



CONSENT CALENDAR

City of San Bernardino Request for Council Action

Date: October 2, 2024

To: Honorable Mayor and City Council Members

From: Rochelle Clayton, Acting City Manager;
Gabriel Elliott, Director of Community Development & Housing

Department: Community Development & Housing

Subject: **Revised Arrowhead Grove Phase IV Affordable
Housing Project Conditional Funding Commitment
(Ward 2)**

Recommendation

It is recommended that the Mayor and City Council of the City of San Bernardino, California:

1. Adopt Resolution No. 2024-208 of the Mayor and City Council of the City of San Bernardino, California, approving a revised HOME Investment Partnership Program Conditional Funding Commitment for Arrowhead Grove Phase IV, an affordable housing project; and
2. Authorize the City Manager, or designee, to take any further actions and execute any further agreements or documents as necessary including minor and substantive changes.

Executive Summary

Approval of Resolution No. 2024-208 revises the conditional funding commitment initially approved by the Mayor and City Council on March 6, 2024, which conditionally committed both HOME Investment Partnership and Neighborhood Stabilization Programs funds to Arrowhead Grove Phase IV. This revision will now commit only HOME Investment Partnership funding. There remains no impact on the General Fund. The Arrowhead Grove Phase IV ("Project"), consisting of 92 low-income units, is part of a total of 412 units spread over three separate parcels. The project supports and facilitates new housing development in Downtown San Bernardino and along transit lines.

Background

The United States Department of Housing and Urban Development (HUD) provides HOME Investment Partnerships Program (HOME) funding to the City, to support the increase in the supply of affordable housing for low- and very low-income households. A conditional commitment refers to the promise to commit HOME funds once the Housing Authority of County of San Bernardino (HACSB) and National Core Renaissance of California (CORE) meet agreed upon conditions.

Arrowhead Grove is a transformational master-planned community located in the heart of San Bernardino. When complete, this 38-acre site will consist of more than 400 mixed-income apartment homes for individuals, families, and seniors.

To date, Phase I (Valencia Vista), Phase II (Olive Meadow), and Phase III (Crestview Terrace) have been completed. The table below summarizes Arrowhead Grove upon completion of all phases, along with the City's contributions to date:

Phase	Location	# of Units	Completion Date	City Contribution
Valencia Vista	960 N. Valencia Ave	75	June 2016	HOME Loan
Olive Meadow	610 E. Olive St.	62	November 2017	HOME Loan
Crestview Terrace	575 E. Baseline St.	184	September 2021	HOME/NSP Loan
Phase IV	TBD	92	TBD	HOME Loan
Phase V	Community Centers	N/A	TBD	TBD
TOTAL		412		

The completion of the first three phases has required the support of multiple funding sources: HUD Office of Recapitalization, HUD Federal Housing Administration, HUD Lender (Wells Fargo), Tax Credit Investors, and public lenders (County of San Bernardino, HACSB, and the City).

Discussion

Phase IV will include the development of seven (7) two- and three-story buildings, providing 92 new affordable residential units targeting income households at or below 80% of the Area Median Income (AMI). This phase will also include a private community center, a swimming pool, shared outdoor common area amenities with Phases I-III, and surface parking. The addition of these 92 units, combined with the 321 units developed in Phases I-III, will bring the total number of residential units to 413. The estimated total project cost is approximately \$64.9 million.

To financially support the Project, the development team submitted an application for the Affordable Housing and Sustainable Communities (AHSC) program prior to the application deadline of March 19, 2024. The AHSC program provides grants and/or loans to projects that achieve GHG emission reductions and benefit Disadvantaged Communities, Low-Income Communities, and Low-Income Households through increasing accessibility of affordable housing, employment centers, and Key Destinations via low-carbon transportation. These investments result in fewer vehicle

miles traveled through shortened or reduced vehicle trip lengths or mode shift to transit, bicycling, or walking.

