



**Contra  
Costa  
County**

To: Board of Supervisors  
From: John Kopchik, Director, Conservation & Development Department  
Date: October 17, 2017

Subject: Approval of HOME and CDBG Legal Documents for the Carena Scattered Site Renovation Project in Bay Point and Concord

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

In the matter of making a loan of \$825,000 in HOME Investment Partnerships Act and \$100,000 in Community Development Block Grant funds to Carena Associates, L.P., a California limited partnership, to acquire and rehabilitate the Riley Court Apartments in Concord and Elaine Null Court Apartments in Bay Point:

1. FIND that this project is categorically exempt per Section 15301 of the California Environmental Quality Act (CEQA);
2. APPROVE and AUTHORIZE the Conservation and Development Director, or designee, to execute legal documents to effect the loan;
3. DIRECT the Director of Conservation and Development to file a Notice of Exemption for the Carena Scattered Site Renovation project 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 Exemption.

### **FISCAL IMPACT:**

No General Fund impact. HOME Investment Partnerships Act (CFDA #14.239) and Community Development Block Grant (CFDA #14.218) funds are provided to the County

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **10/17/2017** ☒ 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: October 17, 2017

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

By: Stephanie Mello, Deputy

Contact: Kara Douglas 925  
674-7880

cc:

on a formula allocation basis through the U.S. Department of Housing and Urban Development (HUD).

## BACKGROUND:

The Carena Scattered Site Renovation project consists of the acquisition and rehabilitation of three apartment complexes in Concord and Bay Point. The three properties are being combined into a single development for the purposes of financing. The three complexes together provide a large enough project to attract a favorable interest rate on construction financing and a high value on low income housing tax credits. Each of the properties is currently owned by a different partnership. All of them have either Resources for Community Development (RCD), or a RCD affiliate, as the managing general partner.

The County previously provided either former Redevelopment Agency (RDA), HOME Investment Partnerships Act (HOME), Community Development Block Grant (CDBG) or Housing Opportunities for Persons with HIV/AIDs (HOPWA) loans to each of the projects. The County actions needed to implement the proposed refinancing and rehabilitation include restructuring the existing debt, loaning additional funds, and setting a new 55-year term of affordability. For the existing loans, the outstanding principal will be added to the accrued interest for a new principal amount. This sum will have an interest rate equal to the applicable federal rate, which is 2.6 percent as of September 2017. The existing regulatory agreements will be modified and updated. Affordability and use restrictions are incorporated into the County loan documents.

A new limited partnership, Carena Associates, L.P. will purchase all three properties. The general partner of Carena Associates, L.P. is RCD GP, LLC with RCD as the sole member. The limited partner will be the tax credit equity investor.

On March 1, 2016, the County allocated \$825,000 of HOME funds and \$100,000 of CDBG funds to RCD for the Carena Renovation project. In addition to the new HOME and CDBG allocations, the project will be funded with low income housing tax credits and tax-exempt bond financing. The County is the issuer for the tax-exempt bonds. The City of Concord has existing \$3,238,438 million in loans, which will be assigned to the new owner. The City will also make an additional loan of \$1.1 million. The new funds will be used to payoff existing bank mortgages and to rehabilitate the properties. Existing soft debt (RDA, HOME, HOPWA, and CDBG funds) will be assigned to the new owner.

The County legal documents are attached and include restructured promissory notes for the existing HOME, CDBG and HOPWA funds, new promissory notes for the new HOME and CDBG loans, a loan agreement, a deed of trust and security agreement, new regulatory agreements, an intercreditor agreement with the City of Concord, and assignment and assumption agreements of the original loan agreements. There may be some annual loan payments if the project has surplus cash flow. Otherwise, loan repayment is deferred for 55 years. The loan documents are attached in their substantially final form and will be executed in a form approved by County Counsel. The County will also be requested to subordinate to the bank loan and may be requested to sign estoppel agreements. Through this action, the DCD Director is authorized to execute

subordination agreements that are consistent with the subordination terms included in the Loan Agreement.

Following is a summary of each property:

Elaine Null Apartments are located at 112 Alves Lane and 300-310 Water Street in Bay Point. In 1993, the former redevelopment agency (RDA) loaned \$439,999, and the County provided loans of \$390,000 of HOME funds and \$63,407 of CDBG funds for acquisition and new construction. There are a total of 14 units, 4 of which have income and rent restrictions set out in a County regulatory agreement. All of the units are affordable under tax credit regulations. The rehabilitation scope of work includes new roofs and upgrades to the apartments.

Riley Court Apartments are located at 2050, 2051 and 2061 Riley Court in Concord. In 1997, the County loaned \$342,000 of HOME funds for acquisition and rehabilitation. In 2011, the County loaned \$530,000 of HOPWA funds for additional rehabilitation. There are a total of 48 units, 9 of which have income and rent restrictions set out in a County regulatory agreement. All of the units are affordable under tax credit regulations. The current rehabilitation scope of work includes extensive exterior common area improvements, building envelope improvements including siding, moisture protection, doors and windows, and stairs; and unit interior renovations.

Camara Circle Apartments are located at 2501, 2513, 2525, 2530, 2531, 2536, 2537, 2549, 2554 and 2566 Camara Circle in Concord. In 2000, the County loaned \$850,000 of HOME funds for acquisition and rehabilitation. There are a total of 51 units, 11 of which have income and rent restrictions set out in a County regulatory agreement. All of the units are affordable under tax credit regulations. The current rehabilitation scope of work includes extensive exterior common area improvements, building envelope improvements including siding, moisture protection, doors and windows, and stairs; and unit interior renovations.

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 has been completed and the developer must remediate lead-based paint and asbestos at Riley Court. This project is categorically exempt from CEQA pursuant to Section 15301; it is repair of an existing facility.

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 safeguards of the investor's equity. These safeguards 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 acquisition and rehabilitation will not be done, and the properties will continue to suffer from deferred maintenance. Carena Associates L.P. must close on the HOME and CDBG funds by October 30, 2017, to meet the requirements of the California Debt Limit Allocation Committee.

### CHILDREN'S IMPACT STATEMENT:

The Carena Scattered Site Renovation project supports indicator number 3: Families are Economically Self-Sufficient.

### ATTACHMENTS

Carena Loan Agreement  
Carena Deed of Trust  
Carena Intercreditor Agreement  
Elaine Null Promissory Note  
Elaine Null Restructured Promissory Note  
Elaine Null HOME\_CDBG Regulatory Agreement  
Elaine Null County Regulatory Agreement  
Elaine Null Notice of Affordability Restrictions  
Elaine Null\_Carena Assignment Assumption Agreement  
Riley New Promissory Note  
Riley Restructured Promissory Note  
Riley HOME\_HOPWA Regulatory Agreement  
Riley County Regulatory Agreement  
Riley\_Carena Assignment and Assumption Agreement  
Camara Restructured Promissory Note  
Camara County Regulatory Agreement  
Camara\_Carena Assignment and Assumption Agreement