILS VILLAS UPDATE**

**Summary Statement:**

Pursuant to a request made by Council Member Roelle, staff, as well as the developer, is prepared to provide an update on the Happy Trails Villas Project and will be present to answer any questions of the Council.

On October 19, 2011, AVHTV prepared a Performance Timeline which was transmitted to the Town Council on October 21, 2011. A copy of the Timeline is attached for your information.

The Happy Trails Villas development has encountered a number of obstacles and challenges that have resulted in unforeseen, but justifiable, delays. However, at this juncture, staff is pleased to report that the AVHTV has made substantial progress in the past 30 days as evidenced below.

In early October, AVHTV received a rejection notice from the California Housing Finance Agency (CalHFA) for home buyer financing. The need to obtain CalHFA approval is significant, since the Federal Housing Administration ("FHA") will fund a maximum of only 50% of the units. The Developer must seek alternative sources of home buyer financing. To obtain CalHFA approval, CalHFA required additional clarification language in the OPA to ensure that in the event of a foreclosure, any provision in the OPA restricting the use of the unit, or subsequent purchaser based upon affordability covenants, shall be null and void. This language is routine and already exists in all of the Town's current loan documents administered under Apple Valley's Down Payment Assistance Program. As a result, a minor amendment to the OPA was successfully processed and AVHTV expects to obtain financing approval from CalHFA as well as FHA in the immediate future.

(Continued)

**Recommended Action:**

That the Town Council receive and file this staff report regarding Happy Trails Villas.

Proposed by Economic Development and Housing \_\_\_\_\_ Item Number \_\_\_\_\_

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

Summary Statement  
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Town staff has also reviewed and approved AVHTV's construction loan documents. Staff received a copy of the signed documents, to include a loan agreement, deed of trust and promissory note, all of which have been deposited into escrow. Pursuant to the OPA, a subordination agreement by the Town was signed and forwarded to the escrow company. At this juncture, staff anticipates the loan closing will occur on November 8<sup>th</sup> or November 9<sup>th</sup>.

Once the loan closes, permits will be pulled and AVHTV will mobilize and commence construction activity within 10-14 days.

**Attachment:**

Performance Timeline

2010

July Closed Purchase Invested \$260,000  
Performed a Topographic Study  
August Engaged HOA Consultants  
September Engaged Architect and Engineers  
October Arranged Lender Meetings  
November Obtained 1st Amendment to OPA and RA  
December Prepared Covenants Conditions and Restrictions

2011

January Received Proposals from Third Party Management Companies  
Began Discussions with Brokers  
February Prepared Form General Contractor Contracts  
Prepared Condominium Budget  
Bid and Negotiated Wrap and Mold Insurance Coverage  
March Prepared Condominium Plan  
Formed Happy Trails Villas Homeowners Association  
Filed Three Subdivision Public Report Application  
Revised Grading and Drainage Plan  
Updated Site Plan  
Updated Landscape Plan  
Updated Off-Site Plan  
Prepared SWPPS  
Performed Construction Bid  
April Obtained Temporary Sales Permit  
Met with Four Preferred General Contractors for Four Scopes of Work  
Prepared Down-Payment Program Manual  
Prepared Down-Payment Loan Documents  
May Received Final Subdivision Notices from Department of Real Estate  
Engaged Third Party Group to Verify Buyer Income Eligibility and  
Capability  
Circulated Construction Loan Documents  
Prepared 2010 Tax Return  
Filed Project Approval Applications with FNMA and CalHFA  
Marketing Materials in Design  
Website in Design  
Signage Materials and Collaterals in Design  
Engaged Engineer for Formation of Landscape Maintenance District  
June Prepared Final Map  
Received Preliminary Project Approval from FNMA  
To Date AVHTV Has Spent Funds of \$550,000  
Engaged or Reached Out to Locally Based Architect, Engineers, General  
Contractors,  
Escrow, Sign Company, Website Company, Management Company,  
Lenders

2011

- July
- Sent Formal Communication to Ranchos that We Were Entitled to Water Service without 1) paying \$150,000 in Connection Fees; and, 2) Installing a \$100,000 Off-Site Water Main
  - Drafted and Provided the Town with a Second Amendment to the Owner Participation Agreement and Regulatory Agreement to Meet the Requirements of Federal Housing Administration Financing for Homebuyers
  - Conducted Market Research to Refine Sales Pricing and Down-Payment Loan Amounts
  - Executed an Addendum with Pontious Architecture to Update the Plans to Include a Pool, Entry and Exit Gates, and Path of Travel Consideration Requested by the Town
- August
- Initiated Intense Discussions and Correspondence with Apple Valley Ranchos to Obtain Water Service, including meeting with Ranchos in the Presence of Town staff
  - Resubmitted Home-Owners Association Budget with the Department of Real Estate with Revisions for the Addition of the Pool and Entry/Exit Gates
  - Multiple Times Circulated Revisions of the Manual and Loan Documents for the Down-Payment Assistance Program
- September
- Obtained a Rule 15 Contract from Apple Valley Ranchos (Ranchos Agreed that the \$150,000 in Connection Fees Were Not Due But Is Still Demanding a \$100,000 Off-Site Water Main)
  - Received a Draft of the Second Amendment from the Town
  - Submitted a Revised Site Plan to the Town Including Pool, Entry/Exit Gates, and Path of Travel
  - Provided the Town with a Request for Reimbursement for HOME Eligible Costs of Approximately \$195,000
  - Held Meeting at Town with Preferred Lender, Town Staff, NHSIE, Broker, and Agent to Review, Understand, and Improve the Processing Documents and Process for Qualifying Homebuyers
  - Submitted Final Documents to Wrap Insurance Provider and Mold Insurance Provider
  - Obtained Approval for Warranty Coverage from Home Buyers Warranty Insurance Company

- Commenced discussions with Local Company for Staging Model
- October Received Rejection Notice from California Housing Finance Agency for Down-Payment Assistance for Home Buyer Down-Payment Assistance Loans
- Received Town Approval for the Second Amendment to the Owner Participation Agreement and Regulatory Agreement
- Obtained Conceptual Approval from the Town for the Revised Site Plan, Including Pool, Entry/Exit Gates, and Path of Travel
- Obtained Town Approval for Construction Loan Documents
- Revised Down-Payment Assistance Program Manual, Processing Documents, and Loan Agreements and Covenants to Meet Town Requirements
- November Sign Second Amendment to the Owner Participation Agreement and Regulatory Agreement
- Sign Construction Loan Documents
- Purchase Building Permits
- Start Off-Site and On-Site Construction
- Commence Sales
- Submit Requests to Surety Providers for Home Owners Association Maintenance Bonds Required by the Department of Real Estate
- Submit Request to Federal Housing Administration for Condominium Project Approval
- Re-Submit Request to California Housing Finance Agency for Approval of Home Buyer Down-Payment Assistance Loans