



County of San Bernardino

Legislation Text

File #: 3254, Agenda Item #: 36

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

November 17, 2020

FROM

GARY HALLEN, Director, Community Development and Housing

SUBJECT

Approve Amendment to Land Disposition, Development and Loan Agreement and HOME Investment Partnership Act Loan Agreement with AMCAL Las Terrazas Fund, L.P. for the Las Terrazas Affordable Housing Project

RECOMMENDATION(S)

1. Approve First Amendment to the Amended and Restated Land Disposition, Development and Loan Agreement No. 20-04 not to exceed \$1,953,289 for a combined total of \$4,995,289 and extend the term of the Ground Lease and Regulatory Agreement from 57 to 85 years.
2. Approve a HOME Investment Partnerships Program Loan Agreement not to exceed \$9,179,552 with AMCAL Las Terrazas Fund, L.P. to construct 112 affordable housing units.
3. Authorize the Chairman of the Board of Supervisors or the Chief Executive Officer, upon consultation with County Counsel, to execute any and all documents necessary to terminate, release and reconvey preexisting loan documents associated with the Neighborhood Stabilization Program Loan from and after the adoption of the First Amendment to Amended and Restated Land Disposition, Development and Loan Agreement and documents attached thereto.
4. Approve a Resolution authorizing the Chairman of the Board of Supervisors or the County Chief Executive Officer, upon consultation with County Counsel, in connection with the No Place Like Home Noncompetitive Allocation award, and to enter into, execute, and deliver a State of California Standard Agreement ("Standard Agreement") and approve and execute all ancillary documents pertaining to the No Place Like Home Program funds, and repealing and superseding Resolution No. 2019-180.
5. 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 financing and construction.
6. 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 (i) commit \$588,317 of additional funds for a total not to exceed \$1,180,317 of County Housing Monies pursuant to an amendment to the Land Disposition, Development and Loan Agreement (DDLA) and (ii) loan \$9,179,552 of HOME Investment Partnerships Program (HOME) funds to construct a 112-unit affordable housing development and a preschool. The DDLA includes County Land Appraised Value of \$2,450,000, County Housing Monies of \$1,180,317, NSP3 funds of \$850,000 and accrued interest of \$514,972 for a total of \$4,995,289; County purchased the property for \$1,416,000 in 2016. In compliance with 2019 Tax Credit Allocation Committee (TCAC) regulations the current land appraisal of \$2,450,000 is included in the application. The tables below outline the additional capital contribution included in the DDLA and HOME agreements as well as deducting the land appraisal amount difference and interest accrued to reflect a total County cash contribution. The Department has sufficient appropriation and revenue within the Community Housing and Development (CDH) 2020-21 budget (6210002472 and 6210002494).

Sources	Original DDLA	Amended DDLA
County Land Grant (apprised land value) ^[1]	\$2,450,000	\$2,450,000
County Housing Monies	592,000	1,180,317
Neighborhood Stabilization Program (NSP) 3 Funds	0	850,000
Accrued NSP3 Interest	0	514,972
Totals	\$3,042,000	\$4,995,289

County Capital Contribution amounts listed below exclude the accrued interest and increase in land value for purposes of determining this value. County cash contribution per unit for the 112 affordable units is \$112,731:

County Capital Contribution	Amount
County Land Grant (original purchase price) ^[1]	\$1,416,000
County Housing Monies	1,180,317
Neighborhood Stabilization Program 3 (NSP3) Funds	850,000
HOME Funding	9,179,552
Total County Capital Contribution	\$12,625,869

[1] County purchased the property for \$1,416,000 in 2016. In compliance with 2019 Tax Credit Allocation Committee (TCAC) regulations the land appraisal is included in the application of \$2,450,000 and the difference of \$1,034,000 is not included in the total County capital contribution.

