

**REPORT/RECOMMENDATION TO THE BOARD OF GOVERNORS
OF THE HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

August 6, 2019

FROM

MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino

SUBJECT

Limited Partnership for Low Income Housing Tax Credits and other Funding for the Arrowhead Grove Phase II Affordable Housing Project

RECOMMENDATION(S)

1. Adopt **Resolution No. 2019-121** to:
 - a. Authorize the Housing Authority of the County of San Bernardino controlled business entity, Waterman Affordable 3 LLC, as it relates to the Arrowhead Grove Apartments Phase 2 Development Project, to serve in a limited partnership, Waterman Gardens Partners 2, L.P. that will receive the Low Income Housing Tax Credits and all other funding to complete the development project; and
 - b. Authorize the Chairperson, Vice Chairperson, Chief Executive Officer, or Executive Director of the Housing Authority of the County of San Bernardino (Authorized Officer), upon consultation with Legal Counsel, to execute and deliver all agreements necessary to consummate the role of the Housing Authority of the County of San Bernardino and the Waterman Affordable 3 LLC in the limited partnership, including the Operating Agreement, Partnership Agreement, Fee Agreement, Option Agreement and ancillary documents necessary to carry out and close the transaction.
2. Direct the Executive Director of the Housing Authority of the County of San Bernardino to transmit all documents to the Secretary within 30 days of execution.
3. Acknowledge that the documents provided are subject to revisions as the United States Department of Housing and Urban Development or Authorized Officer, in consultation with Legal Counsel, may require or approve.

(Presenter: Maria Razo, Executive Director, 332-6305)

Public Comment: None

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Promote the Countywide Vision.

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

Pursue County Goals and Objectives by Working with Other Agencies.

FINANCIAL IMPACT

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). Financial commitments for the Arrowhead Grove Phase II Affordable Housing Project (Project) are presented for Board of Governors (Board) approval under separate action items in today's agenda. This item authorizes those specific activities undertaken by the single-purpose entity(s) previously established to receive the Project financing. Such entities also are the vehicle through which the Housing Authority of the County of San Bernardino (HACSB) will

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participate in, and receive asset management fees, a share of Developer Fees (approximately \$1 million) and future residual receipts for the life of the Project.

BACKGROUND INFORMATION

Arrowhead Grove, formerly known as Waterman Gardens, is a 1943 Public Housing development in the City of San Bernardino that previously consisted of 252 units. HACSB has been pursuing a vision to revitalize the site by demolishing the 76 year old buildings and developing 411 new residential units and commercial space. 136 new affordable housing units have already been built and occupied. Approval of this item authorizes execution by an HACSB controlled business entity (the LLC) of various agreements required to define its specific participation in and consummate the Low Income Housing Tax Credit (LIHTC) financing for the next phase of construction (Phase II). The action also authorizes execution of the Right of First Refusal and Purchase Option Agreement wherein the LLC will assume ownership of the Phase II project at the end of the 15 year LIHTC compliance period. Phase II will include 184 new multi-family units consisting of 147 affordable units, 2 manager's units, and 35 market-rate units. Phase II is also part of the broader strategy to stimulate economic and development activity in the surrounding neighborhood through creation of a mixed income and mixed use community. Approval of this item allows the Project to close the LIHTC and tax-exempt bond financing and proceed to construction.

The LLC (Waterman Affordable 3, LLC) is participating as a limited partner in the development of the Project. The LLC was created pursuant to the requirements of the LIHTC program, which serves as the vehicle through which private investor limited partners can provide equity funding to construct the Project. HACSB and its affiliate nonprofit Housing Partners I, Inc. (HPI) formed the LLC on July 25, 2018, to serve as the business entity representing HACSB's interests within the partnership that will develop, construct and operate the Project. Specifically, HACSB has negotiated for the LLC to receive a 33% ownership share of the Phase II project which equates to 33% of the \$3 million developer fee, annually recurring asset management fees and residual cash flow from Project operations. Within the LLC itself, HACSB has a 99% ownership interest with HPI at 1%. The Project LIHTC partnership will include a private investment entity who will receive a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to assist in development of the affordable housing. This structure is typical of a LIHTC development.

Approval of this resolution authorizes execution by the LLC of various agreements required to define its specific participation and consummate the LIHTC transaction. Such agreements include a Limited Partnership Agreement to create Waterman Gardens Partners 2, L.P., the entity that will develop and own the phase II Project; a Fee Agreement delineating the fee structure relative to membership in the Limited Partnership; and the Right of First Refusal and Purchase Option Agreement outlining the LLC's right to acquire ownership at the end of the 15 year LIHTC compliance period.

The San Bernardino County Housing Commission reviewed this item on July 16, 2019, and recommended approval to the Board of Governors.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Robert Messinger, Principal Assistant County Counsel, 387-8979) on July 22, 2019; Finance (Kathleen Gonzalez, Administrative Analyst, 387-

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5412) on July 23, 2019 and Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on July 26, 2019.

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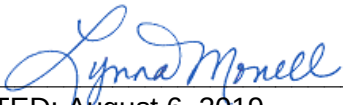
Record of Action of the Board of Governors
Housing Authority of the County of San Bernardino

APPROVED

Moved: Dawn Rowe Seconded: Sylvia Miller

Ayes: Josie Gonzales, Curt Hagman, Robert A. Lovingood, Sylvia Miller, Jessie Muñoz, Dawn Rowe, Janice Rutherford

Lynna Monell, SECRETARY

BY 
DATED: August 6, 2019



cc: File – JPA/Housing Authority of the County of San Bernardino w/
attachments

jll 08/8/2019