HACSB/CORE will also be applying for tax-exempt bonds from the California Debt Limit Allocation Committee (CDLAC), which if awarded, also provides 4% federal low-income housing tax credits (Tax Credits), as well as \$5 million from San Bernardino County, made up of \$3 million of the County’s HOME allocation and \$2 million from the County’s Housing Development Fund. HACSB will be donating the land for the Project as a below-market ground lease conveyance. HUD has also confirmed that the Project is eligible for the conversion of 92 units to Section 8 assistance under the Rental Assistance Demonstration (RAD) program.

AHSC scores projects on a series of factors and requires HACSB/CORE to demonstrate that the Project is financially feasible as evidenced by documentation including, but not limited to, Enforceable Funding Commitments. City staff recommends the approval of a revised conditional commitment of up to \$3 million of HOME funds to support the Arrowhead Grove Phase IV Project. The revision replaces the originally allocated \$1.9 million in Neighborhood Stabilization Program (NSP) funds with additional HOME funds, maintaining the total City funding commitment of \$4.9 million.

As of August 2024, HACSB has been notified of its successful AHSC program application and is in the process of taking the necessary steps to secure the funding. HACSB is currently awaiting notification on the tax credit application from the California Debt Limit Allocation Committee. An estimated timeline for tax credit award decisions is as follows:

Program	AHSC
Program Award Date	August 2024
CDLAC/TCAC Application Due Date	September 2024
CDLAC/TCAC Award Date	December 2025
Target Closing Date	March 2025
CSLAC /TCAC Closing Deadline	June 2025

In 2008 and 2011, the City was awarded Neighborhood Stabilization Program (NSP) funding to provide emergency assistance to stabilize communities with high rates of abandoned and foreclosed homes and to assist households whose annual incomes are up to 120 percent of the area median income (AMI). The NSP funds were initially identified as a potential funding source. However, due to the availability of outstanding HOME funds, the City staff is recommending to reallocate HOME funds.

This is a conditional funding commitment. The City will return at a future date to request a commitment of HOME funds once HACSB and CORE meet all the HOME

commitment requirements as outlined in 24 CFR 92.2 and 24 CFR 92.250(b). These requirements include providing an assessment of market demand in the neighborhood, completing the environmental review, securing all necessary financing, submitting a complete budget, demonstrating cost reasonableness, and ensuring that all required documentation is submitted to the City for the completion of underwriting and subsidy layering analysis.

2021-2025 Strategic Targets and Goals

Expanding accessibility to housing will improve the quality of life for unhoused and low-income residents. The Project aligns with Strategic Target No. 3: Improved Quality of Life.

Fiscal Impact

This item has no fiscal impact on the General Fund. The total funding commitment of \$4.9 million will be awarded from HOME Reinvestment Program funds.

Conclusion

- It is Recommended that the Mayor and City Council of San Bernardino, California
1. Adopt Resolution No. 2024-208 of the Mayor and City Council of the City of San Bernardino, California, approving a revised HOME Reinvestment Partnership Program Conditional Funding Commitment for Arrowhead Grove Phase IV, an affordable housing project; and
 2. Authorize the City Manager, or designee, to take any further actions and execute any further agreements or documents as necessary including minor and substantive changes.

Attachments

Attachment 1	Resolution 2024-208
Attachment 2	Resolution 2024-036 Original Conditional Funding Commitment
Attachment 3	Original Conditional Funding Commitment Letter
Attachment 4	Resolution 2017-257 Arrowhead Grove Project

Ward:

Ward 2

Synopsis of Previous Council Actions:

December 20, 2017	The Mayor and City Council approved the Conditional Use Permit and Revised Subdivision for the development of the Arrowhead Grove Project.
March 6, 2024	The Mayor and City Council approved a Conditional Funding Commitment for Arrowhead Grove Phase IV, including up to \$1.9 million of Neighborhood Stabilization Program (NSP) funds and up to \$3 million in HOME funds to support the project.