



Contra  
Costa  
County

To: Board of Supervisors

From: John Kopchik, Director, Conservation & Development Department

Date: December 12, 2017

Subject: Disposition, Development and Loan Agreement – Heritage Point Development, North Richmond Area

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## **RECOMMENDATION(S):**

1. OPEN public hearing, RECEIVE testimony, and CLOSE public hearing.
2. ADOPT Resolution No. 2017/443 approving and authorizing the Director of Conservation and Development to execute a Disposition Development and Loan Agreement (DDLA) between the County and Heritage Point A/G L.P. (the “Borrower”) for the sale of six parcels of real property in North Richmond fronting the east side of Fred Jackson Way, between Grove Street and Chelsey Avenue, to the Borrower for the development of 42 multi-family residential units and approximately 900 square feet of commercial/retail space, and the loans of \$3,406,584 in Housing Successor Low Moderate Income Housing Funds (LMIHF) and \$2,900,000 in Community Development Block Grant (CDBG) funds. The resolution also provides approval of a grant agreement in the amount of \$1,432,830 from District 1 Livable Communities Trust (Trust) funds to Community Housing Development Corporation of North Richmond (CHDC).
3. APPROVE and AUTHORIZE the Director of Conservation and Development Department to execute various legal documents in connection with the loan and grant,

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☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

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Action of Board On: **12/12/2017** ☐ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

### **VOTE OF SUPERVISORS**

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 12, 2017

Contact: Maureen Toms  
(925) 674-7878

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

By: , Deputy

cc:

including the DDLA, Memorandum of DDLA, Assignment Agreement, Grant Deed, County Regulatory Agreement, and Grant Agreement.

4. FIND the Adopted Mitigated Negative Declaration, adopted on March 24, 2015, for Development Plan #14-3026 and Minor Subdivision #14-000007 and May 5, 2015, for General Plan Amendment #13-0004, is adequate for the DDLA and has been prepared in a manner that is consistent with State and County CEQA guidelines and ADOPT

## RECOMMENDATION(S): (CONT'D)

the Mitigated Negative Declaration.

5. AUTHORIZE staff to file a Notice of Determination with County Clerk and pay the filing fee.

## FISCAL IMPACT:

There is no impact on the County's General Fund. The property is a housing asset under Health and Safety Code section 34176 and was acquired using the former Contra Costa County Redevelopment Agency's Low and Moderate Income Housing Fund (LMIHF). The total County cost is anticipated to be \$7.37 million, from various sources including the LMIHF, Community Development Block Grant (CDBG), and the Livable Communities Trust Fund (Trust). The financing and other terms of the proposed disposition of the County housing asset are fully described in the attached "Amended Summary 33433 Report."

CDBG funds are provided to the County on a formula allocation basis through the U.S. Department of Housing and Urban Development. CFDA #14.218

Trust funds in the amount of \$1,432,830 are from the District I allocation of deposits into the Trust. On December 3, 2013, the Board of Supervisors determined that revenue from the Trust should be spent equally among supervisorial districts. At build-out of the development projects contributing revenue to the Trust fund, deposits to the Trust fund will total \$8,448,000. As of November 3, 2017, Trust fund deposits from development fees totaled \$7,648,000, interest earnings totaled \$425,622 and commitments and expenditures totaled \$2,341,475.

## BACKGROUND:

The recommended action is the adoption of a resolution by the Board to sell Housing Successor owned property, make a loan to Heritage Point A/G L.P. of Housing Successor and CDBG funds for the development of Heritage Point apartments in North Richmond, and to inform the public of these actions through a document known as the "33433 Summary Report." The development includes the disposition of Housing Successor owned property located on the east side of Fred Jackson Way between Grove Street and Chelsey Avenue in North Richmond, and the construction of 42 multi-family residential units and approximately 900 square feet of commercial/retail space (the "Project").

On February 14, 2017, the Board of Supervisors allocated \$877,200 in Housing Successor funds to CHDC for predevelopment activities in support of the Heritage Point development. The predevelopment loan included a three percent simple interest rate. The predevelopment agreement has been modified five times, and there is \$42,822.61 in accrued interest. Both the funds drawn to date and the remaining funds will be included in the DDLA. At CHDC's request, staff recommends that the accrued interest be forgiven.

