



Legislation Text

File #: 21-954, **Version:** 1

Memorandum

Date: September 28, 2021

To: The Honorable Lake County Board of Supervisors

From: Carol J. Huchingson, County Administrative Officer

Subject: (Sitting as the Lake County Housing Commission, Board of Housing Commissioners), (a) Consideration of Rural Communities Housing Development Corporation Request to Divest Security and Previous Development Interest in Real Property; and (b) Consideration of Agreement to Develop Affordable Housing (6853 Collier Avenue, Nice, California)

Executive Summary:

On April 6, 2021, sitting as the Lake County Housing Commission, your Board adopted Resolution 2021-38 confirming the prior transfer from the former Lake County Redevelopment Agency to the Lake County Housing Authority of certain real property liens, and authorized Chair to sign an assignment for each deed of trust to reflect that transfer.

In addition, on April 6, 2021, your Board authorized the County Administrative Officer or designee to draft a new Agreement for the Lake County Housing Commission to development Affordable Housing at 6853 Collier Avenue, Nice, California (APN: 031-053-220-000) and the associated legal instruments required to divest Lake County's security interest and pre-existing development restrictions of said real property.

The proposed Agreement replaces the Owner Participation Agreement, Affordable Housing Covenant and it also includes the legal instruments required to grant and convey deeds of trust and formally cancel and "forgive" the Lake County Rural Development Agency loans.

Rural Communities Housing Development Corporation obligations include:

- Execute the Termination Documents, and to the extent applicable, cause the recordation of the Termination Documents against the Property in the Official Records.
- Enter into an agreement(s) with Behavioral Health Services (BH) to access funding from California Department of Housing, the California Housing Finance Agency, and any other applicable agencies to develop the Project.

- Use its good faith, commercially reasonable, efforts to secure and utilize federal and/or state Low-Income Housing Tax Credits or other applicable funding sources to construct, manage and fund long-term maintenance for the Project.
- Repay, in full, the Rural Community Assistance Corporation loan as evidenced by the deed of trust recorded against the Property in the Official Records on August 25, 2005, as Instrument No. 2005025282 within ninety (90) days after a Default.
- Convey the Property to the Housing Authority for one dollar (\$1.00), following: (i) a Default, as set forth below; and (ii) written notice from the Housing Authority demanding such conveyance. In such event, RCHDC shall execute a quitclaim deed in favor of the Housing Authority (the "Quitclaim Deed"), and the Housing Authority shall accept the Property in its "as is" condition without any representation or warranty from RCHDC pursuant to the Quitclaim Deed.
- Use good faith, once the necessary funding is secured, to conduct commercially reasonable efforts to complete construction of the Project, and obtain a certificate of occupancy for the Project, on or before five (5) years after the Effective Date. Project to serve Low Income or Very Low Income households meeting the definition of Mental Disorder, Substance Use Disorder, or At Risk of Homelessness; provided, however, the Parties agree and acknowledge that the targeted population of the Project (if any) shall be determined by the financing sources secured by RCHDC, and that the Project may be required to be made available to any Very Low Income or Low Income households without regard for any disability or existing housing status. Failure to meet the obligations of this provision shall be a Material Breach and default of this Agreement.

Lake County Housing Authority obligations include:

- Grant and convey unto the parties entitled thereto without warranty all the estate and interest derived to the Trustee under that certain Deed of Trust recorded against the Property as Instrument No. 2005009437.
- Grant and convey unto the parties entitled thereto without warranty all the estate and interest derived to the Trustee under that certain Deed of Trust recorded against the Property as Instrument No. 2009009201.
- Terminate the Owner Participation Agreement dated March 7, 2005 and as amended dated June 2, 2009 governing the development of the Property.
- Release and terminate Affordable Housing Covenant recorded against the Property on April 7, 2005 as Instrument No. 2005009438.
- Execute the Cancellation and Forgiveness Agreement involving the note dated November 1, 2004 for \$250,000 and a note dated June 5, 2005 for \$998,000.
- BH enters into an agreement with RCHDC to access funding amounts from MHSA, NPLH, or other programs implemented by California Department of Housing and Community Development, California Housing Finance Agency and any other applicable

agencies to develop the Project.

Background: Rural Communities Housing Development Corporation (RCHCD) purchased 3.33 acres of vacant land located at 6853 Collier Avenue, Nice, California. In 2005, the Lake County Redevelopment Agency (RDA) entered into an Owner Participation Agreement (OPA) with RCHCD to develop a 50 unit affordable housing project. Subsequently, the RDA issued two “forgivable” notes to RCHDC for a total amount not to exceed \$1,248,000 to help fund this affordable housing project.

After the dissolution of all Authorities in California in 2012 and the subsequent termination of reimbursable payments to RCHDC, this project stalled due to RCHDC’s inability to obtain additional funding due to the existing liens including the deferred and “forgivable” loans on the property held by the Lake County Housing Authority.

RCHDC “Forgivable” Loan	March 7, 2005	\$250,000
RCHDC “Forgivable” Loan	June 2, 2009	<u>\$998,000</u>
Total Loans		\$1,248,000

Loan Note Amount Disbursed to RCHDC before Termination	<u>\$626,872</u>
Loan Note Amount Not Disbursed to RCHDC	\$621,128

Rural Communities Housing Development Corporation (RCHDC) utilized \$626,872 of the loan amounts for predevelopment costs such as water impact fees, special district mitigation fees, performance bond deposit, storm water study, fish and game fee, FEMA/CLOMR mitigation fee, architecture and engineering expenses, plan fees, CEQA fees, legal and administrative expenses, land financing fees, and property taxes and insurance, prior to the termination of RDA funds. The total lien on the property equals \$1,248,000 which far exceeds the assessed value by the County of Lake’s Assessor’s Office of \$318,634. RCHCD has attempted and has failed to obtain additional funding because of the existing liens.

These collaborative actions by the County, RCHDC and various state and federal agencies will support the development of an affordable housing multi-unit complex for lower income individuals located near public health and behavioral services and public transit in Nice, CA. Staff recommends approval of the Agreement and the execution of the legal instruments.

If not budgeted, fill in the blanks below only:

Estimated Cost: _____ Amount Budgeted: _____ Additional Requested: _____ Future Annual Cost: _____

Consistency with Vision 2028 (check all that apply):

☐ Not applicable

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|---|--|--|
| <input checked="" type="checkbox"/> Well-being of Residents | <input type="checkbox"/> Public Safety | <input type="checkbox"/> Disaster Prevention, Preparedness, Recovery |
| <input checked="" type="checkbox"/> Economic Development | <input type="checkbox"/> Infrastructure | <input type="checkbox"/> County Workforce |
| <input type="checkbox"/> Community Collaboration | <input type="checkbox"/> Business Process Efficiency | <input type="checkbox"/> Clear Lake |

Recommended Action:

Approve Agreement to Develop Affordable Housing (6853 Collier Avenue, Nice, California), authoring the Chair to sign it and execute the associated legal instruments required to develop

affordable housing.