



**Contra
Costa
County**

To: Board of Supervisors
From: John Kopchik, Director, Conservation & Development Department
Date: May 10, 2022

Subject: Approval of \$3,600,000 CDBG Loan and Related Legal Documents for Sycamore Place, an Affordable Senior Housing Project in Danville

RECOMMENDATION(S):

In the matter of restructuring an outstanding Community Development Block Grant (CDBG) loan and making a new CDBG loan of \$3,600,000 to Sycamore Place Senior Housing, L.P. a California Limited Partnership, to acquire and rehabilitate 74 affordable senior rental units known as Sycamore Place located in Danville:

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 Town of Danville as the lead agency that the development is categorically exempt under Section 15301, Existing Facilities of CEQA; and
2. DIRECT the Conservation and Development Director, or designee, to file a Notice of Exemption for Sycamore Place 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 to form by County Counsel, to effect the loan.

FISCAL IMPACT:

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **05/10/2022** ☒ 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: May 10, 2022

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

By: Laura Cassell, Deputy

Contact: Kristin Sherk
925-655-2889

cc:

No General Fund impact. CDBG funds are provided to the County on a formula allocation basis through the U.S. Department of Housing and Urban Development (HUD).
CFDA #: CDBG 14.218.

BACKGROUND:

On May 11, 2021, the Board of Supervisors allocated \$3,600,000 in CDBG funds as a loan to BRIDGE Housing Corporation (BRIDGE) for the acquisition and rehabilitation of Sycamore Place at 35 Laurel Drive, Danville. The project sponsor is Sycamore Place Senior Housing, L.P., a limited partnership comprised of Sycamore Place Senior Housing LLC, a California limited liability company as the managing general partner and U.S. Bancorp Community Development Corporation, a Minnesota corporation, as the investor limited partner. BRIDGE is the sole

BACKGROUND: (CONT'D)

member of Sycamore Place Senior Housing LLC, and is a known nonprofit developer of affordable housing with extensive experience in the Bay Area, including Contra Costa County.

Sycamore Place is a 74-unit affordable senior (age 62 and older) rental development affordable to households earning 30-50% Area Median Income. It was built in 2003 and originally financed with CDBG, Home Investment Partnership Program (HOME), Town of Danville Redevelopment Agency, and 9% Low-Income Housing Tax Credits. The initial tax credit period has passed and the building is in need of substantial rehabilitation such as waterproofing and repair as needed to the windows, roof, exterior walls, and building envelope; replacement of in-unit mechanical and plumbing systems and HVAC systems; and upgrading the unit finishes and interior common areas. Temporary relocation is anticipated during the construction period, but no tenants living at Sycamore Place are anticipated to be permanently relocated.

In support of the of the proposed rehabilitation, the County actions needed are: (1) consent to the assignment of the original County CDBG loan to the borrower; (2) restructure the original County CDBG loan by rolling the accrued interest of \$822,649 into the outstanding principal balance of \$1,732,705 resulting in an updated principal balance of \$2,555,354 of the original County CDBG loan, and (3) loaning additional CDBG funds in the amount of \$3,600,000. Together, the restructuring and the new CDBG funds will result in a combined County loan of \$6,155,354.

The existing loan 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 2003, the County has received \$301,048.40 in interest payments toward the CDBG loan. The HOME loan was paid off in 2004. The outstanding principal balance of the original CDBG loan is \$1,732,705 plus an accrued interest of \$822,648.99. The restructured loan will have a new 55-year term and carry the applicable federal interest rate at the time of the transaction closing (2.66% in May 2022) 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 CDBG loan will have a 55 year term with 2% simple interest, with annual payments made from residual receipts.

The loan documents are attached and include a restructured promissory note for the existing CDBG funds, an assignment agreement for the existing CDBG funds, a new promissory note for the new CDBG loan, a combined deed of trust and security agreement, a loan agreement, a regulatory agreement, and intercreditor agreement. The documents are in their close to final form and will be executed subject to approval by the County Administrator and in a form approved by County Counsel. Through this action, the DCD Director is also authorized to execute subordination agreements and estoppels that are consistent with the terms in the CDBG 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 the low-income housing tax credits is substantial compared to the amount of the 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 funds may not be fully secured through the value of the property; however, CDBG funds are granted (not loaned) to the County and are dedicated to providing affordable housing options for low-income households and the same risk may be present in any comparable projects using tax credits.

CDBG funded projects are subject to National Environmental Policy Act (NEPA) and 24 CFR Part 58 review. The County's NEPA review has been completed and the project is exempt with no mitigations required.

CONSEQUENCE OF NEGATIVE ACTION:

Without approval and execution of the legal documents, the acquisition and development will not be completed and the property will continue to suffer from deferred maintenance. Sycamore Place Senior Housing, L.P. must close the transaction and begin construction in June 2022, or forgo the low-income housing tax credits upon which the project's financing depends.

ATTACHMENTS

Sycamore Place Intercreditor Agreement
Sycamore Place New CDBG Promissory Note
Sycamore Place Original Loan Assignment Agreement
Sycamore Place Restructured Original CDBG Promissory Note
Sycamore Place Resyndication County Combined Loan Deed of Trust
Sycamore Place Resyndication County Loan Agreement
Sycamore Place Resyndication County Regulatory Agreement