

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

February 11, 2020

FROM

GARY HALLEN, Director, Community Development and Housing

SUBJECT

Approve First Amendment to Grant Agreement with HPI Bloomington III, LLC and HOME Investment Partnerships Act Loan Agreement with Bloomington III Housing Partners, L.P., a California Limited Partnership, for the Bloomington Housing Phase III Project

RECOMMENDATION(S)

1. Approve **First Amendment** to Grant **Agreement No. 19-405** with HPI Bloomington III, LLC to make consistent language within the agreement for the Bloomington Housing Phase III project.
2. Approve HOME Investment Partnerships Act **Loan Agreement No. 20-72** not to exceed \$3,500,000 with Bloomington III Housing Partners, L.P., a California limited partnership, to construct 98 affordable housing units.
3. Authorize the Chairman of the Board of Supervisors or the County Chief Executive Officer, upon consultation with County Counsel, to make any necessary non-substantive modifications and approve and execute all ancillary documents required for the project's financing and construction.
4. Direct the Community Development and Housing Department Director to transmit all documents to the Clerk of the Board within 30 days of execution.

(Presenter: Gary Hallen, Director, 387-4411)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Promote the Countywide Vision.

Create, Maintain and Grow Jobs and Economic Value in the County.

Ensure Development of a Well-Planned, Balanced, and Sustainable County.

Provide for the Safety, Health and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approval of this item will not result in the use of any Discretionary General Funding (Net County Cost). This action would commit a \$3,500,000 loan of HOME Investment Partnership Program (HOME) funds to construct a 98-unit affordable housing development and community center. Sufficient appropriation and revenue exist within the Community Housing and Development (CDH) 2019-20 budget unit to fund the \$3,500,000 investment.

BACKGROUND INFORMATION

The Bloomington mixed use housing community is a three-phase, multi-generational, affordable housing project with approximately 288 units positioned along the Valley Corridor that provides the foundation for a healthier and more vibrant community while offering employment and retail opportunities in a walkable, safe and attractive environment. The community provides housing

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for families, seniors, and the formerly homeless, special needs populations with mental health and/or physical health conditions. Phases I and II are fully constructed and fully occupied. These phases are mixed-use and consist of 190-affordable units, including housing units located above the newly constructed public library which was the County's innovative answer to address design challenges and maximize unit count by effectively utilizing air space. The third phase consists of 98 affordable family units, including 20 Permanent Supportive Housing (PSH) units for homeless residents and includes constructing housing above the 7,700 square foot Community Center (Project). Approval of a \$3,500,000 HOME loan with Bloomington III Housing Partners, L.P. will allow the leveraging of the County's \$19,650,000 to secure \$28,350,414 of third-party financing and Low Income Housing Tax Credits (LIHTC) to construct the housing on the Project.

The Project is located in the County unincorporated community of Bloomington, at 17906 W. Valley Boulevard, in the Valley Corridor Specific Plan. The Project will have a 55-year affordability covenant recorded against the land. The County will maintain ownership of the land. The Developer will be required to construct the improvements and subsequently enter into a lease with the County. When the 57-year lease expires, the land and improvements will revert back to the County. The construction of the Project will further advance the County's goal of providing housing for low-income households including 20 PSH units for homeless residents.

The estimated total development cost of the Project is \$48,000,414 for the 98 units of which approximately \$45,900,414 is attributable to the Affordable Development and approximately \$2,100,000 is attributable to the Community Center Development. Overall estimated permanent financing sources and uses are summarized below:

Sources	Cost per Unit	Percent of Total	Amount
Tax Credit Equity	\$253,996	54.2%	\$24,891,604
Conventional Debt	\$ 19,224	4.1%	\$ 1,884,000
Inland Empire Health Plan (IEHP) Grant	\$ 15,306	3.3%	\$ 1,500,000
Special Needs Housing Program (SNHP)	\$ 16,069	3.4%	\$ 1,574,810
County Housing Monies	\$ 52,170	11.1%	\$ 5,112,638
HOME Funds	\$ 35,714	7.6%	\$ 3,500,000
NSP3 Funds	\$ 2,422	0.5%	\$ 237,362
Tax Exempt Bond Proceeds	\$ 5,102	1.1%	\$ 500,000
*County Land Grant	\$ 68,367	14.6%	\$ 6,700,000
Housing Total:	\$468,370	100%	\$45,900,414
NSP1 Funds Community Center	N/A	N/A	\$ 2,100,000
Project Total:			\$48,000,414

*County purchased the property for \$1,350,000 in 2012. In compliance with 2019 TCAC regulations the land appraisal is included in the application for \$6,700,000.

