June 29, 2010

TO: Mayor and City Council

FROM: Gustavo A. Durán, Interim Director
        Economic Development Department

SUBJECT: AMENDMENT TO THE 2008-09 ONE-YEAR ACTION PLAN, AND A $1,786,200 LOAN TO REHABILITATE THE BRADFORD APARTMENTS

RECOMMENDATION:

It is recommended that City Council adopt a resolution, approving an amendment to the City of Stockton’s 2008-09 One-Year Action Plan, reallocating $500,000 from the Neighborhood Stabilization Program Demolition Activity to the Neighborhood Stabilization Program Acquisition, Rehabilitation, and Rental Activity; approving a $1,341,460 Neighborhood Stabilization Program loan, and a $444,740 Community Housing Development Organization set-aside loan from the HOME Investment Partnerships Program to Visionary Home Builders of California to rehabilitate the property located at 1020 Rosemarie Lane; and authorizing the City Manager to take appropriate actions to carry out the purpose and intent of the resolution.

SUMMARY

The Neighborhood Stabilization Program requires a portion of the funds to be used to benefit persons earning 50 percent or less of the area median income. The City of Stockton’s Neighborhood Stabilization Program Plan, approved by the City Council and U.S. Department of Housing and Urban Development, called for the acquisition, rehabilitation, and rental of multi-family units. On January 12, 2010, the City Council approved a $1,713,800 Neighborhood Stabilization Program loan to Visionary Homebuilders of California (Visionary) to acquire the 38-unit apartment building at 1020 Rosemarie Lane, commonly known as the Bradford Apartments. Visionary is now requesting an additional $1,786,200 loan to undertake rehabilitation. It is proposed that this loan be funded with $1,341,460 from Neighborhood Stabilization Program funds, which requires reallocating Neighborhood Stabilization Program Demolition Activity funds to the Neighborhood Stabilization Program Acquisition, Rehabilitation and Rental Activity, and supplementing Neighborhood Stabilization Program dollars with $444,740 from HOME funds.

DISCUSSION

Background

In September 2008, Stockton received notice from the U.S. Department of Housing and Urban Development that it had been given a preliminary allocation of $12.1 million
AMENDMENT TO THE 2008-09 ONE-YEAR ACTION PLAN, AND A $1,786,200 LOAN TO REHABILITATE THE BRADFORD APARTMENTS

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through the Neighborhood Stabilization Program to be used for the purchase and redevelopment of abandoned and foreclosed residential properties. On November 18, 2008, the City Council approved an amendment to the 2008-09 One-Year Action Plan, which specified activities to be undertaken with the Neighborhood Stabilization Program funds.

The Neighborhood Stabilization Program guidelines require that at least 25 percent of the grant funds benefit persons earning not more than 50 percent of area median income. In order to meet this requirement, $3,036,510 was allocated to the acquisition, rehabilitation, and rental of foreclosed multi-family properties.

The first project proposed was the Bradford Apartments. On January 12, 2010, the City Council approved a $1,713,800 Neighborhood Stabilization Program loan to Visionary to acquire the property and to undertake predevelopment activities in advance of repairing the property (Resolution 10-0008).

The 38-unit complex sits on a 1.87 acre parcel and consists of 19 studios, 11 one-bedrooms and 8 two-bedrooms. It has covered on-site parking, and an open area where a swimming pool used to be, which will be converted to a play area for children. In addition, Visionary is proposing to construct a new community room that will include a rental office and will provide tenants with a variety of supportive programs, such as after-school tutoring, computers, and meeting space. A vicinity map and photos of the property are attached.

Present Situation

Visionary has completed a comprehensive assessment of the property’s condition and has estimated the total project cost, including acquisition, to be $8,356,979. The financing plan is as follows:

<table>
<thead>
<tr>
<th>Project Cost</th>
<th>$8,356,979</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Stockton Acquisition Loan (Approved)</td>
<td>$1,713,800</td>
</tr>
<tr>
<td>City of Stockton Rehab Loan (Proposed)</td>
<td>$1,786,200</td>
</tr>
<tr>
<td>Tax Credits</td>
<td>$4,718,471</td>
</tr>
<tr>
<td>Private Financing</td>
<td>$138,508</td>
</tr>
<tr>
<td>Total Financing</td>
<td>$8,356,979</td>
</tr>
</tbody>
</table>

The proposed City loan of $1,786,200 would be funded with a combination of Neighborhood Stabilization Program and HOME funds. First, it is recommended that the City’s original Neighborhood Stabilization Program Plan be amended to reallocate
$500,000 from the Demolition Activity to the Acquisition, Rehabilitation and Rental Activity. This is considered a minor amendment to the Plan and does not require any special noticing or public review. This reallocation, together with other Acquisition, Rehabilitation and Rental dollars, will total $1,341,460 in Neighborhood Stabilization Program funds. Second, the balance of the proposed loan will be funded with $444,740 in Community Housing Development Organization set-aside funds from the HOME Investment Partnerships Program.

