

..Title

- a. Approve a loan, if specified conditions are met, in the amount of \$400,000 from the County Housing Successor Agency to MP Geil Street LLC, Inc., an affiliate of MidPen Housing Corporation, for the Geil Street Apartment project in Castroville;
- b. Authorize the Director of Economic Development to make minor changes and execute loan documents, and other necessary and associated documents, if specified conditions are met; and
- c. Approve and authorize the Auditor-Controller to amend the FY 2014-2015 adopted budget to increase estimated revenues and appropriations by \$400,000 in the Castroville Pajaro Set Aside, Fund 175, Unit 8203, Appropriation Unit DEO012 to fund the Geil Street Apartment project in Castroville (4/5th vote required).

..Report

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve a loan, if specified conditions are met, in the amount of \$400,000 from the County Housing Successor Agency to MP Geil Street LLC, Inc., an affiliate of MidPen Housing Corporation, for the Geil Street Apartment project in Castroville;
- b. Authorize the Director of Economic Development to make minor changes and execute loan documents, and other necessary and associated documents, if specified conditions are met; and
- c. Approve and authorize the Auditor-Controller to amend the FY 2014-2015 adopted budget to increase estimated revenues and appropriations by \$400,000 in the Castroville Pajaro Set Aside, Fund 175, Unit 8203, Appropriation Unit DEO012 to fund the Geil Street Apartment project in Castroville (4/5th vote required).

SUMMARY:

In response to a Notice of Funding Availability issued by the County on September 2, 2014, MidPen Housing submitted a request for funding in the amount of approximately \$400,000 for the Geil Street Apartments, Castroville, to acquire and rehabilitate the 52 year old project. Due to poor stewardship of the property by the current owners, the property is currently in default on its State of California Housing and Community Department (HCD) CHRP-R loan ("State loan"). County support of the project would help prevent loss of affordable rental housing.

DISCUSSION:

The Economic Development Department issues Notices of Funding Availability (NOFAs) for funding available for affordable housing projects. In September 2014, the County solicited proposals from non-profit agencies for funding from the State HOME program, County HOME Program Income, or County Housing Successor Agency. In light of County housing objectives, a preference was identified for affordable rental housing projects that could be developed immediately.

MidPen Housing submitted a request for funding in the amount of approximately \$400,000 to acquire and rehabilitate the 11 unit Geil Street Apartments in Castroville. MidPen was approached by the current property manager to take over ownership of the property as under-

capitalization has resulted in deferred maintenance for many years. The existing State loan is currently in default and is in “work-out” with HCD’s Asset Management Group.

The State and County support MidPen’s ownership of the property to avoid losing affordable housing units. MidPen has developed a plan to address physical needs and ensure the property’s long term financial sustainability. MidPen is requesting that HCD approve loan modifications; moreover, HCD is willing to transfer the property to MidPen. The project was previously approved for Urban County CDBG funding in the amount of \$161,503. Subsequently, MidPen responded to the NOFA and requested an additional \$400,000 loan. The balance of needed funding in the amount of \$71,000 would be funded through the property’s replacement reserves. MidPen is also capitalizing the affiliated LLC with \$25,000.

The total development cost is estimated at \$631,000. The proposed capital improvements would enhance the overall quality of life for the existing residents and address urgent physical needs. The work includes improvements to the unit interiors which address health and safety issues as well as to the building exteriors and landscape. Temporary tenant relocation is included in the budget.

Proposed County loan terms are 30 years at an interest rate of 3% with annual payments made from 50% of residual receipts based upon the County’s pro rata share of financing. It is recommended that the Board of Supervisors approve the loan with the following conditions: State approval of CHRP-R Loan amendments such that the project can perform long-term as projected;

- Full financing identified and approved;
- A Pro forma which demonstrates long term feasibility; and
- Acquisition of the property

OTHER AGENCY INVOLVEMENT:

The County of Monterey made a HOME loan in the amount of \$42,000 in 1995 which was repaid in FY 2011. On May 6, 2014, the Board of Supervisors approved funding in the amount of \$100,000 from the Urban County HUD CDBG program. On September 2, 2014, a NOFA was issued for affordable housing projects. On September 30, 2014, the Board of Supervisors approved funding in the amount of an additional \$61,503 from the Urban County HUD CDBG program. On October 8, 2014, the Housing Advisory Committee unanimously approved a recommendation to the Board of Supervisors for funding in the amount of \$400,000 from County Housing Successor Agency funds.

County Counsel has approved loan documents as to form.

FINANCING:

There is no impact to the General Fund as a result of this action. Funding for the project will come from County Housing Successor Agency Fund 175, Unit 8203, Appropriation Unit DEO012.

Prepared by:

Jane Royer Barr,
Program Manager, Ext 5389

Approved by:

David L. Spaur, CEcD, EDFP
Economic Development Director Ext. 5387

Attachment:

Attachment on file with Clerk of the Board Office