On April 1, 2014, the County made a loan of \$48,000 in HOME Investment Partnerships Act (HOME) funds with a three percent annual interest to CHDC to provide technical assistance for the development of the Project. On February 14, 2017, the loan was amended and restated to extend the term and to include the accrued interest to the principal amount for a new loan of \$51,925.24. Because the development did not meet the HOME program timeliness requirements, the loan will be repaid to the County at the close of the construction loan in December 2017. County staff recommends forgiving the approximately \$1,280 of accrued interest.

On May 10, 2016, the County allocated \$1.7 million in CDBG funds and increased the allocation to \$2.9 million on July 18, 2017 for the acquisition and construction of the Project.

On May 9, 2017, the Board of Supervisors adopted Resolution No. 2017/71 approving a Disposition and Development Agreement (DDA) between the County and CHDC for the sale of the six parcels that are the Project site as described above. The Mitigated Negative Declaration for the Project was approved, in compliance with the California Environmental Quality Act, at the time the General Plan Amendment and Development Plan were approved.

The DDA provided for the conveyance of certain real property and the construction of the Project provided certain conditions are met. The DDA was necessary in May 2017 to provide CHDC with site control prior to the submittal of various funding applications. The DDLA now under consideration includes the land disposition, in addition to the various loan agreements. The DDLA also includes the CDBG funds.

The DDLA provides for terms of the loan of \$3,406,584 in LMIHF (including land for the residential portion of the development) and the CDBG funds. The Grant Agreement provides for the \$1,432,830 of District 1 Livable Communities Trust Funds to CHDC. The close of escrow is expected to occur in December of 2017. Implementation of the DDLA will provide 42 new residential units, thereby contributing to the community's supply of housing for affordable to very low to moderate-income households. The project allows the County, as Housing Successor, to fulfill its legal obligation for affordable housing production, dispose of housing assets and use funds from the LMIHF. A separate Amended and Restated DDA for the Commercial property is expected to be considered by the Board of Supervisors in January 2018.

Section 33433 of the Health and Safety Code requires the County to hold a public hearing prior to approving the sale of property acquired with former Redevelopment Agency funds. A 33433 Summary Report of the terms of the proposed disposition was approved in May 2017 and an update of the report is attached hereto.

County legal documents for the Housing Successor and CDBG funds include the DDLA, a promissory note, a deed of trust and security agreement, and a regulatory agreement. The loan will have a three percent interest rate and 55 year term, which is typical for

CDBG loans. There may be some annual loan payments if the project has surplus cash flow. Otherwise, the loan 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. Due to the high development costs relative to the Project revenues from the restricted rents, and the senior lender and investor security requirements, the County debt may not be fully secured by the value of the property and improvements. Also attached is the form of the grant agreement for the Communities Livable Trust funds.

In addition to the Housing Successor, CDBG and Trust funds, the County is also the conduit issuer of \$17 million in tax-exempt private activity bonds. The documents for the tax-exempt bonds are included in a separate Board Order on this December 12, 2017 Board agenda.

National Environmental Policy Act (NEPA): CDBG projects are subject to NEPA and 24 CFR Part 58 review. The NEPA review for this project has been completed and mitigations are included in the CDBG loan agreement.

CONSEQUENCE OF NEGATIVE ACTION:

Failure to approve the DDLA will result in the project not closing by funding deadlines.

CLERK'S ADDENDUM

***By unanimous vote, the Board accepted additional material into the record. Information was received after the publication of the agenda that required revisions to the Board Order and Resolution. The red-line documents showing the revisions is attached. CLOSED the hearing; ADOPTED Resolution No. 2017/443 as revised today; APPROVED and AUTHORIZED the Director of Conservation and Development Department to execute various legal documents in connection with the loan and grant, including the DDLA, Memorandum of DDLA, Assignment Agreement, Grant Deed, County Regulatory Agreement, and Grant Agreement; FOUND the Adopted Mitigated Negative Declaration is adequate for the DDLA and has been prepared in a manner that is consistent with State and County CEQA guidelines and ADOPT the Mitigated Negative Declaration; and AUTHORIZED staff to file a Notice of Determination with County Clerk and pay the filing fee.***

ATTACHMENTS

Resolution No. 2017/443

Resolution No. 2017/443

33433 Summary Report

DDLA

Assignment Agreement

Grant Deed

Promissory Note

Deed of Trust

Regulatory Agreement  
Grant Agreement