C.120

Contra Costa County

To: Board of Supervisors

From: John Kopchik, Director, Conservation & Development Department

Date: March 10, 2020

Subject: Sale and Rehabilitation of the Affordable Rental Housing Development Known as Coggins Square

RECOMMENDATION(S):

1. APPROVE and AUTHORIZE the Conservation and Development Director, or designee, to execute legal documents, subject to approval by the County Administrator and approval as to form by County Counsel, to refinance outstanding loans secured by Coggins Square Apartments, at 1316 Las Juntas Way in Walnut Creek, and provide an additional Community Development Block Grant loan of $2.37 million for the development.

2. DETERMINE that the activity is not subject to the California Environmental Quality Act (CEQA), pursuant to Article 5, Section 15061(b)(3);

3. DIRECT the Director of Conservation and Development to file a Notice of Exemption for the Coggins Square Rehabilitation 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.

☑ APPROVE ☐ OTHER

☑ RECOMMENDATION OF CNTY ADMINISTRATOR ☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **03/10/2020** ☑ 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 10, 2020

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

By: Stephanie Mello, Deputy

Contact: Kristen Lackey, (925) 674-7793

cc:

FISCAL IMPACT:

There is no General Fund impact associated with this action. Community Development Block Grant funds (CFDA 14-218) are provided to the County on a formula allocation basis through the U.S. Department of Housing and Urban Development (HUD).

BACKGROUND:

Coggins Square Apartments, located at 1316 Las Juntas Way in the unincorporated area of the County near Walnut Creek, is an 87-unit multifamily residential rental development built 18 years ago by a limited partnership comprised of BRIDGE Housing and a tax credit investor. With the assistance of Community Development Block Grant (CDBG), HOME Investment Partnership Act (HOME), Redevelopment Agency funds, and private activity bonds, the transit oriented project included 100% affordable units with deep affordability levels and large 3-bedroom units suitable for families. The initial tax credit period has passed and the building is in need of substantial rehabilitation such as water damage remediation, a new roof, repainting and upgrading the units and interior community spaces. The developer proposes to refinance the project for another tax credit allocation and to complete the needed rehabilitation. Since the dissolution of the Redevelopment Agency in 2012, the Redevelopment Agency loan became an asset of the Housing Successor (governed by the Board of Supervisors) through the approval of the Housing Asset Transfer List.

The County actions needed to implement the proposed refinancing and rehabilitation include restructuring the existing debt (a CDBG loan, a HOME loan and a Housing Successor loan, all of which total approximately $4.49 million with accrued interest) and loaning additional CDBG funds in the amount of $2.37 million. Together, the refinancing and the new CDBG funds will result in a new loan of approximately $6.86 million.

The existing loans terms are 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. Since 2014, the following interest payments have been received by the County: $11,683.58 toward the CDBG loan; $10,372.42 toward the HOME loan; and $9,795 toward the Successor Agency loan. Accrued interest to date for each loan will be added to the associated outstanding principal amounts to constitute new principal amounts. The restructured loans will have a new 55-year term and carry the applicable federal interest rate at the time of transaction closing (1.93% in March 2020) with the same deferred payment/surplus cash flow repayment structure. The existing Regulatory Agreement will be terminated and the updated terms will be reflected in the new Regulatory Agreement.

The new $2,370,000 CDBG allocation for this project was approved by the Board on October 22, 2019, (C.69) 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. A new Regulatory Agreement will be recorded on the property to reflect the additional term of affordability.

In addition to the County loans, the project will be funded with tax-exempt bonds issued by the County (a separate item on this March 10, 2020 Board agenda addresses the bonds), low-income housing tax credits, and general partner equity. The total development cost is $50.9 million.

The project sponsor is Coggins Square Apartments, L.P., a limited partnership comprised of Coggins Square Apartments LLC as the managing general partner and National Affordable Housing Trust as the tax credit equity investor. BRIDGE Housing is the sole member of Coggins Square Apartments LLC, and is a well-respected non-profit developer of affordable housing with extensive experience in the Bay Area, including Contra Costa County.

The 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 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 CDBG funds may not be fully secured through the value of the property. However, the CDBG 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 CDBG 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.

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 project is exempt. This project is not subject to the CEQA pursuant to Article 5. Section 15061(b)(3) of the CEQA Guidelines.

CONSEQUENCE OF NEGATIVE ACTION:

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

CHILDREN'S IMPACT STATEMENT:

The recommendation supports one or more of the following children's outcomes:
(1) Children Ready for and Succeeding in School;
(2) Children and Youth Healthy and Preparing for Productive Adulthood;
(3) Families that are Economically Self Sufficient;
(4) Families that are Safe, Stable and Nurturing; and
(5) Communities that are Safe and Provide a High Quality of Life for Children and Families.