



COUNTY OF NEVADA HEALTH & HUMAN SERVICES AGENCY

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NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

MEETING DATE: March 10, 2020

TO: Board of Supervisors

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

SUBJECT: Resolutions Approving two Loan Agreements in furtherance of the Development of the Penn Valley Lone Oak Senior Apartment Project in the total amount of \$1,202,768 and direct the Auditor-Controller to amend the budget for Fiscal Year 2019-20. (4/5 Vote Required)

RECOMMENDATION: Approve the attached Resolutions.

FUNDING: No Immediate funding impact. Funds for these loans were approved in the Fall/Winter of 2019 by Resolutions 19-238 (allocating the amount of \$898,000 including an original loan commitment of \$398,000 from affordable housing in-lieu fees 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 sale of County property earmarked for affordable housing purpose) and 19-239 (allocating \$304,768 in HOME Program Income Funds). A budget amendment is required for FY 2019/20 and is included with this item (4/5 vote required).

BACKGROUND: These items relate 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, having secured tax credit funding, will be located on approximately 2 acres of land in Penn Valley, CA. The project will create 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 2020 and ending in October 2021.

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, a California Limited Partnership is the owner of the Project and will be the Borrower of the HOME Program Income funds in the amount of \$304,00, while the borrower under these the remaining \$898,00 funds will be RHA. In the ownership structure, the Managing General Partner is Lone Oak I-BBP, LLC, a California limited liability company, by Building Better Partnerships, Inc., a California Nonprofit Public Benefit Corporation, which is an instrumentality of borrower/Regional Housing Authority. The Administrative General Partner in the ownership is TPC Holdings VII, LLC, an Idaho Limited Liability Company. The current Limited Partner is Pacific West Communities, Inc., a co-developer with RHA. Collectively, these three entities make up Penn Valley Pacific Associates, LP.

In September of 2019, the developers received award of competitive federal 9% low income housing tax credits through the California Tax Credit Allocation Committee (TCAC). Previous applications had not received a high enough score to receive funding. The County's total loan commitment of \$1,202,768 increased the tax credit application score resulting in award of Tax credit financing.

Under the current funding structure, the entire development will be restricted to provide affordable housing throughout the 31-unit development. Tenant income levels will be restricted based on those limits set under the approval of the TCAC application, with the exception of three units which will be required to house tenants whose income does not exceed 30% (as defined as very low income) of the adjusted median income, for Nevada County, as identified under the Home Program guidelines.

This item requires two separate resolutions approving a loan agreement with RHA and accompanying promissory notes governing the use of County affordable housing funds, and a separate loan agreement with Penn Valley Pacific Associates, LP, deed of trust subject to a subordination agreement with the primary lender, and promissory note in regard to the HOME Program Income funds. The loan of County affordable housing funds will be an unsecured "deferred loan" and 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 commencing upon final certificate of occupancy (the interest rate and amortization period are determined by the Low Income Housing Tax Credit rules), and a promissory note. The loan agreement will not be secured by a deed of trust as previously understood as the Regional Housing Authority is committing the funding wholly to the Project without the ability to secure the County funds through a deed of trust. The HOME Program Income funds will be a loan, secured through a deed of trust and promissory note with a 3% interest rate and 55-year amortization period commencing upon final certificate of occupancy.

Further, it is requested that the Health and Human Services Agency Director or designee(s) be authorized to sign any/all amendments to the Loan Agreement and/or other documents necessary to complete the loan transaction.

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