

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

**August 6, 2019**

**FROM**

**GARY HALLEN, Director, Community Development and Housing**

**SUBJECT**

Approve HOME Loan Agreement with Waterman Gardens Partners 2, L.P. for the Arrowhead Grove Phase II Affordable Housing Project

**RECOMMENDATION(S)**

1. Approve HOME Loan **Agreement No. 19-549** and ancillary loan documents by and between the County of San Bernardino and Waterman Gardens Partners 2, L.P., with a term of 55 years and in a total amount not to exceed \$2,900,000 for the construction of 147 affordable units in the Arrowhead Grove Phase II Affordable Housing Project.
  2. Authorize the Chairman of the Board of Supervisors or the County Chief Executive Officer, upon consultation with County Counsel, to make modifications, execute, and deliver the HOME Loan Agreement and all ancillary documents required for the project financing, necessary to carry out the transaction, and mandatory to close the transaction.
  3. 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)

Note: See related Board of Governors Item #6 from the 08/06/2019 Special Meeting of the Housing Authority of the County of San Bernardino.

**COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES**

**Promote the Countywide Vision.**

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

**Pursue County Goals and Objectives by Working with Other Agencies.**

**FINANCIAL IMPACT**

Approval of this item will not result in the use of any Discretionary General Funding (Net County Cost). The total project costs to construct 184 units of which 147 are affordable units, and required improvements is \$79,561,750 of which it is recommended the County invest \$2,900,000 of HOME Investment Partnership Program (HOME) funds towards the affordable development. Sufficient appropriation and revenue exists within the Community Housing Development (CDH) 2019-20 budget unit to fund the \$2,900,000 investment.

**BACKGROUND INFORMATION**

The Housing Authority of the County of San Bernardino (HACSB) has been the operator of the 252 unit Public Housing site known as Waterman Gardens since 1943. One of the goals is to convert the HUD-owned affordable development, place the property under local control and

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renovate this part of the City of San Bernardino through the reinvention of Waterman Gardens into Arrowhead Grove. HACSB, in partnership with National Community Renaissance of California (NCRC), the City of San Bernardino and the County of San Bernardino, has lead a collaborative community and economic development effort in the development of Arrowhead Grove as a mixed income, mixed use community. HACSB has been pursuing this revitalization vision by demolishing the 76 year old buildings and developing 411 new residential units and commercial space. To date, 136 new affordable housing units have been built and occupied. Approval of this item will assist in financing the construction of the development. If approved, CDH's capital commitment of \$2,900,000 will be leveraged with over \$70,000,000 in other funding to continue the build-out of Arrowhead Grove. The action requested of the Board of Supervisors (Board) is to approve a loan agreement between the County of San Bernardino and Waterman Gardens Partners 2, L.P. in an amount not to exceed \$2,900,000 of HOME funds to construct 184 residential units, which includes 147 affordable units, 2 manager's units, and 35 market-rate units.

The estimated total development cost of the Project is \$79,561,750 for 184 units. Overall estimated permanent financing sources and uses are summarized below:

| <b>SOURCES:<br/>PERMANENT</b>                | <b>AMOUNT</b>       | <b>USES: PERMANENT</b>                       | <b>AMOUNT</b>       |
|----------------------------------------------|---------------------|----------------------------------------------|---------------------|
| JP Morgan Chase Perm Loan                    | \$19,909,000        | Acquisition Costs/Closing                    | \$ 970,000          |
| 4% Tax Credit Equity Bank of America         | \$25,018,036        | Architectural Fees & Permits                 | \$ 7,059,901        |
| City of San Bernardino – NSP & HOME          | \$ 2,330,000        | Construction Costs                           | \$53,295,617        |
| County of San Bernardino - HOME              | \$ 2,900,000        | Indirect Construction/Legal                  | \$ 1,578,808        |
| HACSB Development Loan                       | \$ 3,412,000        | Developer's Fee                              | \$ 3,000,000        |
| HACSB Land Lease Loan                        | \$ 970,000          | Deferred Developer's Fee Equity Contribution | \$ 6,400,000        |
| AHSC HCD Funding                             | \$17,422,714        | Lease-Up Costs/Reserves                      | \$ 1,867,309        |
| Deferred Developer's Fee Equity Contribution | \$ 6,400,000        | Financing Costs                              | \$ 5,390,115        |
| NCRC Sponsor Loan (Dignity Health)           | \$ 1,200,000        |                                              |                     |
| <b>Total</b>                                 | <b>\$79,561,750</b> | <b>Total</b>                                 | <b>\$79,561,750</b> |

On January 9, 2018, the Board of Supervisors approved Resolution No. 2018-02 (Item No. 16) for a funding commitment of \$2,200,000 to the Project. Further, on July 24, 2018, the Board of Supervisors approved an amendment to Resolution 2018-02 (Item No. 51) which increased the total HOME funds committed to the Project to \$2,900,000. Today, we are asking the Board to approve the loan documents.

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The County's loan of \$2,900,000 has an interest rate of 3% and will be repaid through residual receipts. The County-imposed regulatory agreement ensures that the 14 HOME-assisted affordable units remain affordable for 55 years.

The Project promotes the Countywide Vision by creating, supporting and enhancing vibrant communities with safe, clean, and affordable housing. The Project is also consistent with the housing needs identified in the County of San Bernardino's 2015-20 Consolidated Plan.

In companion items today, HACSB is also requesting approval of Closing Documents, LLC Formations, a Bond issuance in an amount not to exceed \$55,000,000, and a capital and land loan totaling approximately \$4,382,000. The HACSB items were recommended by the Housing Commission on July 16, 2019.

Because of the short time requirements that may be required by the State or third-party financing entities, staff is recommending delegation of authority to the Chairman of the Board of Supervisors or the County Chief Executive Officer to execute certain ancillary documents, and certificates for the County HOME Loan Agreement in order to consummate the transactions relating to the project, subject to consultation with County Counsel.

**PROCUREMENT**

Not Applicable

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Robert F. Messinger, Principal Assistant County Counsel, 387-8979) on July 24, 2019; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412) on July 23, 2019; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on July 26, 2019.

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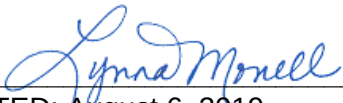
Record of Action of the Board of Supervisors  
County of San Bernardino

**APPROVED (CONSENT CALENDAR)**

Moved: Robert A. Lovingood Seconded: Dawn Rowe

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

Lynna Monell, CLERK OF THE BOARD

BY   
DATED: August 6, 2019



cc: CDH- Hallen w/agree  
Contractor- C/O CDH w/agree  
File- w/agree  
la 08/9/2019