



**Contra
Costa
County**

To: Board of Supervisors

From: John Kopchik, Director, Conservation & Development Department

Date: May 16, 2023

Subject: Approval of \$600,000 HOPWA Loan and Related Legal Documents for Aspen Court Apartments

RECOMMENDATION(S):

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 provide a Housing Opportunities for Persons with AIDS (HOPWA) loan of \$600,000 to Aspen Drive Housing, Inc., a California nonprofit public benefit corporation, to rehabilitate the Aspen Court Apartments Project located at 121 Aspen Drive in the unincorporated community of Pacheco.

FISCAL IMPACT:

No General Fund impact. HOPWA funds are provided on a formula allocation basis through the City of Oakland, as HOPWA Grantee. HOPWA CFDA #14.241.

BACKGROUND:

On June 11, 2022, the Board of Supervisors approved an allocation of \$600,000 in HOPWA funds to Resources for Community Development (RCD) for the rehabilitation of Aspen Court, a 12-unit affordable housing rental property located at 121 Aspen Drive in the unincorporated community of Pacheco. The project was originally financed as a small HUD Section 811 Supportive Housing for Persons with Disabilities project to subsidize rental

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **05/16/2023** ☒ 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

Ken Carlson, 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 16, 2023

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

By: June McHuen, Deputy

Contact: Kristin Sherk, (925)
655-2889

cc:

housing with the availability of supportive services for very low- and extremely low-income adults with disabilities.

The HOPWA loan is being made to finance the predevelopment and construction costs associated with the rehabilitation activities for Aspen Court and is intended to maintain the supply of affordable rental housing in the County. With this HOPWA loan, the County will continue to designate 11 units as HOPWA-assisted for an additional 55-year term. As proposed, the HOPWA funds will be loaned in two phases: 1) FY 2018 HOPWA funds of \$167,000 for predevelopment costs associated with the proposed rehabilitation that must be expended by June 30, 2023, to meet HOPWA expenditure requirements; and 2) \$433,000 for the primary rehabilitation construction costs.

The HOPWA funds will be provided by the County in the form of a 55-year loan. The HOPWA loan will bear no interest with payments being deferred during the term of the loan. Affordability and use restrictions are incorporated into the HOPWA loan documents. The County will have a HOPWA Regulatory Agreement with a 55-year term of affordability for this project.

BACKGROUND: (CONT'D)

The building was constructed 20 years ago and has capital needs that cannot be addressed with available resources. The scope of the approved rehabilitation includes exterior accessibility upgrades to the parking lot, exterior lighting and security camera system improvements, exterior painting, roof replacement, water/plumbing pipeline replacement, water pump upgrades, central water heater upgrades, replacement of heaters in all units, and unit upgrades to kitchens, bathrooms, and flooring as needed.

The recommended action includes authorization for the Director of the Department of Conservation and Development, or designee, to execute any and all documents and to take any and all actions necessary to implement the activities authorized under the Loan Documents, including execution of loan amendments or modifications for the purposes of agreeing to reasonable extensions of time deadlines.

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 HOPWA funds may not be fully secured through the value of the property. However, the HOPWA 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 HOPWA 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): HOPWA 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.

CONSEQUENCE OF NEGATIVE ACTION:

Without the approval and execution of the legal documents, the rehabilitation of Aspen Court will not be completed, and the property will continue to suffer from deferred maintenance. The project must close the transaction and expend \$167,000 of the HOPWA loan by June 30, 2023, or the County will forgo the HOPWA funds.

ATTACHMENTS

Aspen Court HOPWA Loan Agreement

Aspen Court HOPWA - Deed of Trust

Aspen Court - HOPWA Regulatory Agreement

Aspen Court HOPWA - Promissory Note