

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

March 11, 2025

FROM

CARRIE HARMON, Director, Community Development and Housing Department

SUBJECT

Refinancing of the Citrus Grove Apartments in Rialto

RECOMMENDATION(S)

1. Approve the refinancing of the existing \$1,969,957 mortgage with U.S. Bank on the Citrus Grove Apartments to a new first mortgage with JPMorgan Chase Bank, in the amount of \$26,703,432, with the condition that no net proceeds will be received in the transaction.
2. Approve the Modification to Loan Documents, **Amendment No. 2**, that modifies HOME Investment Partnership **Agreement No. 05-514**, the Promissory Note and the Deed of Trust with Southern California Housing Development Corporation of the Inland Empire and Inland Valley Housing Partners, LP, which includes the extension of the affordability period and a modification of the payment terms.
3. Approve the Assignment and Assumption Agreement, **Amendment No. 3**, for assignment of HOME Investment Partnership **Agreement No. 05-514**, from Inland Valley Housing Partners, LP to IVHP 2 Apartments LP.
4. Approve the **Subordination Agreement No. 25-139** between San Bernardino County and the new senior lender JPMorgan Chase Bank.
5. Approve the **Subordination Agreement No. 25-140** between San Bernardino County and the new senior lender Rialto Housing Authority.
6. Approve the **Subordination Agreement No. 25-141** between San Bernardino County and the new senior lender California Department of Housing and Community Development, including a non-standard term.
7. Authorize the Chief Executive Officer or the Director of the Community Development and Housing Department, subject to County Counsel review, to execute the Subordination Agreements, any non-substantive amendments, and any escrow instructions.
8. Direct the Director of Community Development and Housing Department to transmit all Subordination Agreements and any non-substantive amendments to the Clerk of the Board of Supervisors within 30 days of execution.

(Presenter: Carrie Harmon, Director, 382-3983)

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

Refinancing of the Citrus Grove Apartments in Rialto

March 11, 2025

This item does not impact Discretionary General Funding (Net County Cost). All costs associated with the refinance of the Citrus Grove Apartments will be borne by IVHP 2 Apartments LP.

BACKGROUND INFORMATION

National Community Renaissance of California (National CORE), a non-profit Community Housing Development Organization (CHDO), as the managing partner of IVHP 2 Apartments LP, Southern California Housing Development Corporation of the Inland Empire, and Inland Valley Housing Partners, LP, seeks to refinance the affordable Citrus Grove Apartments located in Rialto. The proposed refinancing includes a substantial \$25 million rehabilitation project aimed at addressing critically deferred maintenance, improving accessibility, and implementing health and safety updates to enhance residents' quality of life and extend the property's useful lifespan. This project includes a partnership with the Preschool Services Department, which provides an onsite preschool to support working residents and to further early childhood education.

The Board of Supervisors (Board) originally approved the HOME Investment Partnership loan, Agreement No. 05-514, with National CORE on June 14, 2005 (Item No. 43), providing a \$3,000,000 loan for the acquisition and rehabilitation of the Citrus Grove Apartments, formerly known as the Willow Winchester Project, located at 1453 North Willow in the City of Rialto, a 152-unit complex, which includes 99 two-bedroom units, 51 three-bedroom units, and two manager units. On September 15, 2009 (Item No. 46), the Board approved Amendment No. 1, ratifying the Subordination Agreement to HOME Investment Partnership Agreement No. 05-514, to subordinate the County's loan to all of the permanent sources of financing.

The proposed Modification to Loan Documents, Recommendation No. 2, will amend HOME Investment Partnership Agreement No. 05-514 and represents a strategic approach to preserving affordable housing. Key provisions of the proposed Modification to Loan Documents include: 1) extending the affordability period by an additional 17 years; 2) Maintaining 40 two-bedroom units for very low-income households; 3) establishing residual receipt payments of 12% of gross revenue exceeding annual operating expenses; and 4) increasing the interest rate on the County's loan from 3% to 4.82%.

The County's HOME loan for this affordable housing project is structured with a residual receipt payment mechanism rather than a traditional fixed payment schedule. Under this arrangement, payments to the County are only triggered when the property generates surplus revenue after covering all operating expenses. Specifically, when the project's annual gross revenue exceeds its annual operating expenses, the County will receive a proportional payment equal to 12% of this surplus.

The project's financing structure will remain consistent with the original agreement, with the County maintaining a subordinate lien position to senior loans from JPMorgan Chase Bank, the California Department of Housing and Community Development (HCD), and the Rialto Housing Authority, while retaining a senior position relative to the general partner loan. Therefore, each entity will require approval of their respective Subordination Agreement. The Subordination Agreements are required for the refinancing and rehabilitation of the project.

HCD is requiring the use of its Subordination Agreement. The HCD Subordination Agreement contains the following term, which differs from the County's standard language:

**Refinancing of the Citrus Grove Apartments in Rialto
March 11, 2025**

1. The agreement states that the prevailing party is entitled to recover attorneys' fees and costs.
 - The County standard contract requires each party to bear its own costs and attorney fees, regardless of who is the prevailing party.
 - Potential Impact: If either party institutes any legal proceedings related to the agreements, the prevailing party will be entitled to recover reasonable attorneys' fees.

The refinancing aligns with the County's goals of expanding and preserving affordable housing options. Importantly, the refinancing will address property deficiencies identified in the Annual Compliance Monitoring Finding Report dated August 3, 2023, while ensuring the long-term sustainability of this important affordable housing resource.

On August 22, 2023 (Item No. 26), the Board approved a Letter of Support for the refinance of the existing debt of the apartments to allow for the application to the California Debt Limit Allocation Committee (CDLAC) for an allocation of Federal Tax Credits and Tax-Exempt Bonds. The CDLAC application was submitted on September 6, 2023, and on December 6, 2023, National CORE received an allocation of \$2,302,531 of 4% Federal Tax Credits.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Suzanne Bryant, Deputy County Counsel, 387-5455) on March 5, 2025; Finance (Paul Garcia, Administrative Analyst, 386-8392) on February 24, 2025; and County Finance and Administration (Cheryl Adams, Deputy Executive Officer, 388-0238) on February 24, 2025.

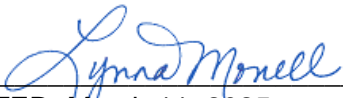
**Refinancing of the Citrus Grove Apartments in Rialto
March 11, 2025**

Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Curt Hagman Seconded: Joe Baca, Jr.
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: March 11, 2025



cc: CDH - Harmon w/agrees for sign
Contractor - c/o CDH w/agree
File - w/agree
CCM 03/12/2025