



COUNTY OF NEVADA HEALTH & HUMAN SERVICES AGENCY

950 Maidu Ave.
Nevada City, California
95959

HHSA Agency Director
Michael Heggarty

Telephone (530) 265-1627
Fax (530) 265-2295

Department Directors
Phebe Bell, Behavioral Health
Jill Blake, MPA, Public Health
Mike Dent, MPA, Child Support Services/Collections and
Housing & Community Services
Tex Ritter, JD, Social Services

NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

MEETING DATE: March 26, 2019

TO: Board of Supervisors

FROM: **Mike Dent – Housing & Community Services**

SUBJECT: A Resolution of the Board of Supervisors approving the modification of the existing Community Development Block Grant Promissory Note between Nevada County and the Nevada County Housing Development Corporation (NCHDC) related to the 42 unit affordable housing rental complex located at 10533 Broken Oak Court, Penn Valley, CA 95946.

RECOMMENDATION: Approve the attached resolution to authorize the Promissory Note between the Nevada County Housing Development Corporation and the County of Nevada.

FUNDING: Funding was originally provided through the use of Community Development Block Grant (CDBG) Program Income, no additional funding is required. There is no impact on the General Fund.

BACKGROUND: On December 2, 1997, Nevada County agreed to lend \$195,000 in Community Development Block Grant (CDBG) Program Income funds to the Nevada County Housing Development Corporation (NCHDC), a local non-profit. The funds were used to purchase property at 10533 Broken Oak Court, Penn Valley, CA 95946, in order to develop a low to very low income, 42 unit affordable housing rental complex. The terms of the loan provide 2% simple interest for 30 years, with the principal and interest to be forgiven at maturity provided the Project retained rents in compliance with CDBG guidelines. In addition to CDBG funding, completion of the Project was made possible through the use of tax exempt bond financing, and equity raised from the syndication of Low Income Housing Tax Credits (LIHTC). Under the current funding structure NCHDC serves as the general managing partner

for Penn Valley Apartments Limited, a single purpose entity which currently owns the low income apartment complex.

At this time this low-income housing Project has reached the end of the initial tax credit compliance period and is eligible for re-syndication. In order for the project to continue to provide affordable housing within the County, an acquisition and rehabilitation proposal has been submitted to the current project investors. Under this proposal, ownership of the apartment complex will transfer to Penn Valley 2, LP, with NCHDC continuing as the general managing partner. This proposal includes a request for the extension of terms of the Promissory Note between NCHDC and the County of Nevada. Under the proposed amendment to the Promissory Note, The Nevada County Housing and Community Services Loan Committee has reviewed the acquisition and rehabilitation proposal and recommends the County of Nevada Board of Supervisors approve the extension of terms of the Promissory Note. The Promissory Note shall be modified to extend the maturity date to December 31, 2039, and shall continue to allow forgiveness of the debt should the units maintain affordability as qualified low-income housing under CDBG guidelines throughout the life of the loan. Additionally, the borrower shall certify to the County that compliance with the rent limitations were met, on an annual basis. This amendment supports the Board's priorities to provide affordable housing opportunities within the community, as it will prevent the loss of 42 low-income housing units in Penn Valley. Loss of those units would have led to an increase in homelessness in the County.

All other terms and conditions under said Note, Deed of Trust and loan agreement shall remain the same and in full effect.

In light of the proposed transfer of ownership of this low-income housing complex project from Penn Valley Apartments Limited to Penn Valley 2, LP, and the benefit to the County through the continuation of an important available low-income housing resource, the Board of supervisors is respectfully requested to approve the proposed modification to the Promissory Note between Nevada County and NCHDC. Under this modification, NCHDC will continue to be obligated under the terms and conditions of the County's CDBG loan, while the new owner will sign an acknowledgement that the Project is encumbered by the County's Deed of Trust and agree to comply with the terms of the County's CDBG loan and regulatory agreement relating to operating the project for affordable housing. There is another resolution going to the Board of Supervisors at this same March 26, 2019, meeting requesting solicitation of public comment regarding a proposed Bond issuance by the California Statewide Communities Development Authority for additional support of this project.

Item Initiated and Approved by: Mike Dent, Director – Housing and Community Services