



CITY OF MERCED

February 20, 2024

Cullen J. Davis, Principal Manager
C/O Ryan Wilson, Project Manager
UPholdings California, LLC/UP Mercy Village L.P
7370 N. Lincoln Avenue Ste A,
Lincolnwood, IL 60712

Re: Conditional Commitment Reservation - Mercy Village Apartments
HUD HOME-ARP funds for new affordable rental housing construction of up to \$1,690,461.30

Dear Mr. Wilson and Mr. Davis, or To Whom It May Concern,

This letter intends to notify any interested parties of the City's interest in setting aside a portion of its U.S. Department of Housing and Urban Development (HUD) Home Investment Partnership Program American Rescue Plan (HOME-ARP) funding in an amount of up to \$1,690,461.30 towards the future Mercy Village Apartments project, to be located at 3015 Park Avenue, Merced.

In reserving these funds for the project, it is imperative to note that a National Environmental Policy Act (NEPA) Environmental Assessment (EA) has previously been prepared under the requirements of 24 CFR Part 58, with the City of Merced as Responsible Entity, that has already considered the use of Federal funds to the project, originally only Project Based Voucher (PBV) assistance. This EA received HUD Authority to Use Grant Funds on October 13, 2022. Under Section 58.35(b)(7) of Part 58, the City's HOME-ARP funding can be added to the existing approved EA/Environmental Review Record (ERR) as Supplemental Assistance under a separate "Categorical Exclusions Not Subject To" (CENST) review. Completion of this CENST review is being undertaken at, this, the consideration stage of funding prior to final grant/loan document execution. This CENST review, when completed, will be added to the permanent ERR on file for the future project.

On January 6, 2022, the Housing Authority of the County of Merced (HACM) expressed their intent to set aside a total of 65 PBVs to the project, to be made available to people currently experiencing or at-risk of homelessness who also have severe mental illness, to meet the criteria for units to be funded by the No Place Like Home (NPLH) Program.

On October 18, 2021, the City Council of the City of Merced authorized a funding commitment reservation to UPholdings/UP Development LLC of up to \$1,326,969 of its Permanent Local Housing Allocation (PLHA) funds towards its primarily State Homekey-funded project located at 1213 V Street. UPholdings, at that time, was given the option of then switching the PLHA funding towards its coinciding

project on Park Avenue, if the PLHA funds were better suited for the other. UPholdings has since chosen this option and subsequently, on January 16, 2024, the City approved a Regulatory Agreement with UP Mercy Village, L.P. that included the terms of affordability, deed restrictions, and loans for those funds to be used for the 66-unit Park Avenue project.

As UPholdings prepares for the next California Tax Allocation Committee application deadline at the end of February 2024, due to increases in construction cost estimates since its original conception in 2021, there is a need for an additional funding source to help fill the gap in subsidy need. Thus, UPholdings has asked for use of the City's HOME-ARP funding to help see the project to fruition.

The City of Merced was allocated HOME-ARP funding by HUD in April of 2021. The City received HUD approval of its HOME-ARP Allocation Plan on April 11, 2023, which outlined the City's public outreach and needs assessment process in determining that these special funds should be directed towards the development of affordable rental housing for all of the "qualifying populations" that HOME-ARP funds are directed to (homeless; at risk of homelessness; those who are fleeing/attempting to flee domestic violence, dating violence, sexual assault, or stalking; and those with the greatest risk of housing instability).

The City makes this additional commitment reservation to its Park Avenue project of HOME-ARP funds under the following contingencies:

- That the Developer demonstrate the capacity to meet all the requirements and use restrictions or allowances of HUD HOME-ARP funds for rental housing, tenant selection, operations, and all other relevant regulations, especially those unique to HOME-ARP funding and that are contained and/or referenced in CPD Notice 21-10 "Requirements for the Use of Funds in the HOME-American Rescue Plan Program" and be able to assist all QP groups, as described in the City's HOME-ARP Allocation Plan.
- The ability of the Developer to secure all other necessary subsidy layering, tax credit, and other financing that will enable successful completion of construction, full tenant occupancy, and future stable operational capacity of the project in the necessary future.

If there are any questions, please contact Scott McBride, City Manager/Director of Development Services, at email: mcbrides@cityofmerced.org.

Sincerely,

D. Scott McBride
City Manager
Director of Development Services
City of Merced