



CITY OF MERCED

MERCED

June 30, 2022

Carol J. Ornelas, Chief Executive Officer
Visionary Home Builders of California
315 N. San Joaquin Street
Stockton, CA 95202

RE: Funding Commitment to Bella Vista Apartments (1808 Parsons)
Grant, Loans, and Fee Reductions from City of Merced Totaling \$5,234,148

Dear Ms. Ornelas,

On June 21, 2022, the City Council of the City of Merced approved and recommended that the City of Merced ("City") make a reservation for the Bella Vista Apartments project at 1808 Parsons Avenue (the "Project") in a total amount of \$3,500,000 of Coronavirus State and Local Fiscal Recovery Funds received under the American Rescue Plan Act (the "ARPA Grant"). The ARPA Grant will assist with the development of an affordable multifamily rental housing project with a proposed 106 units affordable to households with incomes up to 60% of the Area Median Income, plus 2 manager units (108 total units). There are also additional fee reductions to our Public Facility Finance Plan Fee and a residual receipt loan for water and sewer connections. In total the amount of local support is \$5,234,148 from the following sources (collectively the "City Funding"):

- \$3,500,000 grant from Coronavirus State and Local Fiscal Recovery Funds received under the American Rescue Plan Act ("ARPA Grant")
- \$756,522 Public Facilities Finance Plan fee reductions pursuant to Administrative Policy A-32 ("PFFP Reduction")
- \$977,626 Water and Sewer Connection Fee Loan ("Connection Fee Loan")

When the Project secures complete construction and permanent financing, to the satisfaction of the City, the City will execute agreements that places a deed-restriction on the Project's affordable rental units for 55 years from the issuance of a certificate of occupancy. Provided all conditions are met and subject to the City's final approval, the ARPA Grant shall be issued as a grant and repayment will not be required. The Water and Sewer Connection Fee Loan shall be issued as a residual receipts loan with the following repayment terms:

- Interest rate: 3% simple annual from the date of initial disbursement
- Affordability Period: To comply with Article XXXIV of the California Constitution, the City's regulatory agreement will restrict no more than 49% of the units. Project to maintains its affordable status for 55 years from completion of construction-as evidenced by a

certification of occupancy and specified in 24 CFR 92.2

- Term of Loan: 55 years from the issuance of a certificate of occupancy for the project
- Repayment: Annual payments based on 50% of residual receipts or net cash flow, as defined in the loan agreement. If other public funding is contemplated via a residual receipt loan, City of Merced shall share its distribution of residual receipts on a pro rata basis.
- Collateral: Deed of Trust secured by the land and improvements

If you have any questions, please contact Scott McBride, Director of Development Services at mcbrides@cityofmercd.org

Sincerely,



Stephanie Dietz
City Manager
City of Merced

APPROVED AS TO FORM:



City Attorney 7/7/22
Date

ACCOUNT DATA:



Verified by Finance Officer 7/7/22
Date