



# City of Orange

## Legislation Text

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File #: 20-241, Version: 1

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**TO:** Honorable Mayor and Members of the City Council

**FROM:** Rick Otto, City Manager

### 1. SUBJECT

First Amendments to Affordable Housing Agreement and Agreement Containing Covenants for The Knolls affordable housing complex.

### 2. SUMMARY

BLDG Partners, LLC is acquiring The Knolls affordable housing development from F.C. Orange Associates, LLC. As part of the acquisition, BLDG Partners, LLC will be assuming the Affordable Housing Agreement and Agreement Containing Covenants. The agreements ensure that the development remains affordable during the affordability period, and secure repayment of the \$7,500,000 loan from the City's Low and Moderate Housing Income Fund.

### 3. RECOMMENDED ACTION

Approve the following amendments to agreements and authorize the Mayor and City Clerk to execute on behalf of the City:

1. First Amendment to Affordable Housing Agreement by and between City of Orange and F.C. Orange Associates, LLC
2. First Amendment to Agreement Containing Covenants by and between City of Orange and F.C. Orange Associates, LLC

### 4. FISCAL IMPACT

None.

### 5. STRATEGIC PLAN GOALS

Goal 3: Enhance and promote quality of life in the community

- c: Support and enhance attractive, diverse living environments.

### 6. DISCUSSION AND BACKGROUND

The Knolls is a 260-unit affordable housing complex located at 3138 E. Maple Avenue in the City of Orange. The project was developed by F.C. Orange Associates, LLC (Forest City) who acquired an existing dilapidated housing complex and rehabilitated it with \$7,500,000 in redevelopment housing set-aside funds, in addition to tax credits, tax-exempt bonds, and private funding. The resulting project opened in 1996, and provides affordable housing for a period of 55-years, to low-income households that earn 60% or less of the area median income.

Forest City has agreed to sell The Knolls to BLDG Partners, LLC (BLDG). BLDG is an owner and

developer of residential properties across the United States, with a focus on acquiring and improving affordable housing through capital improvements and partnerships with mission-driven nonprofits, community organizations, and social service providers.

The Affordable Housing Agreement for The Knolls requires City approval for assumption by a new owner. As part of this request for approval, BLDG has also requested that the City remove a provision from the Affordable Housing Agreement that prohibits the owner from obtaining a California Property Tax Welfare Abatement. This abatement would exempt BLDG from paying property tax on The Knolls property, which is consistent with other affordable housing projects.

The City has also negotiated the following provisions with BLDG that are included in the amended agreements:

- Extend the current 55-year affordability period by 25 years so that the covenants will expire on October 24, 2075.
- Spend \$715,000 in 2021 and 2022 on deferred maintenance, capital improvements, and added common area amenities.
- \$30,000 annual payment to the City that increases by 2% per year.
- Dedicate to the City a portion of its property adjacent to the exit for Grijalva Park so that the City can install a turn lane at Prospect Street and Spring Street.

Staff recommends approving the proposed amendments to agreements to allow BLDG to acquire The Knolls and continue providing affordable housing to the community.

## **7. ATTACHMENTS**

- First Amendment to Affordable Housing Agreement by and between City of Orange and F.C. Orange Associates, LLC
- First Amendment to Agreement Containing Covenants by and between City of Orange and F.C. Orange Associates, LLC