

CITY OF GAINESVILLE**Inter-Office Communication**

Neighborhood Improvement
Housing & Community Development Division

Telephone 334-5010
Fax 334-3119
Box 22

DATE: January 26, 2009

TO: Honorable Mayor Pegeen Hanrahan

VIA: Russ Blackburn, City Manager
 Fred Murry, Assistant City Manager *FM*

FROM: Jacqueline Richardson, HCD Manager *JR*

SUBJECT: Gardenia Gardens Rental Housing Project

COPY

This memorandum provides a response to confirm whether Gardenia Gardens is an eligible project to receive CDBG, HOME, and/or SHIP rental program funding, including an update on the status of the owner's project application. A summary of the project is provided below:

Since October, 2007, HCD staff has been working with Mr. Andrew Mickel, Mr. Nathaniel Orange and other representatives of Gardenia Gardens, Inc (GGI) to discuss the feasibility of their proposed rental rehabilitation project. GGI is a 501 (c) (3) non-profit corporation that owns and manages the affordable housing apartment complex known as Gardenia Gardens and located at 1727 NE 8th Avenue. The apartment complex is a HUD Section-8 tenant based facility that was built in 1968, and contains 100 apartments units arranged in 9 buildings. Thirty-six (36) of these units contain 2-bedrooms/1 bathroom; while the remaining sixty four (64) units contain 3-bedrooms/1 bathroom.

As a part of the City's Rental Construction Program requirements, GGI previously submitted a rental rehabilitation application to the City for funding consideration in December, 2007. At that time, GGI needed to address a title issue that prevented the City from participating financially in the project. However, City staff executed the appropriate grant application forms prior to the State HOME application deadline so that GGI could submit a competitive application that met all threshold requirements. The GGI application did not receive funding during the prior application cycle.

Since GGI's meeting with Mayor Hanrahan in December 2008, staff has been in discussions with GGI concerning the status of the project. In January 2009, GGI submitted updated project information to HCD staff. According to the documentation submitted, the total development, rehabilitation and relocation cost is estimated to be 5.4 million dollars. The proposed project financing is structured as follows: GGI 1) will be applying for a State HOME Investment Partnership Rental grant from the Florida Housing Finance Corporation in the amount of 3.9 million dollars; 2) will invest 1.2 million that they will acquire from a private mortgage loan; and 3) they have requested \$300,000 from the City.

In order to decrease the degree of project leverage, satisfy the project financing short fall and meet certain project thresholds required by the Florida Housing Finance Corporation, GGI is seeking non-federal funds (i.e., SHIP, other sources) from the City that can be used toward the local match with the State HOME Rental funding. Other federal funds cannot be considered as matching funds; however, GGI is also requesting any available funding sources from the City to leverage with this project, as they will continue to seek other non-federal sources of matching funds for this project. GGI's State HOME Rental application is due to the Florida Housing Finance Corporation in early May, 2009.

HCD staff has also contacted the CRA (TIF program) and GRU (ConnectFree Program) to determine if any other non-federal funding is available for a project of this nature. However, CRA and GRU must determine if this project is eligible in accordance with their program guidelines and if funds are available from their programs respectively.

GGI will be required to submit a new rental rehabilitation application with the City, including the necessary project documentation in order for HCD staff to provide final approval of the project.

After reviewing the preliminary project documentation submitted by GGI in January 2009, it appears that the project would be eligible to receive local match funding from the City. The City's Rental Construction Program guidelines allow SHIP funding up to \$100k per project; and HOME funding up to \$8,500/unit (2-bedroom) and \$9,500/unit (3-bedroom). The applicant is required to provide a 50% match or greater for the rental project. The match may include sources such as other state/federal public funding, private funding and owner contributions.

At this time, the HCD Division has funding in the amount of \$200,000 (\$100k SHIP and \$100k HOME) available in the Rental Construction Program budget to commit to this project. This is the total funding available for a rental construction project during this fiscal year. As a part of the funding commitment, the City will provide funds to this project only in the event that GGI's project is eligible to receive State HOME Rental funding from the Florida Housing Finance Corporation. Due to the maximum program limits as approved by the City Commission, the City Manager would be authorized to approve a rental project within these funding limits. Staff will provide a status report to the City Commission upon GGI receiving a final determination of their project's funding eligibility from the Florida Housing Finance Corporation.

A component of the City Commission's Strategic Initiatives is to improve the quality of life in our "neighborhoods" for the benefit of all residents; and to increase the amount of affordable and low cost housing in the City. This type of affordable housing project will assist the City in meeting its goals to accomplish these initiatives.

If you have any questions, please don't hesitate to contact me at 334-5010.