



**Contra  
Costa  
County**

To: Board of Supervisors

From: John Kopchik, Director, Conservation & Development Department

Date: October 23, 2018

Subject: Approval of HOME Loan Legal Documents for the Antioch Scattered Site Renovation Project

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**RECOMMENDATION(S):**

In the matter of restructuring two HOME Investment Partnerships Act (HOME) loans and making a new HOME loan of \$1,300,000 to Antioch Recap, L.P. to acquire and rehabilitate the Antioch Scattered Site Renovation project that consists of Pinecrest and Terrace Glen Apartments in Antioch:

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 Antioch 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. The loan will be funded with HOME Investment Partnerships Act (CFDA #14.239) funds, which are provided to the County on a formula allocation basis

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☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY

☐ RECOMMENDATION OF BOARD

ADMINISTRATOR

COMMITTEE

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Action of Board On: **10/23/2018** ☒ 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: October 23, 2018

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

By: June McHuen, Deputy

Contact: Kristen Lackey, (925)  
674-7793

cc:

through the U.S. Department of Housing and Urban Development (HUD).

## BACKGROUND:

The Antioch Scattered Site Renovation project (the “Project”) consists of the acquisition and rehabilitation of Pinecrest and Terrace Glen apartment complexes (described below). The two properties are being combined into a single development for the purposes of financing. The two complexes together provide a large enough project to attract a favorable interest rate on construction financing and an adequate value on low income housing tax credits. Terrace Glen is currently owned by Resources for Community Development (RCD) and Pinecrest is owned by a limited partnership affiliate of RCD. Both apartment complexes have existing County HOME Investment Partnerships Act (HOME) loans.

The County actions needed to implement the proposed refinancing and rehabilitation include restructuring the existing debt (\$856,000 HOME loan on Terrace Glen and \$625,000 HOME loan on Pinecrest), loaning additional HOME funds in the amount of \$1.3 million, and setting a new 55-year term of affordability. Project specifics for each apartment complex are summarized at the end of the Background section.

The existing loans terms are both 3% simple annual interest with a term of 55 years. The loan repayment was deferred until the end of the term unless there was surplus cash flow in any year of operation. There were no payments for Pinecrest and only \$3,606 for Terrace Glen. Accrued interest to date for each loan will be added to the associated outstanding principal amounts to constitute new principal amounts for each apartment complex. The restructured loans will have a new 55-year term and carry the applicable federal interest rate at the time of transaction closing (2.99% in October 2018) with the same deferred payment/surplus cash flow repayment structure. The existing Regulatory Agreements that establish affordability commitments will be modified and updated to reflect the new terms.

The new \$1.3 million HOME allocation for this project was approved by the Board on June 26, 2018 (C.170) following a recommendation from the Affordable Housing Advisory Committee. As with the restructured loans, the loan repayment is deferred for 55 years unless there is surplus cash flow in any year of operation. This loan will bear zero percent interest in order to maximize new equity investment in the project.

All three of the loans will be included in one development loan agreement with a 55-year term. New Regulatory Agreements will be recorded on each property to reflect the additional HOME units resulting from the new loan. The legal documents associated with this transaction are attached in substantially finalized form and will be executed in a form approved by County Counsel.

In addition to the HOME loans, the project will be funded with tax-exempt bonds issued by the County (a separate item on this October 16, 2018 Board agenda addresses the bonds), low-income housing tax credits, and City of Antioch CDBG funds. The total development cost is \$20.6 million.

The project sponsor is Antioch Recap, L.P., a limited partnership comprised of RCD GP III, LLC as the managing general partner and Red Stone Equity Partners LLC as the tax credit equity investor. RCD is the sole member of RCD GP III LLC, and is a well-respected non-profit developer of affordable housing with extensive experience in Contra Costa County.

The HOME loans will be subordinate to the bond loan and the County may be requested to sign estoppel agreements to that effect. This action of the Board includes authorization of the DCD Director to execute estoppel and subordination agreements consistent with the subordination terms included in the Development Loan Agreement.

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 HOME funds may not be fully secured through the value of the property. However, the HOME program funds are granted, not loaned, to the County, so the County general fund will not have any exposure as a result of this loan. The County structures its HOME investments as loans rather than grants in order to maintain involvement in the financial team in the event the project experiences any serious issues over the 55-year term.

The following is a summary of each property:

Pinecrest Apartments (1945 and 1949 Cavallo Road in Antioch)

In 2000, the County loaned \$625,000 of HOME funds for acquisition and rehabilitation of this 24-unit multifamily rental project. In consideration of the loan, 11 of the units were income and rent restricted as set out in a County regulatory agreement. The new loan will require 3 additional HOME units. However, all of the units are affordable due to tax credit regulations. The current rehabilitation scope of work includes interior and exterior rehabilitation including grading, retaining wall repairs, parking lot repairs, sewer line scoping, laundry room upgrades, and safety and accessibility upgrades.

Terrace Glen Apartments (35, 45, 101, 103 - 107 W. 20th Street in Antioch)

In 1996, the County loaned \$615,000 of HOME funds for the acquisition and rehabilitation of this 32-unit multifamily rental project, and another \$241,000 of HOME funds in 1998. In consideration of the loans, 16 of the units were income and rent restricted as set out in a County regulatory agreement. The new loan will require 5 additional HOME units. However, all of the units are affordable under tax credit regulations. The current rehabilitation scope of work includes interior and exterior rehabilitation including mold remediation, roof repairs, replace sewer lines, concrete repairs, and safety and accessibility upgrades.

### National Environmental Policy Act (NEPA)

HOME projects are subject to NEPA and 24 CFR Part 58 review. The NEPA review for this project is complete and the developer must: (1) survey Pinecrest for lead-based paint and asbestos, and remediate if necessary; (2) remove asbestos at Terrace Glen; and (3) survey Terrace Glen for lead-based paint and remediate, if necessary. This project is categorically exempt from CEQA pursuant to Section 15301; it is the repair of existing facilities.

### CONSEQUENCE OF NEGATIVE ACTION:

Without the approval and execution of the HOME legal documents, the acquisition and rehabilitation will not be done, and the properties will continue to suffer from deferred maintenance.

### CHILDREN'S IMPACT STATEMENT:

The two apartment complexes making up the Antioch Renovation development provide 56 units of affordable rental housing appropriate for families. This supports outcome #3: Families are Economically Self Sufficient.

### ATTACHMENTS

Antioch Reno Combined Loan Agreement

Antioch Reno Intercreditor

Antioch Reno Combined Deed of Trust

Antioch Reno New HOME Loan Note

Pinecrest Restructured HOME Loan Promissory Note

Terrace Glen Restructured HOME Loan Promissory Note

Pinecrest HOME Regulatory Agreement

Terrace Glen HOME Regulatory Agreement

Pinecrest County Regulatory Agreement

Terrace Glen County Regulatory Agreement

Pinecrest Assignment Agreement

Terrace Glen Assignment