



COUNTY OF NEVADA HEALTH & HUMAN SERVICES AGENCY

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NEVADA COUNTY BOARD OF SUPERVISORS Board Agenda Memo

MEETING DATE: September 1, 2020

TO: Board of Supervisors

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

SUBJECT: Resolution accepting the exercise of the “Ground Lease Agreement” by Grass Valley PSH Associates, a California Limited Partnership, pertaining to County-owned property located at 936 Old Tunnel Rd., Grass Valley, CA (APN NO 035-400-054), designated as the location of the proposed Brunswick Commons affordable housing project (Resolution No. 19-358), authorizing the execution of a 99-year lease, approving the Development and Disposition and Regulatory Agreement, and approving the development of the Brunswick Commons Affordable Housing Project.

RECOMMENDATION: Approve the Resolution.

FUNDING: There is no impact on the General Fund and no budget amended is required.

BACKGROUND: The County owns a 5.0+/- acre parcel located at 936 Old Tunnel Road, Grass Valley, CA 95945, (APN# 035-400-054). The property was purchased with the intent to utilize a portion of it for the development of the proposed Brunswick Commons affordable housing project for homeless persons and persons with psychiatric disabilities who are homeless, or at risk of homelessness, and their families to achieve permanent supportive housing and self-sufficiency by promoting the integration of affordable housing and appropriate supportive services (“Project”). This Project is in furtherance of the Nevada County Board of Supervisors “A” Priority to established affordable housing in an effort to reduce homelessness.

On January 8, 2019, per Resolution 19-203, the Nevada County Board of Supervisors approved

a Memorandum of Understanding (“MOU”) between the County of Nevada, Hospitality House, and the Regional Housing Authority (“RHA”) regarding the intent to work cooperatively on pre-development activities related to the construction of affordable housing, transitional housing, and a navigation center on the Property. Subsequently, on January 22, 2019, per Resolution 19-044, the Nevada County Board of Supervisors approved Amendment No. 1 to the MOU to clarify site control over the Property for purposes of No Place Like Home (“NPLH”) funding, and to provide County with the exclusive right to negotiate with the RHA, as Developer, for the acquisition of the Property for purposes of constructing the Project.

The RHA has since contracted with Pacific West Communities, Inc. (“PWC”), a developer of low-income housing projects, to be co-Developer, operator, and manager of the Brunswick Commons Project, with the intent to utilize 9% Low Income Housing Tax Credits and other funding sources in addition to No Place Like Home funding. On June 25, 2019, per Resolution 19-358, the Nevada County Board of Supervisors approved an exclusive Option to Ground Lease 2.32+/- acres of the 5-acre parcel to RHA and PWC, jointly, in furtherance of said funding and performance of pre-development activities related to the Project. Funding was secured through TCAC allocation of Tax Credits in June of 2020.

RHA and PWC notified the County that in order to act as both borrower and operator of the Project, RHA and PWC were required to form the Grass Valley PSH Associates, a California Limited Partnership (“PSH”), of which they are the two partners. As a result, the parties entered into an Assignment and Assumption of the Option to Ground Lease, whereby Regional Housing Authority and PWC, as “Optionee/Assignors” assigned all right, title, and interest under the Option to Ground Lease to PSH, and PSH assumed all liabilities and obligations under the Option to Ground Lease as “Assignee.” The Assignment and Assumption of the Option to Ground Lease Agreement was authorized by this Board on February 11, 2020, per Resolution 20-032.

On August 19, 2020, PSH exercised its Option to Ground Lease, which is attached to this item for review. Pursuant to the terms and conditions of the proposed Ground Lease, PSH shall construct and operate the Project in accordance with the requirements of the Disposition and Development and Regulatory Agreement entered into between the Parties, as well as other Regulatory Agreements between PSH and TCAC and NPLH, pertaining to affordability and operational requirements. While the County will maintain ownership of the 5-acre parcel, 2.32+/- acres will be subject to the lease, as more fully set forth and described in the Legal Description attached to the Ground Lease Agreement as Exhibit A. The term of the lease is 99-years, during which period the Project must maintain the affordability and operational requirements set forth in the Lease Agreement and the Development and Disposition and Regulatory Agreement between the County and PHS, and Regulatory Agreements PHS is required to enter into with TCAC and the NPLH program.

The private lenders funding PHS’ construction of the Project require that the County, as landlord, not seek a default against PHS during the “compliance period” defined under section 42(i) of the Internal Revenue Code of 1986, which comprises the period of 15 taxable years beginning with the 1st taxable year of the credit period. During this compliance period, TCAC will continue to audit PHS’ operations and will have the authority to enforce the affordability and operational requirements associated with this Project.

It is respectfully requested that the Board approve this Resolution, allowing the following actions to occur in furtherance of the construction and operation of the Brunswick Commons Affordable Housing Project:

1. Accept the exercise of the Option to Ground Lease by Grass Valley PSH Associates, a California Limited Partnership, and approve a 99-year Ground Lease of 2.32 +/- acres of the County-owned real property located at 936 Old Tunnel Rd., Grass Valley, CA 95945, APN No. 035-400-054, by and between the County of Nevada and Grass Valley PSH Associates.
2. Approve the Disposition and Development and Regulatory Agreement by and between the County of Nevada and Grass Valley PSH Associates, a California Limited Partnership, pertaining to Grass Valley PSH Associates' construction and operation of the Brunswick Commons Affordable Housing Project.
3. Approve the Brunswick Commons Affordable Housing Project pursuant to the terms and conditions of the Ground Lease between the County and Grass Valley PSH Associates, a California Limited Partnership, the Development and Disposition and Regulatory Agreement by and between the County of Nevada and Grass Valley PSH Associates, and the Regulatory Agreements between Grass Valley PSH Associates and the California Tax Credit Allocation Committee and the No Place Like Home Program, pertaining to the Brunswick Commons Affordable Housing Project.

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