



City of
ALACHUA

THE GOOD LIFE COMMUNITY

Commission Agenda Item

MEETING DATE: 4/25/2022

SUBJECT: Arbours at Merrillwood Phase I-Financial commitment

PREPARED BY: G.B. Wilson, Compliance & Risk Management Director

RECOMMENDED ACTION:

That the City Commission approve, and commit to fund and provide \$200,000, to the Alachua County Housing Authority (ACHA) and that all associated ACHA attorney fees and costs be paid by ACHA. Further, that the City contribution is conditioned upon: first, the \$200,000 be applied to the construction of the 40 unit, multi-story affordable housing facility Arbours of Merrillwood I, at 13207 N.W. 153 Terrace in Alachua, Florida (the Facility); second, funding of the City commitment not occur before October 20, 2022 or a later date of the commencement of vertical construction of the facility; third, that ACHA agrees to sign and execute, on the terms and conditions set forth in this Agenda Item as well as all others deemed appropriate by the City Attorney, any documents necessary to perfect the conditions described; fourth, the \$200,000 City 2-28-22 loan commitment to ACHA to support funding the Facility is merged into this action and is hereby cancelled; fifth, that this commitment to fund shall expire of its own terms unless vertical construction of the Facility has commenced on or prior to September 30, 2023 unless modified and extended by prior City Commission action.

Summary

The Alachua County Housing Authority (ACHA) has been awarded \$6,651,192 of Florida Housing Financing Corporation (FHFC) funding (in the form of authorized Tax Credit financing) for the construction of Phase I, a 40-unit (23 - 1BR-1BA and 17 - 2BR-2BA) three story Senior housing facility in Merrillwood of Alachua. The ACHA demolition of 17 existing 50-year-old units is to be financed by separate Housing of Urban Development (HUD) funds. Phase I construction is now scheduled to begin in August or September of 2022 and be resident ready in August or September of 2023.

Construction of the new facility results in a net gain of 23 new living units in Merrillwood.

Construction dates may vary from month to month due to ongoing disruptions in product and material supply chains. Construction and labor costs are expected to rise and market disruptions are also projected to affect construction interest increases as job delays occur.

The ACHA and its development partner, Arbour Valley Development, LLC, a Florida Limited Liability Company, have formed the Florida business entity Arbours of Merrillwood I, LLLP to construct, own and operate the 40-unit complex to an agreed point when ACHA will become the sole owner. The affordable housing complex will be developed and sited on the Merrillwood Community ACHA owned property pursuant to a recorded 50-year Land Use Restrictive Agreement. Funding of operations will be by site specific vouchers that will include payment of resident utilities.

The ever-increasing costs of the senior complex have burdened the ACHA and its development partner as well as all other projects awarded funding by FHFC last summer. The FHFC staff has been working closely with ACHA about meeting the now projected funding shortfall that could reach \$2 million. Other funded projects also require supplemental funding and the matter is to be presented to the FHFC board this April 29th with a FHFC staff recommendation for what has been termed "viability funding." The ACHA expects to receive such supplemental funds, added to the proposed \$200,000 contribution from the local government (City) and fund any remaining shortfall with an FHA loan. There is no repayment for the tax credit, the City contribution and the viability funding is expected to be subject to repayment forgiveness. The FHA gap loan will be paid from operating revenue.

The City Commission, in 2018 and 2021 committed to support the project as meeting City adopted Strategic Initiative 4.1- Encourage Construction of Senior Living Housing Opportunities Including Assisted Living Facilities. In both 2018 and 2021 the City agreed to make a loan in the amount of \$425,625 to help fund a combined ACHA application for the senior complex and new replacement family housing in Merrillwood. The new family housing component has not been approved to date but an application is filed in the current funding cycle and is planned for filing each year until awarded.

The \$425,625 City funding commitments have expired by their own terms and the City Commission 2-28-22 approved \$200,000 loan to ACHA for the construction of the Arbours of Merrillwood I 40 unit facility will be merged with and cancelled upon adoption of the recommended action to classify the \$200,000 amount as a contribution.

FINANCIAL IMPACT: Yes

BUDGETED:No

AMOUNT:\$200,000

FUNDING SOURCE:General Fund

ADDITIONAL FINANCIAL INFORMATION:Funding will be budgeted to meet the terms of the pledge.

COMMISSION GOALS:

Economic Development, Quality of Life, Community Enhancement, Strengthen Community Services
