



**Contra
Costa
County**

To: Board of Supervisors
From: John Kopchik, Director, Conservation & Development Department
Date: May 23, 2017

Subject: Approve Subordination Agreement between Contra Costa County, Resources for Community Development and Church Lane-Rubicon Partners

RECOMMENDATION(S):

APPROVE a subordination agreement among County of Contra Costa as senior lender, Resources for Community Development (RCD) as junior lender, and Church Lane - Rubicon Partners as borrower that will subordinate County loan payments to payments made to RCD by Church Lane - Rubicon Partners.

FISCAL IMPACT:

No impact to the General Fund. Church Lane Apartments has existing Community Development Block Grant (CDBG) and Home Investment Partnerships Act (HOME) loans. The lien securing the loan from RCD to the Partnership will be subordinate to the CDBG and HOME loans, but the RCD loan will receive loan payments ahead of the County loans.

BACKGROUND:

Church Lane Apartments is located at 2555 Church Lane in San Pablo. In 1995 and 1997, the County loaned Church Lane - Rubicon Partners (the "Partnership") \$495,000 of (HOME) funds and \$245,000 of (CDBG) funds for site acquisition and development of Church Lane Apartments in San Pablo. The loans have a 55-year term with repayments made only when the borrower has surplus revenue. In 2014, an affiliate of Resources for

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **05/23/2017** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Diane Burgis, 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: May 23, 2017

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: Kara Douglas
925-674-7880

cc:

Community Development (RCD) replaced Rubicon Partners as the General Partner in the Partnership with the intention of refinancing and rehabilitating the property. The property needed some immediate repairs and, in 2015, the County provided an additional loan of \$455,000 of CDBG funds. At that time, the previous HOME and CDBG loans (principal and accrued interest) were added to the new CDBG allocation resulting in a CDBG loan of \$901,533

BACKGROUND: (CONT'D)

and a HOME loan of \$804,400.

RCD intends to combine Church Lane Apartments and Idaho Apartments in El Cerrito as a single scattered-site development. As proposed, a new partnership, San Pablo Preservation, L.P., will be the new owner of both properties. The general partner is RCD GP, LLC and RCD is the sole member of the LLC. The limited partner will be a to-be-determined tax credit investor. (The initial limited partner is 112 Alves Lane, Inc.). The new partnership will apply for low-income housing tax credits and tax-exempt bonds, which together with an allocation of funds from the State Department of Housing and Community Development Multifamily Housing Program-Supportive Housing (MHP-SH), will provide funds to refinance the existing bank loans and rehabilitate both properties. The financing plan does not include pre-payment of the County loans.

The Partnership currently has a loan with Citibank that may be paid prior to June 30, 2017 without pre-payment penalties. If the loan is not paid by June 30, it will automatically extend for 10 years with substantial pre-payment penalties. Therefore, RCD would like to loan the Partnership \$300,000 to payoff the Citibank loan prior to June 30. As proposed, the Partnership will make monthly payments to RCD and will pay the loan in full when the Partnership transfers Church Lane Apartments to the new partnership and completes its planned refinancing. This will not impact the County. The Partnership has not had surplus cash and the County has not been receiving payments. The RCD loan will be at a lower interest rate than the Citibank loan. The debt service payments will be comparable to the current payments.

The County loan will be senior in lien position to the RCD loan. The attached subordination agreement will allow payments on the County's loan to be subordinate to the RCD loan. At the time the property is transferred and the refinancing occurs, the County will be requested to fully subordinate to the new lender. The County legal documents associated with the transfer and refinancing will be brought to the Board for approval at a future date.

CONSEQUENCE OF NEGATIVE ACTION:

If the subordination agreement is not approved, then RCD will not loan the Partnership funds to pay off the Citibank loan prior to June 30, 2017. The Partnership will have to pay approximately \$60,000 in pre-payment penalties.

ATTACHMENTS

Subordination Agreement