BACKGROUND INFORMATION

The Las Terrazas apartment community will consist of 112 affordable units located at 1176 W. Valley Boulevard, in the unincorporated area near the City of Colton (Project). The Las Terrazas apartment community furthers the Board of Supervisors' (Board) objective of investing and revitalizing the County of San Bernardino (County) unincorporated communities and advances the goal of ending homelessness and providing housing for low-income households. The Project will include 12 permanent supportive housing (PSH) units for homeless, special needs clients with mental health conditions for whom the Department of Behavioral Health (DBH) will provide the supportive services. The remaining units will be reserved as affordable for working individuals and families for a period of 85 years. The total project cost is \$47,280,440. Approval of this item with AMCAL Las Terrazas Fund, L.P. will leverage \$12,625,869 of County resources to secure \$34,654,571 of third-party financing and Low Income Housing Tax Credits (LIHTC) to construct the Project. The County contribution equates to \$112,731 per unit and this includes the capital contribution towards the development of the preschool building. The ground lease for the affordable housing will be

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extended from 57 years to 85 years which is a result of the tax credit investors requirement. In exchange for this concession the County will receive the following:

- Affordability extended through 85 years.
- Additional \$17 Million of affordable housing revenue received in year 57.
- New additional rent charge of \$50,000 per year (escalating at 3% per year). Non-performing rent payment from year 1 through 57. Rent payment commences year 57 with a balloon balance payment due at year 85.

An action will be brought before the Board at a future date for approval of the pre-school lease.

The COVID health crisis has significantly weakened equity markets for both federal and state tax credits associated with the Low Income Housing Tax Credits and increased construction costs. This has resulted in a proposed increase of County resources in the amount of \$1,409,869 which consists of additional County Housing Monies of \$588,317 and HOME funds of \$821,552. Additionally, the lack of equity investors currently willing to invest in this market also required a proposed project scope modification which includes reducing the number of PSH units from 30 to 12 units.

Other than the modifications described above, the remaining project scope remains intact. The County will maintain ownership of the land and lease to the developer for 87 years. The Project will have an 85-year affordability covenant recorded against the land. The construction of the Project will further advance the County's goal of providing housing for low-income households including 12 PSH units for homeless residents that are eligible for the Department of Behavioral Health services. A portion of the 12 PSH units' rent is being funded through 9 Project Based Vouchers (PBV), provided by the Housing Authority of the County of San Bernardino. The value of the rental subsidy from the nine vouchers is estimated to be \$2,176,000.

The total cost of the project is estimated to be \$47,280,440 (after deducting the increase in land appraisal of \$1,034,000) which equals an overall cost of \$422,147 per unit. The County's financial investment per unit is \$112,731 or 27% of the total development cost. The per unit cost for the Project which contains 12 PSH units requires several different funding resources in order to remain financially stable to meet both LIHTC and regulatory requirements and the construction of a preschool which is part of the County's revitalization efforts and a requirement imposed on the Developer.

Financial Sources	Amount	Cost per Unit	% of Total
Tax Credit Equity	\$22,307,665	\$199,176	47%
Conventional Debt	\$8,907,688	\$79,533	19%
Deferred Developer Fee	\$848,218	\$7,573	2%
State NPLH	\$2,591,000	\$23,134	5%
County Construction Financial Assistance ^[2]	\$8,950,000	\$79,911	19%
NSP3 Funds ^[2]	\$850,000	\$7,588	2%
Additional County COSR for 3 PSH Units ^[2]	\$588,317	\$5,253	1%
Additional County Capital Contribution ^[2]	\$821,552	\$7,335	2%
County Financial Assistance - Site Acquisition ^{[1][2]}	\$1,416,000	\$12,643	3%
Total	\$47,280,440	\$422,147	100%
Total County Capital Contribution	\$12,625,869	\$112,731	27%

[1] County purchased the property for \$1,416,000 in 2016. In compliance with 2019 Tax Credit Allocation Committee (TCAC) regulations the land appraisal is included in the application of \$2,450,000 and the difference of \$1,034,000 is not included in the total County capital contribution.

