



Contra  
Costa  
County

To: Board of Supervisors

From: John Kopchik, Director, Conservation & Development Department

Date: March 20, 2018

Subject: Approvals and Consents to Change of Partners, Ownership and Lender of Sycamore Place in Danville

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

1. CONSENT to the transfer of the limited partner interest in Danville Senior Housing Associates, L.P. from Union Bank of California, N. A. to BRIDGE Housing Ventures, Inc.;
2. CONSENT to the refinancing of the first mortgage loan and agree to subordinate the County Deed of Trust and Regulatory Agreement to the new first mortgage lender;
3. APPROVE and AUTHORIZE the Director of Conservation and Development, or designee, to execute documents to carry out these actions.

### **FISCAL IMPACT:**

No General Fund impact: one hundred percent federal funds. HOME and CDBG funds are provided to the County on a formula allocation basis by the U.S. Department of Housing and Urban Development.

### **BACKGROUND:**

On February 11, 2002, the County loaned \$1,800,000 of Community Development Block Grant (CDBG) and \$400,000 of HOME Investment Partnerships Act (HOME) funds to BRIDGE Housing Corporation (BRIDGE or Borrower) for site acquisition and construction of Sycamore Place, a 73 unit affordable senior apartments complex located at 35 Laurel

☒ 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

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

By: June McHuen, Deputy

Contact: Kara Douglas,  
925-674-7880

cc:

Drive in Danville (Development). The Development was financed with low income housing tax credits (LIHTC). BRIDGE formed a limited partnership, Danville Senior

## BACKGROUND: (CONT'D)

Housing Associates L.P., to own Sycamore Place. A BRIDGE affiliate, Danville Senior Housing Associates, Inc., is the general partner, and the tax credit investor, Union Bank of California N.A., is the current limited partner.

The development has reached the end of its 15-year tax credit partnership agreement. BRIDGE now wishes to replace Union Bank of California N.A., with a BRIDGE affiliate, BRIDGE Housing Ventures, Inc., as the new limited partner. The County and BRIDGE entered into a CDBG/HOME Loan Agreement which allows some transfers of limited partners, but does not include this specific situation. Staff recommends that the Board consent to this transfer of limited partner.

BRIDGE also wishes to refinance the first mortgage loan in order to finance some rehabilitation of the development. A new lender will require that the County subordinate its current loan to the new first mortgage loan (Senior Loan). The County is a junior lien position now to the Senior Loan and this would not change with the refinance and subordination. The lender has not been identified and there is not a subordination agreement to review yet. However, the County has previously established the following general terms for subordination agreements for this type of transaction:

- (i) All of the proceeds of the Senior Loan, less any transaction costs, are used to provide acquisition, construction and/or permanent financing for the Development.
- (ii) The lender of the Senior Loan is a state or federally chartered financial institution, a nonprofit corporation or a public entity that is not affiliated with Borrower or any of Borrower's affiliates, other than as a depositor or a lender.
- (iii) Borrower demonstrates to the County's satisfaction that subordination of the Deed of Trust and the Regulatory Agreements is necessary to secure adequate acquisition, construction, and/or permanent financing to ensure the viability of the Development, including the operation of the Development as affordable housing, as required by the Loan Documents. To satisfy this requirement, Borrower must provide to the County, in addition to any other information reasonably required by the County, evidence demonstrating that the proposed amount of the Senior Loan is necessary to provide adequate acquisition, construction, and/or permanent financing to ensure the viability of the Development, and adequate financing for the Development would not be available without the proposed subordination.
- (iv) The subordination agreement(s) is structured to minimize the risk that the Deed of Trust and the Regulatory Agreements will be extinguished as a result of a foreclosure by the holder of the Senior Loan. To satisfy this requirement, the subordination agreement must provide the County with adequate rights to cure any defaults by Borrower, including: (1) providing the County or its successor with copies of any notices of default at the same time and in the same manner as provided to Borrower; and (2) providing the County with a cure

period of at least sixty (60) days to cure any default.

(v) The subordination(s) of the Loan is effective only during the original term of the Senior Loan and any extension of its term that is approved in writing by the County.

(vi) The subordination does not limit the effect of the Deed of Trust and the Regulatory Agreements before a foreclosure, nor require the consent of the holder(s) of the Senior Loan prior to the County exercising any remedies available to the County under the Loan Documents.

(vii) Upon a determination by the County's Director – Department of Conservation and Development that the above conditions have been satisfied, the Director – Department of Conservation and Development or his/her designee will be authorized to execute the approved subordination agreement without the necessity of any further action or approval.

CONSEQUENCE OF NEGATIVE ACTION:

If the County does not approve the transfer of the limited partner, and subsequent transactions, BRIDGE will not be able to refinance and complete the planned rehabilitation.