



MEMORANDUM

Date: March 23, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **FSL Padre Kino Village, L.P., Amendment No. 1, to provide a Performance Deed of Trust and Subordination Agreement for The Marist on Cathedral Square Senior Rental Housing**

On March 21, 2017, the Board of Supervisors discussed a proposed amendment to FSL Padre Kino Village, L.P. to provide a performance deed of trust and subordination agreement for The Marist on Cathedral Square Senior Rental Housing Project (Consent Agenda Item 2, Community Development and Neighborhood Conservation, CT-CD-17-190). While the Amendment passed with a majority vote of the Board of Supervisors, several questions were raised about the contract and Pima County's financial responsibility. The attached memorandum from Community Development and Neighborhood Conservation staff discusses the history of the project and the County's role.

To summarize, Pima County committed \$604,989 in General Obligation bond funding for the development of 83 affordable rental housing units as proposed by FSL Padre King Village L.P., which is a partnership between the Foundation for Senior Living Real Estate Services and the Foundation for Senior Living. Pima County's obligation does not change with the amendment to the agreement.

The original funding sources for the \$24,512,653 project included \$22,896,000 funded by 1) The Richman Group (\$19,600,000), 2) FHLB of San Francisco (\$2,000,000), and 3) Raza Development Fund (\$1,296,000). Amendment No. 1 recognizes the change in the funding source for this portion of the project. As amended, these funds are now provided by 1) Wells Fargo Bank (\$20,385,461), 2) FSL Real Estate Services (\$468,539), 3) Rio Nuevo Multipurpose Facilities District (\$1,000,000), and 4) Rocky Mountain CRC (\$1,042,000).

It should be noted the \$1,000,000 Rio Nuevo District investment is a loan; and FSL is currently applying for a grant, which, if awarded, will replace this loan. If that occurs, another contract amendment may be required.

CHH/anc

Attachment

c: Jan Leshner, Chief Deputy County Administrator



Date: March 22, 2017

To: Ms. Jan Leshner
Chief Deputy County Administrator
Community and Health Services

From: Ms. Margaret M. Kish
Community Development and
Neighborhood Conservation

Mr. Marcos Ysmael
Affordable Housing Manager

Re: Amendment #1, CT-CD-17-190, Marist at Cathedral Square Affordable Housing Project

INTRODUCTION

The Pima County Housing Commission recommended The Marist on Cathedral Square affordable rental housing project (83 new units) to the Board of Supervisors, which unanimously approved the project on May 3, 2016. The Foundation for Senior Living Real Estate Services (FSL RES), is a non-profit affordable housing developer and affiliate of the Foundation for Senior Living (FSL), a Phoenix based non-profit agency founded in 1974 by the Roman Catholic Diocese of Phoenix to provide housing and social services to elders and individuals with disabilities. The project owner is FSL Padre Kino Village LP, which is a partnership of FSL RES and FSL.

The County contract, CT-CD-17-190, was approved by the Board on January 17, 2017. The primary funding for the project is the Low Income Housing Tax Credits (LIHTC) from the Arizona Department of Housing, which will provide just over \$20 million in private investments. The LIHTC Investor and construction lender is Wells Fargo Bank (WFB). Shortly after the contract was approved, WFB requested an amendment to make some minor revisions to the contract scope and provisions; there were no changes in the amount of County funding or the number of affordable housing units to be constructed.

DISCUSSION

The Marist on Cathedral Square is an **83-unit, low- income senior rental housing** project located in downtown Tucson with two sites: demolition of the Diocese administrative building for construction of a 7-story an affordable senior rental apartment building with 73 units; plus historic preservation, rehab and adaptive reuse of the three-story Marist College into 10 units.

WFB requested minor changes to the contract sections 2, 3, 7, 14 and 23, as well as to the Performance Deed of Trust. CDNC Housing staff and the Deputy County Attorney reviewed these changes and considered them reasonable, considering WFB's substantial investment position in the project.

There was a change in one of the original funding sources. A private grant from the Federal Home Loan Bank of San Francisco's Affordable Housing Program (AHP) was applied for but was not received. Both the ADOH and County required FSL to provide an alternate funding source to replace the AHP grant. FSL responded by committing to cover one-half of the "funding gap" and requested the other half from the Rio Nuevo Board, which approved the request.

FSL is submitting another AHP grant application this year. and if funded, the AHP grant will replace the \$1 million Rio Nuevo loan. Please see the attached funding source summary, which illustrates the changes in the permanent funding finalized last October. FSL and WFB are planning to close escrow for the construction and LIHTC financing on March 30, 2017 and then project mobilization and construction will start thereafter.

Pima County Community Development and Neighborhood Conservation

Kino Service Center

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ORIGINAL PERMANENT FUNDING SOURCES - SUBMITTED 3.2.16

ORIGINAL FUNDING SOURCES	AMOUNT	TYPE OF FUNDING
Pima County	\$604,989	GO Bond
The Richman Group	\$19,600,000	LIHTC Investor Equity
FHLB of S. Francisco	\$2,000,000	2016 Affordable Housing Program Grant (AHP Grant)
Raza Develop. Fund	\$1,296,000	Perm. Mortgage Loan
City of Tucson	\$192,000	Off-Site Infrastructure Reimbursement
City of Tucson	\$469,664	Impact fees Reimbursement
Rio Nuevo District	\$350,000	Soft loan
	\$	
	\$	
	\$	
	\$	
TOTAL	\$24,512,653	

UPDATED PERMANENT FUNDING SOURCES - SUBMITTED 10.25.16

UPDATED FUNDING SOURCES	AMOUNT	TYPE OF FUNDING
Pima County	\$604,989	GO Bond
Wells Fargo	\$20,385,461	LIHTC Investor Equity
FSL Real Estate Services	\$468,539	Deferred Developer Fees
Rio Nuevo District *	\$1,000,000	Soft loan
Rocky Mountain CRC	\$1,042,000	Perm. Mortgage Loan
City of Tucson	\$192,000	Off-Site Infrastructure Reimbursement
City of Tucson	\$469,664	Impact fees Reimbursement
Rio Nuevo District	\$350,000	Soft loan
	\$	
	\$	
	\$	
	\$	
TOTAL	\$24,512,653	

Highlighted cells = updated funding source

*FSL is applying for a 2017 AHP Grant and if awarded it will replace the \$1 million Rio Nuevo Loan.