

# Mayor and Council Communication

DATE: 06/09/26

M&C FILE NUMBER: M&C 26-0493

LOG NAME: 19MAREN GROVE UDAG FUNDS

## **SUBJECT**

(CD 9) Authorize Expenditure in the Amount of \$550,000.00 of Urban Development Action Grant Miscellaneous Revenue as a Forgivable Loan to Maren Grove, LLC, or an Affiliate, in Support of Maren Grove Apartments Located at 801 W. Shaw Street; Authorize Execution of Related Contracts; Find that the Loan Serves a Public Purpose and that Adequate Controls are in Place; and Adopt Appropriation Ordinance

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Authorize expenditure in the amount of \$550,000.00 of Urban Development Action Grant Miscellaneous Revenue as a forgivable loan to Maren Grove, LLC, or an Affiliate, in Support of Maren Grove Apartments Located at 801 W. Shaw Street;
2. Authorize the City Manager or his designee to execute a loan agreement and all other related documents necessary for lending activities with terms as specified below;
3. Authorize the City Manager or his designee to extend the contracts if such extensions are necessary for completion of the Project, and to extend all other required documents for lending activities as necessary for the development of the Project;
4. Authorize the City Manager, or his designee, to amend contracts and other related documents if necessary to achieve Project goals, provided that the amendments are within the scope of the Project and in compliance with City policies and applicable laws and regulations;
5. Find that providing the loan serves the public purpose of providing decent, safe, and sanitary housing for low-income residents, while also creating new jobs in the City, and that adequate controls are in place through the various loan documents and agreements to ensure the public purpose is carried out;
6. Accept interest revenue and miscellaneous revenue receipts in the Grants Operating Other Funds account; and
7. Adopt the appropriation ordinance increasing estimated receipts and appropriations in the Grants Operating Other Fund in the amount of \$54,248.59 from Urban Development Action Grant Miscellaneous Revenue Program Income for the purpose of funding future projects.

## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to approve financial actions to support Maren Grove (Project). This initiative aligns with the City's Comprehensive Plan and *Neighborhood Conservation Plan and Housing Affordability Strategy* by delivering quality, affordable housing for low-to moderate-income residents while also fostering economic development and revitalizing the City.

The Project is a 90-unit affordable housing multifamily property developed by O-SDA Industries in partnership with Saigebrook Development (Developer) and financed in part with equity from 2024 9% Housing Tax Credits. All of Maren Grove's units will be income-restricted serving families with below-market rents adjusted for the Area Median Income (AMI) with 20 deeply affordable units for reserved households at 30% AMI, 26 units at 50% AMI, 28 units at 60% AMI, and 16 units at 80% AMI. Affordability will be enforced through a state-imposed Land Use Restriction Agreement on the property for a minimum of 40 years. The Project is an adaptive reuse of the historic Victory Arts Center. In addition to rehabilitating the existing structure, it will include an added residential building and an on-site reduced-cost Pre-Kindergarten Program for residents and members of the surrounding community. The Project closed on financing and began construction in June 2025 and is currently about 85% complete.

Maren Grove received a \$4,000,000.00 award through the Environmental Protection Agency's Greenhouse Gas Reduction Funds (GGRF) to close a financing gap, however, the GGRF program was terminated in Spring 2025 as a result of shifting funding priorities at the federal level. After securing additional construction financing, the Project still faces a financing gap of over \$2,000,000.00. The Developer responded to the City's Notice of Funding Availability for Community Development Block Grant-Disaster Recovery (CDBG-DR) funding for multifamily housing development. However, after review, the Project was determined to be ineligible because it did not meet the applicable CDBG-DR regulatory requirements. With these funding sources unavailable, additional gap financing is needed to support Project completion.

City staff has identified \$550,000.00 in unprogrammed Urban Development Action Grant (UDAG) revenue funds that may be used to support the Project. To address the remainder of the financing gap, the Developer will defer a portion of their fee and implement value-engineering measures. The Project is an eligible UDAG economic development activity consisting of the adaptive reuse and rehabilitation of the historic Victory Arts Center combined with new construction of a 90-unit affordable multifamily development. The Project supports economic recovery through private investment, long-term affordability, and the provision of an on-site reduced-cost Pre-Kindergarten program. UDAG funds may be used because new housing construction and rehabilitation are eligible activities under Title I and UDAG regulations. Funding the Project will also result in the creation of at least three new full-time jobs in the City through property management, maintenance, and staffing of the on-site Pre-Kindergarten Program.

Staff recommends execution of a contract with Maren Grove, LLC, or an affiliate, for a forgivable loan in UDAG funds in the amount not to exceed \$550,000.00 on the following loan terms and conditions:

## **UDAG Loan Terms:**

1. Loan term to commence on the date of execution and terminate 40 years after project stabilization. Final payment of principal and accrued, unpaid interest will be due 40 years after project conversion coterminous with final payment date of permanent loan;
2. Five-year performance period to begin on the date the project reaches stabilization, or 12-months after completion whichever comes first;
3. Interest rate of zero percent so long as borrower complies with all of the terms of the contract and loan documents;
4. UDAG funds will be used for eligible construction costs associated with the new multifamily housing construction;
5. UDAG contract funds shall comply with applicable Urban Development Action Grant (UDAG) requirements under Title I and 24 CFR Part 570, including adherence to eligible UDAG economic development activities and the requirement that the Project contribute to economic recovery;
6. Developer must employ the equivalent of at least three full-time positions during the performance period;
7. UDAG loan shall be forgiven if all terms and conditions are met and Developer has complied with all contract regulations and requirements; and
8. UDAG funds will be provided on a reimbursement basis for eligible construction costs only.

Staff recommends approving the expenditure and execution of contracts and related loan documents with Maren Grove, LLC in the amount of \$550,000.00 in UDAG funds for construction costs in support of the Project.

UDAG Miscellaneous Revenue funds are rental revenues received from the lease of the City-owned parking garage under General Worth Square (City Contract No. 11085, as amended and assigned). UDAG Funds must be used for projects that meet certain CDBG program requirements, including use in a CDBG-eligible area, qualification as a CDBG economic development project and inclusion of private investment or UDAG economic development activities that contribute to economic recovery. Annual revenue from the parking garage is approximately \$373,000.00. Currently the City has an appropriate balance of \$506,863.69 in UDAG funds. In addition, the City is in receipt of but has not appropriated a total of \$ 54,098.59 of UDAG Funds. After funding this loan, and after all funds have been appropriated, the garage rental revenues account will have a remaining balance of approximately \$10,962.28. Adoption of the attached appropriation ordinance will appropriate the current balance of program revenue for use on this \$550,000.00 loan, with the balance of appropriated funds to support future City projects or programs.

Through this M&C, the City Council finds that the Project serves a public purpose by assisting the City in fulfilling its goals under the its Comprehensive Plan and the *Neighborhood Conservation Plan and Housing Affordability Strategy*, by providing quality, accessible, affordable housing for low- to moderate- income residents and supporting economic development and revitalization, and that the forgivable UDAG loan, are vital to the financial feasibility of the Project. The Council further finds that adequate controls are in place through the various loan documents and agreements to ensure that the public purpose is carried out.

This project is located in COUNCIL DISTRICT 9.

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds are currently available in the Hyatt Regency Parkg Garage Rev project within the Grants Operating Other Fund and upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available as appropriated. The Neighborhood Services Department (and Financial Management Services) will be responsible for the collection and deposit of funds due to the City. Prior to an expenditure being incurred, the Neighborhood Services Department has the responsibility of verifying the availability of funds. This is a reimbursement grant.

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