



**Contra  
Costa  
County**

To: Board of Supervisors  
From: John Kopchik, Director, Conservation & Development Department  
Date: July 13, 2021

Subject: Approval of and Consent to Refinancing, Subordinating, and Repayment of CDBG Loan - Emerson Arms in Martinez

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

1. CONSENT to the refinancing of the first mortgage loan and agree to subordinate the County Regulatory Agreement to the new first mortgage lender;
2. APPROVE a subordination agreement among Contra Costa County as Governmental Entity, Merchants Capital Corp as Lender, and Contra Costa County Housing Corporation as Borrower that will subordinate the rights and obligations under the County Regulatory Agreement;
3. ACCEPT repayment of the 2003 Community Development Block Grant loan balance of \$253,652.32 plus accrued interest; and
4. APPROVE and AUTHORIZE the Director of Conservation and Development, or designee, to execute documents to carry out these items.

### **FISCAL IMPACT:**

No impact to the General Fund. The loan repayment must be used for CDBG eligible projects.

CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA):  
CDBG - 14.218

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **07/13/2021** ☒ 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: July 13, 2021

Monica Nino, County Administrator and Clerk of the Board of Supervisors

By: Wendy Mascitto, Deputy

Contact: Kristin Sherk, (925)  
655-2889

cc:

## BACKGROUND:

On May 9, 2003, the County loaned \$1,360,622 in CDBG funds to Contra Costa County Housing Corporation (a subsidiary of Eden Housing, Inc.) for the rehabilitation of Emerson Arms, a 32-unit affordable apartment complex located 326 Ward Street in Martinez (Development). The Development was financed with CalHFA financing. The County entered into a loan with Contra Costa County Housing Corporation, in exchange for the project reserving 31 units for low-income households for a period of 55 years to 2058.

Eden Housing, Inc. (Eden) wishes to refinance the first mortgage loan in order to finance a rehabilitation scope of approximately \$4,000,000. The project was originally constructed in approximately 1970 and last underwent any significant renovation in 2003. Eden will work with Merchants Capital to secure favorable financing through the Fannie Mae Mortgage Backed Securities Program enabling the project to pay off both the County's CDBG loan in full plus accrued interest and the CalHFA first mortgage plus complete a renovation scope of approximately \$4,000,000. The CDBG Loan Agreement allows for prepayment of the CDBG loan without penalty, but the CDBG Regulatory Agreement shall remain in effect for the entire 55-year term. Merchants Capital as new Lender will require that the County subordinate its current CDBG Regulatory Agreement to the new first mortgage loan. The subordination agreement is attached in its substantially final form and will be executed in a form approved by County Counsel.

## CONSEQUENCE OF NEGATIVE ACTION:

If the subordination agreement and CDBG loan payoff are not approved, Eden will be unable to refinance and complete the planned rehabilitation at Emerson Arms Apartments.

## ATTACHMENTS

Emerson Arms Subordination Agreement