



## Legislation Text

---

**File #:** 22-0609, **Version:** 1

---

Planning and Building Department, Long Range Planning, Housing, Community and Economic Development Program, recommending the Board:

- 1) In accordance with Board Policy A-6, accept the grant award for Community Development Block (CDBG) Grant funding in the amount of \$1,498,000 as funding for property acquisition required for affordable multifamily residential development in support of the Diamond Village 81-unit affordable multifamily workforce housing project located in the community of Diamond Springs;
- 2) Authorize the Director of the Planning and Building Department or successor, contingent upon approval by County Counsel and Risk Management, to execute the Standard Agreement and subsequent amendments thereto that do not affect the dollar amount or the term and to sign other grant-related documents;
- 3) Authorize the Planning and Building Department Director, or successor, contingent upon approval by County Counsel and Risk Management, to 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 up to \$1,498,000 from Community Development Block Grant funding in the form of a loan, to service the loan to, and collect loan repayments from Diamond Village Apartments, LP, a California Limited Partnership, for the development of the Diamond Village Apartments in Diamond Springs;
- 4) Authorize the Auditor-Controller's Office to process check requests to disburse funds which will be reimbursed by corresponding amounts from the CDBG grant; and
- 5) Authorize a temporary, interest-free loan from the General Fund to the Community Development Block (CDBG) HCED fund, to be repaid upon HCED's receipt of the grant funding, not later than September 30, 2022.

**FUNDING:** Federal Community Development Block Grant Funds.

### **DISCUSSION / BACKGROUND**

The State of California Department of Housing and Community Development ("HCD") issued a Notice of Funding Availability ("NOFA") dated January 21, 2020, for the Community Development Block Grant (CDBG) Program.

In response to the 2020 NOFA, the Board adopted Resolution 096-2020 to authorize submittal of a 2020 CDBG project application for an allocation of up to \$1,498,000 of the CDBG Program funds for an acquisition loan to the development partnership of the Diamond Village Apartments, an 81-unit affordable multifamily workforce housing development in Diamond Springs.

Upon approval of the Standard Agreement, the CDBG grant funds are to be loaned to Diamond Village Apartments, LP, a California Limited Partnership, for the Diamond Village Apartments as a deferred payment loan at three percent interest, subject to a Regulatory Agreement, evidenced by a Promissory Note and secured by Deed of Trust with Assignment of Rents and Security Agreement ("Deed of Trust"). Pursuant to the requirements of the State, the loan will be forgiven provided the Diamond Village Apartments maintain a five-year period of affordability for low- to very-low income households. These CDBG funds are specific to the Diamond Village Apartments and cannot be

transferred to any other affordable housing development.

The CDBG funds help support the County's Housing Element Policy HO-1.18, which directs the County to develop incentive programs and partnerships to encourage private development of affordable housing; and Measure HO-19, to support County application for funds from a variety of sources in support of public improvements and/or community development on behalf of development for, and services that assist, affordable housing.

**The Development:** Affordable Housing Developer, Diamond Village Apartment LP, a California Limited Partnership, is proposing the new construction of an 81-unit workforce affordable housing apartment complex on Service Drive in the community of Diamond Springs. The project is known as Diamond Village Apartments. The Diamond Village Apartments will be developed by Diamond Village Apartment LP, a California Limited Partnership, who's Managing General Partner, Pacific Southwest Community Development Corporation, a California nonprofit corporation, and whose General Administrative General Partner is SNO Foundation, a Nonprofit Private Foundation.

**Pacific Southwest Community Development Corporation (PSCDC)** is a non-profit 501(c)3 California Public Benefit Corporation that acts as the managing general partner for over 70 low and moderate income apartment properties in California and Arizona. Based in San Diego, PSCDC aims to develop high quality affordable housing and provide educational and community services that empower residents to achieve economic and social stability. Resident-focused programming includes computer training, financial education, free farmers markets, tutoring, job readiness support, and other health, wellness, and educational services. On a monthly basis, PSCDC organizes nearly 600 classes and events engaging over 6,000 residents.

PSCDC are a recognized non-profit housing organization with developments throughout California and Arizona. PSCDC is well-connected to various community and government agencies through its operation of these developments.

**SNO Foundation**, a nonprofit 501(c)(3) private foundation, is the Administrative General Partner for the Diamond Village Apartments, LP.

**Kingdom Development, Inc.** a California nonprofit 501(c)(3) public benefit corporation, is to be admitting at closing as Co-General Partner for Diamond Village Apartments, LP.

The Planning Commission approved the Project with Findings, Conditions of Approval, and a Mitigated Negative Declaration on June 28, 2018. The units at Diamond Village Apartments will be a mix of one, two and three-bedroom apartments affordable to a range of household sizes with incomes ranging from 30 to 50 percent of the Area Median Income. The project included a 3,800± square foot community building with office, laundry room, food prep area, community room and an art room, as well as an on-site manager's apartment. All buildings would be built with stucco finishing, stone veneer accents and composite roofs. The balance of the site will include paved access, 190 parking spaces (65 covered) two play areas and landscaping. Total project costs are estimated at approximately \$48 million.

