



**Contra
Costa
County**

To: Board of Supervisors
From: John Kopchik, Director, Conservation & Development Department
Date: September 22, 2020

Subject: Approval of \$2,200,400 HOME loan and related legal documents for Veterans Square, an affordable housing development in Pittsburg

RECOMMENDATION(S):

In the matter of making a loan of \$2,200,400 in HOME Investment Partnership Program (HOME) funds to Veterans Square L.P., a California limited partnership, for Veterans Square, a 30 unit affordable housing development in Pittsburg:

1. FIND, as the responsible agency, that on the basis of the whole record before the County including the California Environmental Quality Act (CEQA) review prepared by the City of Pittsburg as the lead agency that the development is exempt under Sections 15332 and 15061(b)(3) of CEQA; and
2. DIRECT the Director of Conservation and Development, or designee, to file a Notice of Exemption for Veterans Square with the County Clerk, and pay any required fee for the filing; and
3. 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 effect the loan.

FISCAL IMPACT:

No General Fund impact. HOME funds are provided to the County on a formula allocation

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **09/22/2020** ☒ 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: September 22, 2020

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

Contact: Amalia Cunningham,
925-674-7869

By: June McHuen, Deputy

cc:

basis through the U.S. Department of Housing and Urban Development (HUD). HOME - CFDA# 14.239.

BACKGROUND:

This proposed project has been in development for approximately 10 years and has received funding recommendations from the Affordable Housing Finance Committee in multiple cycles. Most recently, its HOME funding allocation was approved by the Board of Supervisors on December 11, 2018. The developer is a wholly owned subsidiary of Satellite Affordable Housing Associates (SAHA), which has a long track record of affordable housing development in the Bay Area. Veterans Square will have 30 apartments in downtown Pittsburg, 29 affordable to low-income residents and one manager's unit. The HOME funds will support 14 of those units, 11 apartments at no more than 30% of Area Median Income (AMI), and three at no more than 40% AMI.

Many other financing sources are involved in the construction, including a proposed bond issuance through Contra Costa County (scheduled for a separate review by the Board of Supervisors), City of Pittsburg funds, and Silicon Valley Housing Trust. SAHA has also expressed interest in applying for HOPWA funds through the Department of Conservation and Development as part of the next annual cycle for federal funds, which will open in Fall 2020. The development will utilize a State of California No Place Like Home (NPLH) grant through a partnership with the County. Contra Costa Health Services will provide the NPLH services and DCD will provide administrative support for the NPLH grant. NPLH is a new State program and this is the first project in Contra Costa County to use it.

HOME funds will be provided in the form of a 55-year, residual receipts loan with a zero percent interest rate. The low interest rate was requested by SAHA due to financing challenges during COVID-19. Even at zero percent interest, 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 Regulatory Agreement with a 20 year term and an additional County Regulatory Agreement that will maintain the affordability following the expiration of the HOME affordability term for an additional 35 years. The loan agreement (Agreement) and related documents are attached in their substantially final form and will be executed in a form approved by County Counsel.

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's HOME funds may not be fully secured by the value of the property; however, HOME funds are dedicated to providing affordable housing options for low-income households and the same risk would be present in any comparable project using tax credits. Further, the HOME funds to be used are granted, not loaned, to the County by HUD.

HOME projects are subject to National Environmental Policy Act (NEPA) and 24 CFR Part 58 review, in addition to CEQA review for which the City of Pittsburgh as lead agency has determined the project was exempt as an infill development. The County's NEPA review for this project is complete and required mitigation actions are included in the Agreement. The County, as a responsible agency under CEQA, concurs with the City's CEQA determination and will file the appropriate notice with the Recorder's Office.

CONSEQUENCE OF NEGATIVE ACTION:

Without the approval and execution of the HOME legal documents, the project will not be able to move forward. Veterans Square, L.P. must close the transaction in October 2020, or forgo the housing tax credit allocation upon which the project's financing depends.

CHILDREN'S IMPACT STATEMENT:

Long-term affordable housing such as that to be provided by Veterans Square is consistent with Children's Report Card outcome #3: Families are Economically Self-Sufficient.

ATTACHMENTS

HOME Loan Agreement
HOME Loan Deed of Trust
HOME Loan Promissory Note
HOME Loan Subordination and Intercreditor Agreement
County Regulatory Agreement
HOME Regulatory Agreement