



Legislation Text

File #: 19-780, **Version:** 1

Report Prepared by: *Scott McBride, Director of Development Services, Housing Division, Development Services Department*

SUBJECT: Approval of an Option to Purchase and Extension of the Enforceable Funding Commitment Agreement by and Between the City of Merced and Central Valley Coalition for Affordable Housing, Richman Group of California Development Company, and Merced CA Apartment, L.P. for Property Located at the Corner of Childs Avenue and B Street, 1137 B St., APN 035-010-071 in Support of 119 Units of Affordable and Permanent Supportive Multi-Family Housing

REPORT IN BRIEF

Considers approving an Option to Purchase Agreement with Merced CA Apartments L.P., a Delaware limited Partnership, for the property located at the corner of Childs Avenue and B Street, 1137 B St., APN 035-010-071 in support of the development of 119 units of affordable and permanent-supportive multi-family housing.

RECOMMENDATION

City Council - Adopt a motion:

A. Approval of an option to purchase and extension of the enforceable funding commitment agreement by and between the City of Merced and Central Valley Coalition for Affordable Housing, Richman Group of California Development Company, and Merced CA Apartment, L.P. for Property Located at the Corner of Childs Avenue and B Street, 1137 B St., APN 035-010-071 in Support of 119 Units of Affordable and Permanent Supportive Multi-Family Housing; and

B. Authorizing the City Manager or the Assistant City Manager to execute and, if necessary make minor modifications to the Option to Purchase agreement described above and as attached to this report and all associated documents.

ALTERNATIVES

1. Approve, as recommended by staff; or,
2. Approve, subject to modifications (identify specific changes to be addressed in the motion); or,
3. Deny; or,
4. Refer to staff for reconsideration of specific items (to be addressed in the motion); or,
5. Continue to a future meeting (date and time to be specified in the motion).

AUTHORITY

Section 200 of the City of Merced Municipal Code.

CITY COUNCIL PRIORITIES

As provided for in the Fiscal Year 2019-20 Budget.

DISCUSSION

The City of Merced has been working for several years to facilitate the development of an affordable housing project with a permanent supportive component at the project site located at the northwest corner of Childs Avenue and B Street. Some of the prior actions include the issuance of a Request for Proposals (RFP) by the City to identify potential developers and solicit specific projects for the site location. That process led to the selection of the Richman Group of California Development Company in partnership with the Central Valley Coalition for Affordable Housing. These two partners have become the Merced CA Apartments L.P.

In 2018 the City entered into a City Loan Commitment Agreement pledging Community Development Block Grant (CDBG) HOME Investment Partnership Program (HOME), and Housing Successor Agency Funds, former Redevelopment Low and Moderate Income Funds.

In June 2018, the City and County of Merced entered into the “Lease for Ground between Merced County and City of Merced” agreement for the area located at the corner of Childs Avenue and B Street. The purpose of the lease was to allow City and the developer, for the 119 units of affordable and permanent-supportive multi-family housing to obtain land use entitlements and secure financing for the project.

In July 2019, the State of California Department of Housing and Community Development (HCD) provided notice of an award of \$13,949,300 under the Affordable Housing and Sustainable Communities (AHSC) Program in support of the Childs Avenue and B Street Transit Oriented Development (TOD) Affordable Housing Project.

More recently, in December 2019 the City Council provided authority to execute a Purchase and Sale Agreement with Merced County for the project site. The City Council also held a Tax Equity and Fiscal Responsibility (TEFRA) Public Hearing in December 2019 to allow for the project developer, Merced CA Apartments L.P. to submit for tax credit financing to not exceed \$32,000,000. The application deadline is January 17, 2020.

The next step to facilitate the development project is to provide site control to the project developer. Site control is a necessary component of the tax credit application. The City and Developer are working to complete a Disposition and Development Agreement (DDA) however until such time as that instrument is completed and approved by the City Council, the proposed Option to Purchase Agreement will be used to demonstrate site control.

IMPACT ON CITY RESOURCES

None.

ATTACHMENTS

1. Option to Purchase Agreement