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HEALTH & HUMAN SERVICES AGENCY

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NEVADA COUNTY BOARD OF SUPERVISORS
Board Agenda Memo

MEETING DATE: May 28, 2019

TO: Board of Supervisors

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

SUBJECT: Resolution Approving Commitment of HOME Program Income 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 $304,768.

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 Services budget in the amount of $304,768 from The HOME Program Income Fund which is funded through the repayment of housing loans. 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). No additional General Fund dollars are expected.

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 $304,768 from County HCD HOME loan repayment balances, as set forth in this Resolution, as well as the original $398,000 loan commitment that was authorized by this Board on December 11, 2018, per Resolution 18-611, and an additional $500,000 from the County General Fund (the $898,000 loan request is being made in a separate board item for this same board meeting). It is intended that the proceeds received from the forthcoming sale of South County property and earmarked for affordable housing purposes will be applied toward repayment of the $500,000 loan. 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 authorize the County Executive Officer to sign a letter of commitment for a loan amount of $304,768 from County HOME Program Income Fund. 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