



15, 16, 17

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BOARD OF SUPERVISORS
EL DORADO COUNTY

Date: March 19, 2012

To: Board of Supervisors

From: Terri Daly, Chief Administrative Officer

RE: Update on Items 15, 16, and 17 on March 20, 2012 Agenda

Since the last staff report was written and presented to you on March 6, 2012, several questions have arisen regarding this transaction for the development of the Sunset Lane Apartments in Shingle Springs. To consolidate the information, included here is a recap of the questions that have been asked of staff by various members of the Board of Supervisors and the corresponding information, as provided by Ren Scammon, Administrative Services Officer at the Health and Human Services Agency, and Deputy County Counsel Paula Frantz.

Question #1: Regarding page Bb1.10. (10 of 15). Article. xxi (D), if the parties providing compliance surety are not licensed professionals and are not required to have "professional liability" insurance, what covers their errors?

I defer to County Counsel as to what type(s) of vendor insurance would cover errors.

Question #2: Please provide an explanation of "Demand Analysis" page 12-0280.B2.87. (page 75).

This discussion is applicable to Agenda Items 15 and 16. The Demand Analysis was included as part of the Market Analysis report prepared by ME Shay in 2010 and submitted with the original funding application to the State.

Since the administrative subcontractor will be required to submit information to the County in compliance with the HOME Standard Agreement, we included a copy of the HOME Standard Agreement and application as an exhibit to the administrative subcontractor agreement for services.

Question #3: Who monitors the use of loan funds?

The answer, in short, is that we would rely on the assets of the company to provide recompense for any errors which constitute a breach of the contract, as we would do with all of our non-professional service providers. Depending on the type of "error" and the way in which it occurred, there is also the possibility that it would be covered by their Comprehensive General Liability insurance, but I wouldn't count on that. The problem is that if they are not professionals, they can't get professional liability coverage. Just about all of our contracts with people providing services are of this nature. Let me know if you want anything further.

Question #4: Are funds just advanced to borrower or are they paid out as the work is proved to have been completed as in a typical construction loan?

- CalHFA HELP (Agenda item 15): Funds must be utilized by Mercy within 30 days of disbursement (Section 2 of the CalHFA HELP Loan Agreement). All funds will be disbursed to the escrow account after execution of the agreements and processing of the disbursement request through County procedures.
- HOME (Agenda item 16): Funds are disbursed on a reimbursement basis (Section 18 of the HOME Development Agreement).
- CDBG (Agenda item 16): Funds are disbursed on a reimbursement basis (Section 1.7 of the CDBG Loan Agreement).
- Administrative Subcontractor (Agenda item 17): Reimbursement basis for services performed (Article III of the Agreement for Services).

Question #5: In the staff report, the sale prices of the property are variously at \$450,000 or \$500,000. However, in the summary of category use of funds acquisition is shown as \$627,720; typically the transfer costs would only be about \$20,000! What causes the \$100,000 excessive difference?

The March 6, 2012 Staff report reflects appraised value of the property is \$450,000 (page 1). The purchase price of the property is \$500,000 (page 3). The total cost of acquisition include land acquisition cost of \$500,000, plus costs related to the Option Agreement, pre-acquisition costs, legal costs related to land acquisition and closing costs.

Question #6: What is the purpose of Agenda Item #17?

Agenda Item 17 relates to the Administrative Subcontractor contract for the Sunset Lane project. Should the Board authorize the loans, then the Department would be seeking to contract with Laurin Associates, a division of Raney Planning & Management, Inc., as an administrative subcontractor. Should the Board not authorize the loans for Sunset Lane, the County will not need to contract for an Administrative Subcontractor.

Additional Information

In addition to these questions, as reported at the March 6, 2012 Board of Supervisors meeting, Mercy Housing delivered to the County a draft Repayment Guaranty in which Mercy Housing Inc., the national parent organization to Mercy Housing California, offered to guarantee the HOME and CDBG loans for the period of affordability required under the County's standard

agreements with the State for those funding sources. County Counsel reviewed the draft Repayment Guaranty and requested that the CalHFA HELP loan be included in the Repayment Guaranty. Subsequent revisions were made by Mercy Housing to the Repayment Guaranty and those changes were approved by County Counsel. The County Counsel-approved version of document is attached to the agenda items #15 and #16 (Files 12-0037 and 12-0045).

Subordination Agreements have also been prepared by the various lenders for the development to accurately reflect the lien positions of each loan. Those Subordination Agreements are under review by County Counsel. The Escrow Instructions reflecting the correct lien positions and documents to be recorded have been drafted by Mercy Housing and those instructions are also under review by County Counsel.

Staff will be available to provide any further information. Thank you for your consideration.

Sunset Lane Apartments

Funding for Construction (Updated as of 1/30/12)

Funding Source	Construction Financing		Permanent Financing	
	Lien Order	Amount (est. 2/12/12)	Lien Order	Amount (est. 2/12/12)
Citibank	1	\$5,645,091	1	\$542,200
Public Housing Authority: CalHFA HELP	2	\$1,400,000	--	--
El Dorado County: HOME	3	\$3,000,000	2	\$3,000,000
El Dorado County: MHSA via CalHFA	4	\$540,800	3	\$540,800
El Dorado County: CDBG	5	\$483,000	4	\$483,000
El Dorado County: TIM Fee Offset	6	\$1,060,020	5	\$1,060,020
Investor Contribution	no lien	\$700,000	no lien	\$7,820,000
Total		\$12,828,911		\$13,558,711

Additional Operational Support (Updated as of 3/14/12)

El Dorado County: MHSA via CalHFA	\$540,000
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Mental Health Services Act (MHSA) Funding

El Dorado County was allocated \$2,276,500 in MHSA funding, which was assigned to CalHFA (BOS December 14, 2010, Legistar File 10-1267). Once assigned to CalHFA there is no reversion risk for these funds. However, the funds must be used for permanent supportive housing and the design of the project must serve individuals who have a Serious Mental Illness as defined in Welfare and Institutions Code Section 5600.3(b)(1) and are homeless or at risk of homelessness.

Approximately \$1,080,800 of the MHSA funding has been identified for the Sunset Lane Apartments development, of which \$540,800 will be for construction and \$540,000 will be for ongoing operational support for the MHSA supportive services. The remainder of the MHSA funds are designated for a yet-to-be-determined project on the East Slope of the County.

The goal of the MHSA program at Sunset Lane Apartments is to provide the individual a safe place to develop skills, pursue recovery oriented goals, and provide the opportunity for the individual to integrate into and become a part of the community in which he/she lives.

Services may include skill building, service coordination, supportive rehabilitation, wellness activities, vocational and/or educational training and supports.