Uses	Amount
Acquisition Costs	\$ 6,700,000
Architectural Fees & Permits	\$ 4,600,000
Construction Costs	\$ 26,275,328
Indirect Construction/Legal	\$ 4,131,090
Developer's Fee	\$ 2,100,000

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Uses	Amount
Lease-Up Costs/Reserves	\$ 2,366,996
Financing Costs	\$ 1,827,000
Total:	\$ 48,000,414

Of the \$48,000,414, the County’s public assistance is \$18,150,000. However, as indicated in the chart and footnote above, the land value has increased from \$1,350,000 to \$6,700,000 since the time the County purchased the land in 2012. After deducting \$5,350,000 due to the increase in land value, the County’s cash subsidy is \$12,800,000. The County’s cash subsidy for capital construction is as follows:

Uses	Amount
County Land Acquisition Cost	\$ 1,350,000
Community Center	\$ 2,100,000
Capital Housing Construction Subsidy	\$ 8,850,000
Project Infrastructure Costs	\$ 500,000
Total Capital Construction County Subsidy	\$12,800,000

Public assistance for capital construction is not all that is required to allow for affordable housing to be successful, it also takes operational assistance. Operating subsidy depends on the deeper level of affordability that is being achieved. The Project has 98 affordable units, of which 20 are for PSH. PSH units can provide deeper levels of affordability than market rates or affordable housing units because the PSH unit tenant has minimal income to pay rent, a rental operating subsidy is required. Because the operational assistance is critical, the Housing Authority of the County of San Bernardino committed 20 Project Based Vouchers which have an estimated value of \$2,240,000 to support the PSH units.

Recommendation No. 1 of the Board of Supervisors (Board) requests approval of the First Amendment to Grant Agreement No. 19-405 (Grant Agreement) between the County of San Bernardino and HPI Bloomington III, LLC to correct a clerical error. Recommendation No. 2 requests approval of a HOME Loan Agreement between the County of San Bernardino and Bloomington III Housing Partners, L.P. in an amount not to exceed \$3,500,000 of HOME funds to construct 98 affordable units. The HOME loan has an interest rate of 0% and will be repaid through residual receipts. The County-imposed regulatory agreement ensures that the 17 HOME-assisted affordable units remain affordable for 55 years. The delegation of authority, requested in Recommendation No. 3, will allow either the Chairman of the Board or the Chief Executive Officer to execute documents required for the project’s construction and permanent financing. The HOME Loan Agreement will authorize the Chief Executive Officer to implement and administer the Agreement.

In a companion item today, the Department of Public Works is requesting approval of Parcel Map No. 20012 that creates three parcels for the Project. The housing development and the new Ayala Park will be constructed concurrently. Construction of both projects would occur in Spring 2020 and will take approximately 18 months to complete, with an expected completion date of Spring of 2022.

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Historical Background

On November 14, 2017 (Item No. 14), the Board approved Exclusive Negotiating Rights Agreement No. 17-863 with Bloomington III Housing Partners, LP, authorizing the commencement of predevelopment studies and entitlement activities related to the proposed third phase of the affordable housing development and a proposed 4.3-acre park, in the unincorporated County community of Bloomington. The Board also approved NSP3 Predevelopment Loan Agreement No. 17-864 with Bloomington III Housing Partners, LP for an amount not to exceed \$875,000 for studies and entitlement work related to the proposed affordable housing development and proposed park. The Board also approved Assignment of Collateral Documents Agreement No. 17-865 whereby Bloomington III Housing Partners, LP assigns its rights, title and interest in agreements, contracts and other work products relating to the proposed affordable housing development to the County.

On June 25, 2019 (Item No. 79), the Board conducted a public hearing and for Summary Report and Reuse Valuation as required by California Health and Safety Code Section 33433 for the expenditure of former County Redevelopment Agency funds. In this Item, the Board approved Grant Agreement No. 19-404 from IEHP in the amount of \$1,500,000, for the Bloomington Housing Phase III project to provide ten (10) permanent supportive housing units. The Board also approved Grant Agreement No. 19-405 with HPI Bloomington III, LLC in the amount of \$8,700,000 for capital contribution to the 98-unit Bloomington Housing Phase III affordable housing development. The Board also adopted Resolution No. 2019-89 approving the Summary Report and Fair Reuse Valuation required by California Health and Safety Code Section 33431 and 33433; approved a Land Disposition, Development and Funding Agreement No. 19-406 in the amount of \$16,150,000 with Bloomington III Housing Partners L.P., HPI Bloomington III, LLC and Bloomington Community Center Developer, LLC for a 57-year lease of approximately five (5) acres for the construction of the housing units; and committed up to \$3,500,000 of HOME funds to construct the housing units.

The Developer was successful in securing an allocation of LIHTC at the September 25, 2019, California Tax Credit Allocation Committee (TCAC) meeting. On December 10, 2019 (Item No. 53), the Board Approved Amendment No. 1 with Bloomington Park Developer, LLC and Bloomington Recreation and Park District to provide development services for the Ayala Park Relocation Project.

PROCUREMENT

On March 20, 2017, the County issued a Request for Qualifications to select a developer to assist in developing the Property into a mixed-used development with affordable housing, and if feasible, a community center and, subject to the satisfaction of certain conditions, a public park. The County selected Bloomington III Housing Partners L.P for this third phase.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on January 24, 2020; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412) on January 24, 2020; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on January 27, 2020.

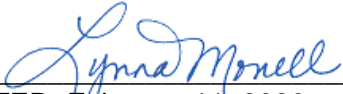
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Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Robert A. Lovingood Seconded: Josie Gonzales
Ayes: Robert A. Lovingood, Janice Rutherford, Dawn Rowe, Curt Hagman, Josie Gonzales

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: February 11, 2020



cc: CDH- Hallen w/agree
Contractor- C/O CDH w/agree
File- w/agree
la 02/14/2020