**Funding:** On January 20, 2020, the Board of Supervisors adopted Resolution 004-2020 authorizing a predevelopment loan of \$150,000 to SNO Foundation from the County's Affordable Housing Trust

Fund Revolving Predevelopment Loan Program at one percent annual interest, with deferred payment for a period of up to 60 months to be used for eligible predevelopment costs associated with the Diamond Village Apartments.

On January 20, 2020, HCD awarded Pacific Southwest Community Development Corporation \$7,500,000 of the Multifamily Housing Program (MHP), Round 2 funds. MHP funding provides loans to individuals, public agencies, or private entities (including for-profit, limited profit, or nonprofit). The funds awarded are allocated as permanent financing for affordable multifamily rental and transitional new construction, acquisition, rehabilitation, and conversion housing developments.

On June 23, 2020, the Board of Supervisors approved Resolution 069-2020 authorizing application to HCD under the Community Development Block Grant (CDBG) Program for an allocation of up to \$1,498,000 of the CDBG Program funds for an acquisition loan to the development partnership of the Diamond Village Apartments.

In addition to the CDBG funding, HCD awarded funding through the California Housing Accelerator (CHA), a \$1.75 billion fund to provide bridge financing for shovel-ready affordable housing. Pacific Southwest Community Development Corp., received \$31.4 million for the Diamond Village Apartments project.

In June 2020, HCD awarded Pacific Southwest Community Development Corporation and the County of El Dorado an Infill Infrastructure Grant (IIG) in the amount of \$855,623. The purpose of the IIG Program is to promote infill housing development by providing financial assistance for Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of, a Qualifying Infill Project or a Qualifying Infill Area.

On November 17, 2020, the Board of Supervisors approved a Traffic Impact Fee Offset in the amount of up to \$1,065,474 contingent upon executing a Traffic Impact Fee Offset Agreement that includes a Recapture Agreement, Rent Limitation Agreement and a Residential Anti-Displacement Agreement, to restrict 80 rental units for fifty-five (55) years for very-low and low-income tenants.

Under the funding structure for the Diamond Village Apartments, the CDBG Deed of Trust for \$1,498,000 will be in fourth position. The anticipated position of the funding for the Diamond Village Apartments is: 1) construction loan, 2) CHA loan, 3) MHP loan, 4) CDBG loan, 5) IIG loan and 6) TIM Fee Offset.

In the event that Diamond Village Apartment LP were to default on the CDBG loan prior to the five-year period of affordability, the State would seek repayment of the loan from the County. The County would in turn be responsible for seeking repayment from Diamond Village Apartment LP through exercising its lien on the property or other avenues as allowed under the default provisions of the agreements.

Time is of the essence for approval and execution of the Standard Agreement and loan documents.

State approval of other funding sources (California Housing Accelerator, IIG, and CDBG), and disbursement for land acquisition in June 2022, and commencement of construction prior to the California Housing Accelerator (CHA) deadline of August 3rd, 2022. Commitment of all funding is a required element of the documentation to be submitted to the State

**Reason for Recommendation:** El Dorado County recognizes that a shortage of affordable housing options for all income levels is detrimental to the County's economic health. Supporting affordable housing, specifically for lower income households, assists the County in meeting General Plan Housing Element Goals. The following 2021-2029 Housing Element goals and policies are relevant to the Diamond Village Apartments project:

Goal HO-1: To provide for housing that meets the needs of existing and future residents in all income categories.

Policy HO-1.6: The County will encourage new or substantially rehabilitated discretionary residential developments to provide for housing that is affordable to low very low, and moderate income households.

Policy HO-1.10: The County shall apply for funds from the state and federal government such as the Community Development Block Grant (CDBG), Home Investment Partnerships Program, and AB 2034 programs, and explore additional ways such funds may be used countywide to support construction of affordable housing.

Policy HO-1.18: The County shall develop incentive programs and partnerships to encourage private development of affordable housing.

Policy HO-1.26: The County shall ensure that public services and facilities are provided to affordable housing projects at the same level as to market-rate housing. Incentives and/or subsidies shall be considered to support the production of housing for very low, low and moderate income households.

The County has supported the development of affordable housing projects through State and federal funding applications since 1998, initially through a HOME Investment Partnerships grant award. Through subsequent HOME grant awards and CalHFA loans, the County has continued to support the development of affordable housing in the unincorporated areas of El Dorado County. Diamond Sunrise II Senior Apartments, completed in 2002, is located in Diamond Springs and provides 16 units of affordable senior housing. The White Rock Village Apartments project, located in El Dorado Hills, completed in 2005, provides 168 units of affordable workforce housing. The Sunset Lane Trailside Terrace Apartments project in Shingle Springs provides 40 units of affordable workforce housing. All projects provide for a 55-year period of affordability.

