



EL DORADO COUNTY PLANNING & BUILDING DEPARTMENT

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Date: June 23, 2023
To: Honorable Board of Supervisors
From: Karen L. Garner, Director
Subject: Diamond Village Community Development Block Grant (CDBG) Loan Update

I wanted to provide you with an update on the Community Development Block Grant (CDBG) Loan that the Board of Supervisors approved for the Diamond Village Apartments. The CDBG loan was a new funding source supporting the construction of affordable housing through the California Department of Housing and Community Development (HCD).

With the loss of our seasoned Housing staff person and unfamiliarity with the loan program, it was a big learning curve, but the result will be a quality, affordable housing project in El Dorado County providing units for extremely low, very low- and low-income individuals and families.

History

The application process started in March 2020 when the Board authorized County staff to submit a project application to the State for CDBG funding. The program provided funds to cities or counties that do not receive direct CDBG allocations from the United States Department of Housing (HUD). County staff partnered with the developer of Diamond Village Apartments, an 81-unit affordable housing project. The State then modified the program and provided additional funding. The Board authorized County staff to re-apply in 2021.

In May 2022, the Board accepted the grant award for CDBG Grant funding in the amount of \$1,498,000 for property acquisition for the affordable housing project. This action authorized the Planning and Building Department Director, contingent upon approval by County Counsel and Risk Management, to execute the Standard Agreement and subsequent amendments that do not affect the dollar amount or the term and to sign other grant-related documents, execute the Loan Agreements, Development Agreements, Promissory Notes, Regulatory Agreements, Deeds of Trust With Assignment of Rents, and all other documents necessary to issue the grant funds. The action also authorized a temporary, interest-free loan from the General Fund to the CDBG HCED fund, to be repaid upon HCED's receipt of the grant funding, not later than September 30, 2022.

Due to various delays and the complex nature of funding for affordable housing, this timeline was extended by the Board to September 29, 2023.

Loan Process

Preparation of loan documents started in earnest in January 2023. Funding for affordable housing is difficult and complex. This project included seven construction funding sources and

will have six permanent loan sources. This is not unusual for this type of project. Loan documents and closing dates needed to be coordinated with other project funding sources. In addition, HCD reviewed the draft County loan documents approved by the Board and determined that updated and additional language was needed to meet HCD’s criteria. County staff met regularly with the development team for Diamond Village Apartments including other lenders and HCD to coordinate loan documents.

After several months of revisions to the documents, escrow closed on Diamond Village Apartments on 5/26/23. As authorized by the Board, the Planning and Building Department Director, in close coordination with County Counsel and Risk Management, amended language from the original draft agreement approved by the Board in May 2022, but the changes did not affect the dollar amount or the terms of the loan.

Staff will be submitting documentation to HCD the week of 6/26/23 for reimbursement of the \$1,498,000 the County loaned to the developer. Reimbursements are usually processed by HCD within six to eight weeks. Due to the timing of receiving the reimbursement, staff needs to request that the Board once again approve an extension of the temporary, interest-free loan from the General Fund to the CDBG HCED fund to cross-over fiscal years. Once the reimbursement check from HCD is received, it will be applied to the County’s General Fund.

Although the County is made whole once we receive reimbursement from HCD, the \$1,498,000 remains an outstanding loan for the project applicant. The terms of the loan are that the principal and interest (3% per annum) payments are deferred for 55 years, which corresponds with the project’s affordability obligation. At the end of the 55 years, the County can choose to forgive the loan or request repayment. If repayment is required, the funds will be restricted to other CDBG-eligible projects.

Construction of the project began the week of June 5th.

Project Description and Affordability

This project will provide units in three different affordability categories, including the difficult to provide extremely low and very low-income categories. All units can be counted towards the County’s Regional Housing Needs Allocation (RHNA).

Diamond Village Apartments - 6018 Service Drive, Diamond Springs, California 95619.

| Income Limit | Number of Units |
|---|-----------------|
| Extremely Low Income (<30% of Area Median Income) | 20 |
| Very Low Income (<50% of Area Median Income) | 40 |
| Low Income (<60% of Area Median Income) | 20 |
| On-Site Manager | 1 |
| TOTAL UNITS | 81 |

The project will include 20 one-bedroom, 40 two-bedroom and 20 three-bedroom apartments (mixed across affordability levels), a 3,800± square foot community building including an office,

laundry room, food prep area, community room and an art room, as well as an on-site manager's apartment. The balance of the site will include paved access, 190 parking spaces, two play areas and landscaping.

Other Provisions of the Agreement

- Obligation to provide the above noted affordability levels for 55 years.
- Agreement requires developer to establish a Replacement Reserve Account. This account will help pay for structural elements, furniture, fixtures or equipment of the development that are reasonably required to preserve the Development.
- Agreement requires developer to establish an Operating Reserve Account. This account will alleviate cash shortages that may result from unanticipated and unusually high maintenance expenses, seasonal fluctuations in utility costs, abnormally high vacancies (greater than five percent (5%) of the total Development rental capacity), and other expenses that vary from month to month.
- Payment to the County of an annual monitoring fee in the amount of \$100 per affordable unit.
- Annual report to the County with the following.
 - Description of any major repair or maintenance
 - The occupancy of the Development indicating 1) the number of persons in the unit; 2) tenant name; 3) initial occupancy date; 4) rent paid per month; 5) annual gross income of the tenant; 6) percent of rent and utilities paid in relation to gross income; and 7) copies of those documents used by Developer to certify or re-certify the tenant.
- Audit of the Development prepared by an independent certified public accountant in accordance with County audit requirements.

Exhibits:

- A - Diamond Village CDBG Regulatory Agreement
- B - Diamond Village Deed of Trust
- C - Diamond Village Promissory Note
- D - Diamond Village Rider