[2] Included in County contribution of 27%

Recommendation No. 1 requests approval of the First Amendment to Land Disposition, Development and Loan Agreement No. 20-04 not to exceed \$1,953,289 for a combined total of \$4,995,289 and extends the lease and regulatory agreement. Recommendation No. 2 requests approval of a HOME Loan Agreement for a total of \$9,179,552 between the County of San Bernardino and AMCAL Las Terrazas Fund, L.P. The HOME loan has an interest rate of 3%, a term of 57 years and will be repaid through residual receipts (residual receipts equal net operating revenue minus net operating expense). The project funding ensures that 112 units remain affordable for 85 years of which 48 units will be assisted by HOME funds. Recommendation No. 3 authorizes the Chairman of the Board of Supervisors or the Chief Executive Officer, upon consultation with County Counsel, execute any and all documents necessary to terminate, release and reconvey preexisting loan documents associated with the NSP Loan. This is necessary for the existing NSP Loan amount and interest to be incorporated into Recommendation No. 1. Recommendation No. 4 authorizes the Chairman of the Board of Supervisors or the Chief Executive Officer, upon consultation with County Counsel, to execute the NPLH Noncompetitive Allocation Standard Agreement in the amount of \$2,591,000 of previously committed NPLH funds into the project. The delegation of authority, requested in Recommendation No. 5, allows the Chairman of the Board or the Chief Executive Officer upon consultation with County Counsel to execute documents required for the project's construction and permanent financing. The HOME Loan Agreement will authorize the Chief Executive Officer, upon consultation with County Counsel, to implement and administer the Agreement.

The Developer was successful in securing an allocation of LIHTC at the April 14, 2020 California Tax Credit Allocation Committee (TCAC) meeting. The Tax Credit Equity represents over 47% of the sources or over \$22,000,000 to fund the construction of the Project. If approved by the Board, construction of the Project would begin in December 2020 and will take approximately 18 to 24 months to complete, with an expected completion date no later than Fall of 2022.

Summary of Prior Board Actions

On February 12, 2013, (Item No. 17), the Board approved NSP Agreement No. 13-117 with Developer and authorized the disbursement of NSP1 and NSP3 funds in the amount of \$2,266,000 for land acquisition and predevelopment costs associated with the proposed affordable housing project.

On July 28, 2015 (Item No. 35), the Board approved Amendment No. 1 to the NSP Agreement No. 13-117 clarifying the liability and performance of the remediation obligations; updating the schedule of performance; and clarifying the intent regarding the security for the loans. On December 20, 2016 (Item No. 26), the Board approved Amendment No. 2 to the NSP Agreement No. 13-117 imposing requirements related to the Developer's application for LIHTC and clarifying the intent regarding the security for the loan; updating the schedule of performance; setting forth the conditions and requirements for the transfer of the project site to the County; and setting forth the conditions and requirements for the ground lease, including negotiation and execution of a HOME Loan Agreement.

On February 14, 2017 (Item No. 24), the Board approved Resolution 2017-23 approving the Land Disposition, Development and Loan Agreement and Resolution 2017-24 committing up to \$6,365,863 of HOME Investment Partnerships Program funds to construct the 112 affordable housing units and a preschool building. Additionally, Resolution 2017-23 provided that the Developer submit a LIHTC application submission. However, the Developer was not successful in securing an LIHTC allocation in the first or second rounds of 2017. Without an LIHTC allocation, the Developer does not have a viable project.

On December 10, 2019 (Item No. 11), the Board approved an application to the California Department of Housing and Community Development for Non-Competitive No Place Like Home (NPLH) funding program, an

associated Resolution 2019-180 for a NPLH funding commitment of \$2,591,000, Resolution 2019-181 for a HOME fund commitment of \$8,358,000 and County Housing Monies commitment of \$592,000. The approval provided the Developer the opportunity to secure funding to submit the required application to California Debt Limit Allocation Committee (CDLAC) to preserve the 2019 Difficult to Develop Area designation for the Project.

On January 7, 2020 (Item No. 16), the Board approved an Amended and Restated Land Disposition, Development and Loan Agreement No. 20-04 and Third Amendment to the NSP Predevelopment Loan Agreement No. 13-117 in the amount of \$3,042,000 with AMCAL Las Terrazas Fund, L.P. for the 57-year lease of approximately five acres of County land at 1176 W. Valley Blvd., in the unincorporated area near the City of Colton, for the construction of 112 affordable housing units.

PROCUREMENT

In 2011 and 2012, the department completed a Request for Proposal in accordance with the County's Procurement Policy. Subsequently, the department received eight (8) proposals where AMCAL Housing (General Partner with AMCAL Las Terrazas Fund, L.P.) was selected as the County development partner.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Robert Messinger, Principal Assistant County Counsel, 387-5455) on November 5, 2020; Finance (Kathleen Gonzalez, Administrative Analyst, 387-5412) on November 5, 2020; and County Finance and Administration (Robert Saldana, Deputy Executive Officer, 387-5423) on November 5, 2020.