

# Failed Downtown Fresno Housing Project Leaves City Holding The Bag

<http://kvpr.org/post/failed-downtown-fresno-housing-project-leaves-city-holding-bag>



An artist's rendering of the proposed Bastian Court development in downtown Fresno.

*Credit Mission Housing Development Corporation*

When it was first announced nearly seven years ago, the Bastian Court apartment complex was supposed to be an important part of a revitalized downtown Fresno. The city council liked the vision so much that they approved spending over \$3 million in low-income housing funds on the project.

But now the land that was once slated for a five story mixed-use building near the former Fresno Met Museum sits vacant, and could soon have a new owner - the City of Fresno.

On Thursday the council is set to vote on a proposal to acquire the deed to the land in lieu of foreclosure. The vote will likely mark the end of \$14 million project backed by San Francisco developer Mission Housing Development Corporation and Fresno's Cornerstone Church. It could also leave the city responsible for repaying around \$1 million in federal housing funds.

The vision for the project dates back to 2007, when Mission Housing teamed up with Cornerstone Church, which owned the half-acre parcel. Mission would purchase the land from the Cornerstone Foundation for \$400,000. The church would then provide services and assistance to the residents, and act as a co-managing partner for the facility. While the building's apartments were proposed exclusively for low and very low income residents, the project boasted amenities like a rooftop garden and an inner courtyard. The project was originally slated to begin construction in late 2008 and reach completion in the middle of 2010.



The site of the Bastian Court project at Stanislaus and L Streets is now an empty lot.

*Credit Google Street View*

The focus on serving low and very low income residents also opened the door for the developers to apply for a variety of local and federal housing funds. In August 2008, the Fresno City Council approved the award of \$2.1 million in federal HOME funds for the project. These locally controlled HUD funds were designed to help the project close a financial gap and begin construction. Later in 2010, the developers returned to the city council and received a unanimous vote for another HOME award of \$950,000 - bringing the total city commitment to \$3,050,000.

Financing the rest of the project proved to be more difficult, and ultimately was the project's undoing. According to city documents, the developers had hoped to use their own funds, tax exempt bonds, and a four percent federal low income housing tax credit. Those funds never materialized. Some work did take place at the site, including the demolition of the existing buildings on the property. In all, the city spent roughly \$1.17 million of its \$3 million commitment to reimburse the developers for the purchase of the land, demolition, architectural and legal fees.

"[The developers] do not have the ability repay the loan and continue to be a high financial risk." - City of Fresno

With the HOME funds committed and the project stalled, the issue drew the attention of an auditor from HUD. In August 2012, the department determined that Mission Housing was unable to complete the project, and required the repayment of the HOME funds. The HUD audit was also highly critical of the city's management of its housing division.

According to current city documents, the developers "do not have the ability repay the loan and continue to be a high financial risk." That's left the city with only a few options when it comes to salvaging its investment, including foreclosure.

Under the proposal before the council Thursday, the developers would avoid foreclosure through something called a Deed in Lieu, with the owners handing over control of the property, and agreeing to pay off \$26,000 in liens. The administration says that going through the foreclosure process would be too costly. The city would be the new owner of the downtown corner, which is currently valued at \$250,000.

While that would officially bring the Bastian Court project to a close, it would not end the financial pain brought about by the failed development. According to HUD, the city must still repay \$1.16 million in HOME funds. While the repayment would not come from the city's general fund, it could hurt future investments in affordable housing. The current plan would spread out the city's repayment to the federal government over the next three years. Each year, HUD would reduce the city's HOME funding allocation by \$387,000. The sale of the Bastian Court property could offset a portion of that loss.