



**Contra
Costa
County**

To: Board of Supervisors
From: John Kopchik, Director, Conservation & Development Department
Date: March 20, 2018

Subject: APPROVAL OF HOME, HOPWA AND CDBG LEGAL DOCUMENTS FOR THE ST PAUL'S
COMMONS DEVELOPMENT IN WALNUT CREEK

RECOMMENDATION(S):

In the matter of making a loan of \$2,642,000 in HOME Investment Partnership Act (HOME) and \$232,681 in Housing Opportunities for Persons with HIV/AIDS, to SP Commons L.P., a California limited partnership, and a grant of \$1,000,000 in Community Development Block Grant funds to St. Paul's Episcopal Church and Resources for Community Development for the development of the St. Paul's Commons project in Walnut Creek:

1. FIND, as the responsible agency, that on the basis of the whole record before the County (including the CEQA review prepared by the City of Walnut Creek as the lead agency) that development is exempt under Sections 15192 and 15194 of the California Environmental Quality Act guidelines; and
2. APPROVE and AUTHORIZE the Conservation and Development Director, or designee, to execute legal documents to effect the loan and grant; and
3. DIRECT the Director of Conservation and Development, or designee, to file a Notice of Exemption for the St. Paul's Commons 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

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **03/20/2018** ☒ 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: March 20, 2018

, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: Kara Douglas
674-7880

cc:

Determination.

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# 14.239. CDBG - CFDA# 14.218. Housing Opportunities for Persons with HIV/AIDS funds are provided to the County through an agreement with the City of Oakland, the HUD Grantee. - CFDA# 14.241

BACKGROUND:

On February 13, 2018, the Board of Supervisors allocated \$1,600,000 of HOME funds in addition to previous allocations of \$1,042,000 of HOME, \$232,681 of HOPWA and \$1,000,000 of CDBG funds to Resources for Community Development (RCD) for the St. Paul's Commons development. RCD has formed a limited partnership, SP Commons L.P., to develop and own this project.

HOME/HOPWA

The purpose of the St. Paul's Common development is to increase the supply of multi-family rental housing affordable to and occupied by lower income households in Central County through the construction of 45 units of affordable housing located on the property of St Paul's Episcopal Church (Church) at 1860 Trinity Avenue in Walnut Creek. The Church owns the land on which the improvements will be built. It will lease the land to SP Commons L.P. for at least 77 years.

Eighteen of the units will be designated as HOME/HOPWA-assisted, 11 of which will be affordable and available to households earning up to 30 percent of the area median income (AMI), and 2 of which will be affordable to households earning up to 35 percent 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.

HOME and HOPWA funds will be provided in the form of a 55-year, residual receipt loan with a three percent interest rate. There may be some payments if the project has surplus cash flow. Affordability and use restrictions are incorporated into the County loan documents. The County will have a HOME/HOPWA Regulatory Agreement with a 20 year term and an additional County Regulatory Agreement that will maintain the affordability following the expiration of the HOME and HOPWA affordability term for an additional 35 years.

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 (LIHTC) 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.

CDBG

The ground floor of the apartment building will have a community center that SP Commons L.P. will lease to the Church for use as a social service agency. The Church will either directly provide CDBG-eligible services, or will sub-lease the space to an experienced service provider. It is anticipated that the existing tenant, Trinity Center, will continue to provide daytime services to extremely-low income and homeless individuals at this site. CDBG funds will be provided in the form of a grant to assist with the tenant improvements of a community center.

Additional financing for the development includes City of Walnut Creek (\$5,600,000), LIHTC (\$11,707,946 million), and \$300,000 in deferred developer fee and general partner equity.

The loan and grant 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, HOPWA 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 Walnut Creek, as the lead agency, completed the CEQA review and determined that the project is exempt under Sections 15192 and 15194 of the CEQA guidelines.

CONSEQUENCE OF NEGATIVE ACTION:

Without the approval and execution of the HOME and CDBG legal documents, the project will not be constructed. SP Commons L.P. must close the LIHTC transaction by April 9, 2018, or forgo the LIHTC allocation.

CHILDREN'S IMPACT STATEMENT:

St. Paul's Commons is consistent with Children's Report Card outcome #3: Families are Economically Self-Sufficient.

ATTACHMENTS

County Regulatory Agreement
CDBG Grant Agreement
HOME/HOPWA Regulatory Agreement
Loan Agreement
Leasehold Deed of Trust
Promissory Note
Intercreditor Agreement