A peer review of the project by an independent financial consultant has determined the costs and financing plan to be reasonable. The Council’s commitment of additional funds to this project is a prerequisite to Visionary applying for Low Income Housing Tax Credits and private financing. If Visionary is successful in obtaining tax credits, the rehabilitation work should begin by Fall 2010.

FINANCIAL SUMMARY

No General Funds dollars will be used for this project.

The proposed loan requires a budget transfer in the amount of $500,000 from Neighborhood Stabilization Program Acquisition Demolition Account No. 063-8528-640 to Neighborhood Stabilization Grant Program Acquisition and Rehabilitation Account No. 063-8526-640. Sufficient funds will then be available to provide a loan of $1,341,460 from Neighborhood Stabilization Program Acquisition and Rehabilitation Account No. 063-8526-640 and $444,740 from HOME Investment Partnership Loan CHDO Set-Aside Loan Pool Program Account No. 059-8531-640, for a total loan amount of $1,786,200.

Respectfully submitted,

GUSTAVO A. DURÁN, INTERIM DIRECTOR
ECONOMIC DEVELOPMENT DEPARTMENT

GAD:BB:myb
Attachments

APPROVED BY

KEVIN O’ROURKE
INTERIM CITY MANAGER
Option #1
Schematic Siteplan
Bradford Apartments
Stockton, California Visionary Homes
RESOLUTION APPROVING AN AMENDMENT TO THE 2008-09 ONE-YEAR ACTION PLAN, A $1,786,200 LOAN TO REHABILITATE THE BRADFORD APARTMENTS, A $444,740 COMMUNITY HOUSING DEVELOPMENT ORGANIZATION SET-ASIDE LOAN FROM THE HOME INVESTMENT PARTNERSHIPS PROGRAM, AND AUTHORIZING THE CITY MANAGER TO TAKE APPROPRIATE ACTIONS

Title III of the Housing and Economic Recovery Act of 2008 appropriated funds for the acquisition and redevelopment of abandoned and foreclosed homes and residential properties. These funds are to be considered Community Development Block Grant (CDBG) funds and the grant program is to be commonly referred to as the Neighborhood Stabilization Program (NSP); and

A requirement for the use of the NSP funds is that at least 25 percent of grant dollars received must be used to benefit households earning 50 percent of Area Median Income (AMI) or less; and

In order to meet this requirement, on November 18, 2008, the City Council approved a substantial amendment to the 2008-09 One Year Action Plan which allocated $3,036,510 of the NSP funds towards the acquisition, rehabilitation, and rental of foreclosed residential property; and

On January 12, 2010, the City Council approved a $1,713,800 loan to Visionary Homebuilders of California to acquire the property at 1020 Rosemarie Lane, commonly referred to as the Bradford Apartments, and to undertake necessary predevelopment activities in advance of rehabilitating the property; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. An amendment to the City of Stockton’s 2008-09 One-Year Action Plan reallocating $500,000 from the NSP Demolition Activity to the NSP Acquisition, Rehabilitation and Rental Activity is hereby approved.

2. A $1,341,460 NSP loan to Visionary Homebuilders of California for the purpose of rehabilitating the property located 1020 Rosemarie Lane (Bradford Apartments) is hereby approved.

3. A $444,740 Community Housing Development Organization set-aside loan from the HOME Investment Partnerships Program to Visionary Homebuilders of California for the purpose of rehabilitating the property located at 1020 Rosemarie (Bradford Apartments) is hereby approved.

City Atty: [Signature]
Review Date: June 22, 2010
4. The City Manager is hereby authorized to take other actions as are appropriate to carry out the purpose and intent of the program.

PASSED, APPROVED AND ADOPTED ____________________________.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

______________________________
KATHERINE GONG MEISSNER
City Clerk of the City of Stockton