



# COUNTY OF NEVADA HEALTH & HUMAN SERVICES AGENCY

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## NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

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**MEETING DATE:** May 28, 2019

**TO:** Board of Supervisors

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

**SUBJECT:** Resolution Approving Commitment to an Agreement with the Regional Housing Authority to Provide a Deferred Loan to the Penn Valley Lone Oak Senior Apartment Project in the Amount of \$898,000, and Rescinding Resolution 18-611

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**RECOMMENDATION:** Approve the attached resolution.

**FUNDING:** No Immediate funding impact. When loan is approved in the Fall/Winter of 2019, funding will impact the Housing and Community Development budget in the amount of \$898,000 including an original loan commitment of \$398,000 from affordable housing in-lieu fees (\$331,000 from property sales identified in Board Resolution 17-539, plus \$67,000 of other housing related funding from the Health and Human Services Agency), and \$500,000 from the General Fund, with proceeds from the sale of county property earmarked for affordable housing purposes be applied toward the repayment of the \$500,000 loan. The loan is expected to occur in the Fall/Winter of 2019, and is conditioned upon the developer receiving an award of Federal tax credits from the California Tax Credit Allocation Committee (TCAC).

**BACKGROUND:** This item relates to the 2019 Board Objectives A Priority, “Coordinate with local jurisdictions, developers and other partners to maximize leveraging opportunities with new state funding for affordable and workforce housing development”. The Lone Oak Senior Apartments are proposed to be located on approximately 2 acres of land in Penn Valley, CA. The project is for 31 new units of affordable senior housing, including 24 one-bedroom, and 7 two-bedroom units. The project will house low-income seniors earning

between 30-60% of the area median income for Nevada County. Construction is estimated at 12 months, starting in October 2019 and ending in October 2020.

The project is being co-developed with the Regional Housing Authority (RHA) as managing general partner and Penn Valley Pacific Associates, LP as limited partner. Penn Valley Pacific Associates, LP. The project will be managed by an independent third party property management company.

In March of 2018, the developers applied in the competitive round for federal 9% low income housing tax credits through the California Tax Credit Allocation Committee (TCAC) which would have funded a majority of the project and which are required to make the project financially viable. The project did not receive a high enough score and did not receive the needed tax credits. In March of 2019, the developers again applied for tax credits, including a County commitment for a loan of \$398,000 approved by the Board of Supervisors on December 11, 2019 (Resolution 18-611), and did not receive a high enough score given other competing projects.

For the next round of TCAC allocations (July, 2019), the developers have requested the County loan the developers additional public funds for the project, including the original \$398,000, plus an additional \$500,000. Sale proceeds from the forthcoming sale of South County property that is earmarked for affordable housing purposes will be used toward repayment of the additional \$500,000 loan from the County's General Fund. The source of the original \$398,000 included funds from in-lieu fees on development property plus other housing related funding. Additionally, \$304,000 from County HCD HOME loan repayment balances has been identified as a separate funding source for this Project (the \$304,768 loan request is being made in a separate board item for this same board meeting). TCAC encourages local government agencies to provide financial assistance to aid in the development and construction of low-income rental housing, and it is expected that the total \$1.202 million in loans from the County of Nevada will provide the public leverage needed to be more competitive for a tax credit allocation.

This item is for a resolution to rescind resolution 18-611 authorizing the original commitment of \$398,000, and to authorize the County Executive Officer to sign a new letter of commitment for a total loan amount of \$898,000 (the original loan of \$398,000 plus an additional \$500,000). If the developer receives an award of Federal tax credits from TCAC and all other necessary financing to make the project feasible in the 2019 funding round, then a loan agreement will be brought before the Board of Supervisors for approval.

The loan would be a "deferred loan" which would be paid back using residual revenue (net revenue remaining after all other expenses have been paid), with a 3% interest rate and 55 year amortization period (the interest rate and amortization period are determined by the LIHTC rules), secured by a deed of trust and promissory note.

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