



**BOARD OF COUNTY COMMISSIONERS
LYON COUNTY NEVADA**

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County Manager

August 12, 2011

LATE MATERIAL
MEETING DATE 4/4/13
ITEM # 18

Maria Cremer, Acting Director
U.S. Department of Housing and Urban Development
San Francisco Regional Office – Region IX
600 Harrison Street
San Francisco, CA 94107-1387

Re: Extension Request on Developing Brown Street Project

Dear Maria:

The Western Nevada HOME Consortium (WNHC), Lyon County as lead agency, is requesting a one-year extension for developing affordable housing on our Brown Street Project in Carson City, Nevada. The WNHC has operated in good faith on this project with the expectation that the property would be developed in a timely manner. However, repercussions from the housing bust (outside of our control) have delayed this project. Lyon County is one of the top five distressed counties in the United States as a result of the housing bust.

According to the HOMEfires – Vol. 3 No. 5, April 2001 edition:

Failure to begin construction within twelve months or transfer title within six months for acquisition does not automatically necessitate the cancellation of the project or render it ineligible. Many circumstances beyond the PJ's control can cause delays, including lawsuits, unforeseen environmental issues, the loss of other financing, labor strikes, natural disasters and zoning issues. The PJ and the Field Office must use their judgment when deciding what course of action to take on a delayed project.

Lyon County has acted in good faith on this delayed project as evidenced by the following history. We have had numerous circumstances beyond our control, such as: bankruptcy of a CHDO developer, a significant decrease in property values, and the burst of the housing bubble. We have kept HUD informed and involved as we proceeded through this process on the Brown Street Project, and thus have not returned the money to HUD. Our objective has been and remains to have this project result in affordable housing.

History

The WNHC approved a CHDO project with Citizens for Affordable Homes, Inc. (CAHI) to purchase property to develop into self-help townhomes. CAHI was the only CHDO operating within the WNHC at the time and had successfully completed a number of similar projects with the WNHC.

There were two separate purchases of adjoining properties authorized with this project. The environmental review on the first set of properties was completed in September 2005, with a notice to proceed being issued in October 2005. The environmental review on the second set of properties was completed in January 2006. IDIS draws were made on October 21, 2005 in the amount of \$556,651.20 and on April 9, 2006 in the amount of \$637,659.09. These were secured by first deeds of trust on the properties, with CAHI being the owner/developer.

Due to the housing bust, CAHI subsequently declared bankruptcy. In 2008, Lyon County contacted HUD and received permission to use administrative funding to hire a bankruptcy attorney to represent the WNHC during the bankruptcy proceedings. The bankruptcy court approved releasing the properties and the title was transferred on April 14, 2009.

In August of 2009, Lyon County removed two mobile homes from the properties to clear the land for new development.

Since April 14, 2009, Lyon County has contacted developers to construct affordable housing on the properties. We worked with ABHOW for many months, but were unable to proceed with a viable project with them. We are now working with the Desert Winds, Inc. (a CHDO) to develop affordable housing on the properties. A new environmental review was started in January 2011. On August 9, 2011, the WNHC allocated CHDO predevelopment costs to Desert Winds to continue to move forward on the project.

In conclusion, the WNHC (Lyon County as lead agency) is requesting a one-year extension for developing affordable housing on our Brown Street Project in Carson City, Nevada. The WNHC has operated in good faith on this project with the expectation that the property would be developed in a timely manner. However, repercussions from the housing bust (outside of our control) have delayed this project as has been evidenced in the history above.

Sincerely,

Jeff Page
Lyon County Manager