

**BOARD OF DIRECTORS OF THE  
REDEVELOPMENT AGENCY OF THE COUNTY OF MONTEREY**

<b>MEETING:</b>	<b>June 28, 2011 – Consent</b>	<b>AGENDA NO.:</b>	<b>48</b>
<b>SUBJECT:</b>	Acting as the Board of Directors of the Redevelopment Agency of the County of Monterey: <ul style="list-style-type: none"><li>a. Approve a Subsequent Loan Agreement, Operating Agreement, Promissory Note, Deed of Trust and Security Agreement, and Declaration of Restrictive Covenants (Loan Agreements) with CHISPA for a \$2,300,000 loan for the Sea Garden Apartments;</li><li>b. Authorize the Director of the Redevelopment and Housing Office to make minor revisions to the Loan and Operating Agreements which do not materially alter them and to execute said documents on behalf of the Redevelopment Agency and execute future subordination agreements and other documents in regard to the construction and permanent financing of the project, as necessary, and consistent with the terms of the Loan Agreement; and</li><li>c. Increase appropriations in the FY2011-12 budget for Fund 175, Unit 8203 Castroville/Pajaro Housing Set-Aside by \$1,800,000 (4/5 vote required).</li></ul>		
<b>DEPARTMENT:</b>	Redevelopment and Housing Office		

**RECOMMENDATION:**

It is recommended that the Board of Supervisors acting as the Board of Directors of the Redevelopment Agency of the County of Monterey:

- a. Approve a Subsequent Loan Agreement, Operating Agreement, Promissory Note, Deed of Trust and Security Agreement, and Declaration of Restrictive Covenants (Loan Agreements) with CHISPA for a \$2,300,000 loan for the Sea Garden Apartments;
- b. Authorize the Director of the Redevelopment and Housing Office to make minor revisions to the Loan and Operating Agreements which do not materially alter them and to execute said documents on behalf of the Redevelopment Agency and execute future subordination agreements and other documents in regard to the construction and permanent financing of the project, as necessary, and consistent with the terms of the Loan Agreement; and
- c. Increase appropriations in the FY2011-12 budget for Fund 175, Unit 8203 Castroville/Pajaro Housing Set-Aside by \$1,800,000.

**SUMMARY:**

The Board of Directors previously approved a short term loan totaling \$1,800,000 to Community Housing Improvement Systems Planning Association, Inc. (CHISPA) to purchase and develop the Sea Garden affordable housing development located in Castroville (formerly known as the Axtell Apartment Project). The recommended actions will approve and execute Loan Agreements that include an increase in the loan amount by \$500,000 to a total loan amount of \$2,300,000 in order to make CHISPA's project more competitive for tax credits.

**DISCUSSION:**

The Axtell Apartment Project was approved by the County in March of 2009 as a private market development consisting of 59 apartments, of which 10 were to be Inclusionary Units. Subsequently, CHISPA entered into a Purchase and Sale Agreement to purchase the project from the current owner and convert it to a 100% affordable project. The proposed project will contain two and three bedroom apartments, a manager's unit, a community center consisting of a meeting room with kitchen, laundry facilities, a computer room, and a management office. Four of the first floor units will be fully ADA accessible and 12 units will be adaptable. The project will also include "green features" such as low flow fixtures, energy star rated appliances, and solar lighting in the stairways.

The 2010 Annual Housing Report, adopted by the Board of Supervisors on March 2, 2010, included a reservation of Redevelopment Agency Housing Set Aside funding for the Project in the amount of

\$2,675,000, subject to certain terms and conditions. These conditions included requiring CHISPA to apply for the maximum amount of State funding possible. CHISPA was successful in securing State HOME funding in the amount of \$2.5 million. However, they were not successful in securing Joe Serna funding. On June 15, 2010, the Board of Directors approved a short-term loan to CHISPA in the amount of \$1,100,000 for project assistance. Subsequently, on March 15, 2011, the Board of Directors increased the amount of the loan by \$700,000 for a total of \$1,800,000. The loan agreement required that a subsequent agreement be executed for permanent financing. The Loan Agreements presented today constitute that Subsequent Agreement.

The project is currently estimated to cost approximately \$15,500,000 to develop. To date, CHISPA has received commitments for most of the funding needed to proceed with construction. The funding includes HOME, RDA funding previously committed, a primary mortgage, and deferred developer fee. The last funding application to be submitted to the State in July is to the California Tax Credit Allocation Committee (TCAC) for a tax credit allocation of funding. CHISPA reviewed the last round of funded TCAC applications and found that the project, as it is currently structured, would most likely not receive an allocation.

CHISPA is requesting that the existing RDA loan amount be increased by \$500,000 in order to make the project more competitive for a tax credit allocation. If the additional RDA funding is approved, CHISPA will increase affordability of the project by lowering the rents on 13 units from 55% of the Area Median Income (AMI) to 50% of the AMI. The overall affordability would then be 15 units affordable to low income households, 34 units affordable to very low income households, and six units affordable to extremely low income households.

The recommended Loan Agreement provides for a 55 year term at a 3% interest rate and repayment based on residual receipts from operations. No funds have been disbursed as of this date. Disbursement of the loan would be in two installments in fiscal year 2011/2012.

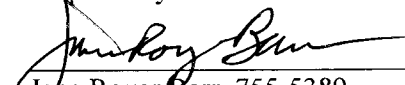
**OTHER AGENCY INVOLVEMENT:**

The Monterey County Housing Advisory Committee (HAC) recommended approval of the original loan on March 9, 2011 and the increase to a total of \$2.3 million on June 8, 2011.

**FINANCING:**

There is no impact on the General Fund. Funding for the loan is included in the Castroville/ Pajaro Housing Set-Aside Fund (Fund 175, Organizational Unit 8203). The original \$1.8 million loan commitment was appropriated in the FY2010-11 budget and will be carried forward as fund balance. Because fund balance will not be re-appropriated in time to meet the funding commitment, an increase in appropriations is required. Loan re-payments will be deposited back into the Castroville-Pajaro Housing Set-Aside fund to finance future projects.


Prepared by:

  
Jane Royer Barr, 755-5389  
Housing Program Manager

Date:

6/15/11

Approved by:

  
Jim Cook, 755-5390  
Director, Redevelopment and Housing Office

Date:

6/15/11

Attachments:

Subsequent Loan Agreement (including: Operating Agreement, Promissory Note, Deed of Trust and Security Agreement, and Declaration of Restrictive Covenants) is on file with the Clerk of the Board.