**Action to be taken following Board approval:** Upon County Counsel and Risk Management approval, the Planning and Building Department Director, or successor, to execute the CDBG Standard Agreement, the Regulatory Agreement, the County's Deed of Trust With Assignment of Rents, and Promissory Note and all other documents necessary to issue the loan to, service the loan for, and collect loan repayments from Diamond Village Apartments, LP for the development of the Diamond Village Apartments. Auditor-Controller's office to process check request(s) for the disbursement of funds that will be reimbursed by CDBG grant funding.

## **ALTERNATIVES**

The Board may elect to reject the grant funding and resulting support of the workforce housing development which would render the project financially infeasible.

## **PRIOR BOARD ACTION**

On March 24, 2020, the Board of Supervisors adopted Resolution **049-2020** (Agenda Item 23, Legistar 20-0311) to submit a project application for an allocation for up to \$1,000,000 of the Infill Infrastructure Grant (IIG) Program funds in cooperation with Pacific Southwest Community Development Corporation (“Co-Applicant”), Managing General Partner of the Diamond Village Apartments in Diamond Springs.

On November 17, 2020, the Board of Supervisors approved a Traffic Impact Fee Offset in the amount of up to \$1,065,474 (Agenda Item #12, Legistar 20-1316) to the Diamond Village Apartments contingent upon executing a Traffic Impact Fee Offset Agreement that includes a Recapture Agreement, Rent Limitation Agreement and a Residential Anti-Displacement Agreement, to restrict 80 rental units for fifty-five (55) years for very-low and low-income tenants.

On June 23, 2020, the Board of Supervisors approved Resolution **096-2020** (Agenda Item 37, Legistar 20-0733) authorizing application to the State of California Department of Housing and Community Development in response to a Notice of Funding Availability (“NOFA”) dated January 21, 2020, for the Community Development Block Grant (CDBG) Program. Eligible applicants for CDBG grant assistance include a city or county that does not receive a direct allocation of CDBG funds from the United States Department of Housing and Urban Development (HUD) or is participating in an Urban County Agreement. In response to the 2020 NOFA, the County of El Dorado (the “Applicant”) submitted a project application for an allocation of up to \$1,498,000 of the CDBG Program funds for an acquisition loan to the development partnership of the Diamond Village Apartments, an 81-unit affordable multifamily housing development in Diamond Springs.

The CDBG program notified eligible applicants that the state received additional funding making it possible to award additional projects funding under the 2020 Community Development Block Grant program - Coronavirus Response (CDBG-CV) and/or the 2020-2021 funding year of the state CDBG program. In order for applicants to receive funding, revisions to the initial resolution were required.

June 8, 2021, the Board of Supervisors adopted Resolution **058-2021** (Agenda Item # 47, Legistar 21-0863) for the submittal of an application for the 2020 Community Development Block Grant program - Coronavirus Response (CDBG-CV) and/or the 2020-21 funding year of the state CDBG program funds to the State of California Department of Housing and Community Development to provide up to \$1,498,000 as funding for property acquisition required for affordable multifamily residential development.

On December 14, 2021, the Board of Supervisors adopted Resolution **183-2021** (Agenda Item 32, Legistar 21-1761) for the application to the State of California CDBG program. The CDBG program notified eligible applicants that the state received additional funding making it possible to award additional projects funding under the 2020 Community Development Block Grant program - Coronavirus Response (CDBG-CV) and/or funding available through the State of California 2019-2020 Annual Action Plan August 2020 Second Substantial Amendment, and/or CDBG activities, pursuant to the CDBG Method of Distribution as described in the State of California 2020-2021 Annual Action Plan January 2021 Substantial Amendment. In order for applicants to receive funding, revisions to the initial resolution authorizing application are required for funding to provide up to \$1,498,000 for property acquisition required for affordable multifamily residential development, specifically the Diamond Village Apartments project.

**OTHER DEPARTMENT / AGENCY INVOLVEMENT**

County Counsel, Risk Management

**CAO RECOMMENDATION / COMMENTS**

Approve as recommended.

**FINANCIAL IMPACT**

There is no match requirement associated with the award of funds under the Community Development Block Grant (CDBG). Staff costs are provided by General Fund Housing Element Implementation funds already budgeted for that purpose. A loan of General Fund is necessary to prevent the HCED Program from closing out FY 2021-22 with a negative balance. Any resulting negative interest charges will be reimbursed to General Funds through either CDBG grant funding or HCED General Fund Housing Element Implementation funds already budgeted for that purpose.

**CLERK OF THE BOARD FOLLOW UP ACTIONS**

N/A

**STRATEGIC PLAN COMPONENT**

Good Governance - "Promote the development of resources to identify and pursue additional revenue including local, state, federal and private funding for new and existing projects."

Healthy Communities - "Achieve sufficient and attainable housing for all El Dorado County residents."

Economic Development - "Provide attainable housing options - balance jobs with housing."

**CONTACT**

Karen L. Garner, Director

Robert Peters, Deputy Director Planning