



**Contra  
Costa  
County**

To: Board of Supervisors  
From: John Kopchik, Director, Conservation & Development Department  
Date: December 6, 2016

Subject: APPROVAL OF HOME AND CDBG LEGAL DOCUMENTS FOR THE HANA GARDENS  
APARTMENTS IN EL CERRITO

### **RECOMMENDATION(S):**

In the matter of making a loan of \$1,475,000 in HOME Investment Partnership Act (HOME) and \$625,000 in Community Development Block Grant funds to El Cerrito Senior L.P., a California limited partnership, for the development of the Hana Gardens Apartment project in El Cerrito:

1. FIND, as the responsible agency, that on the basis of the whole record before the County (including the Environmental Impact Report [EIR] prepared by the City of El Cerrito as the lead agency) that there is no substantial evidence that the project will have a significant effect on the environment, and that the EIR prepared for this project is adequate and acceptable to comply with the California Environmental Quality Act; and
2. APPROVE and AUTHORIZE the Conservation and Development Director, or designee, to execute legal documents to effect the loan; and
3. DIRECT the Director of Conservation and Development, or designee, to file a Notice of Determination for the Hana Gardens Apartments with the County Clerk; and
4. DIRECT the Director of Conservation and Development, or designee, to arrange for payment of the \$50 handling fee to the County Clerk for filing such Notice of Determination.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **12/06/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

#### **VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Mary N. Piepho, District III Supervisor  
Karen Mitchoff, District IV Supervisor  
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: December 6, 2016

, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: Kara Douglas  
674-7880

cc:



### FISCAL IMPACT:

No General Fund impact. HOME Investment Partnerships Act and Community Development Block Grant funds are provided to the County on a formula allocation basis through the U.S. Department of Housing and Urban Development (HUD). HOME CFDA# 14.256. CDBG CFDA# 14.218.

### BACKGROUND:

On May 10, 2016, the Board of Supervisors allocated \$100,000 of HOME funds and confirmed previous allocations of \$1,375,000 in HOME and \$625,000 in CDBG funds to Eden Housing Development (Eden) for the Hana Gardens Apartment development. Eden has formed a limited partnership, El Cerrito Senior L.P., to develop and own this project.

The purpose of the Hana Gardens Apartment development is to increase the supply of multi-family rental housing affordable to and occupied by lower income senior households in West County through the construction of 63 units of affordable housing at 10860 San Pablo Avenue in El Cerrito.

Seventeen of the units will be designated as County-assisted and will be affordable and available to households earning up to 30 percent of the area median income (AMI). One unit will be reserved for an on-site manager. The remaining units will be affordable and available to households earning up to 60 percent of AMI.

Additional financing for the development includes City of El Cerrito (\$308,015 and land donation from the former redevelopment agency), tax exempt bonds (\$21 million construction period only), four percent low income housing tax credits (\$13 million), State Affordable Housing and Sustainable Communities (\$5.3 million), State Infrastructure Grant funds (\$1.4 million), and \$1.9 million in deferred developer fee and general partner equity. The County is the issuer for tax exempt bonds.

HOME and CDBG funds will be provided in the form of a 20-year, residual receipt loan with a three percent interest rate. There may be some payments if the project has surplus cash flow. The County will have an additional regulatory agreement to ensure that the County-assisted units remain affordable following the expiration of the HOME and CDBG affordability terms. The total term of affordability for the County-assisted units is 55 years. Affordability and use restrictions are incorporated into the County loan documents. The loan documents are attached in their substantially final form and will be executed in a form approved by County Counsel. Through this action, the DCD Director is authorized to execute subordination agreements and estoppels that are consistent with the terms in the Loan Agreement.

National Environmental Policy Act (NEPA): HOME and CDBG projects are subject to NEPA and 24 CFR Part 58 review. The NEPA review for this project is complete and required mitigation actions are included in the loan agreement. The City of El Cerrito, as the lead agency, completed the CEQA review and posted Notices of Determination for

the project on December 20, 2013, January 14, 2014, and April 25, 2014.

Due to the high construction costs and limited revenue from the restricted rents, the total amount of the financing provided to the project will likely exceed the value of the completed project. Even though the proposed equity investment from low income housing tax credits is substantial compared to the amount of long term debt, the partnership agreement will have numerous safe guards of the investor's equity. These safe guards essentially subordinate the County's debt to the investor's equity. Therefore, the County funds may not be fully secured through the value of the property.

CONSEQUENCE OF NEGATIVE ACTION:

Without the approval and execution of the HOME and CDBG legal documents, the project will not be constructed. El Cerrito Senior L.P. must close the bond transaction by January 17, 2017, or forgo the \$100,000 performance deposit with the California Debt Limit Allocation Committee.

CHILDREN'S IMPACT STATEMENT:

ATTACHMENTS

Loan Agreement  
HOME\_CDBG Regulatory Agreement  
County Regulatory Agreement  
Promissory Note  
Deed of Trust  
Intercreditor Agreement