

COUNTY OF SONOMA AGENDA ITEM SUMMARY REPORT			Clerk of the Board Use Only Meeting Date ___/___/___ Agenda Item No: _____
Department: Community Development Commission			() 4/5 Vote Required
Contact: Bob Branson	Phone: (707) 565-7901	Board/Commission Date: 7/21/09	Deadline for Board/Commission Action: 7/21/09
AGENDA SHORT TITLE: County Fund for Housing Loan Modification and HCD BEGIN Application - Las Palmas Subdivision			
REQUESTED BOARD/COMMISSION ACTION: Concurrent Resolution of the Board of Supervisors of the County of Sonoma and the Sonoma County Community Development Commission modifying an existing \$1,422,000 County Fund for Housing (CFH) Loan to New Pueblo, LLC for the Las Palmas Subdivision to increase the principal amount of the loan to \$1,840,000 and to allow the loan to convert to deferred-payment loans to assist income-eligible first-time homebuyers in the Subdivision, authorizing submission of an application for an additional \$600,000 in BEGIN funds from State Department of Housing and Community Development, and authorizing the Commission's Executive Director, subject to County Counsel review and approval, to execute loan and grant documents and agreements, and any future modifications, assignments, assumptions, and subordination agreements.			
CURRENT FISCAL YEAR FINANCIAL IMPACT			
EXPENDITURES		ADDNL. FUNDS REQUIRING BOARD APPROVAL	
Estimated Cost	\$ 1,840,000	Contingencies (Fund Name:)	\$
Amount Budgeted	\$ 1,840,000	Unanticipated Revenue (Source:)	\$
Other Avail Approp (Explain below)	\$	Other Transfer(s) (Source:)	\$
Additional Requested:	\$	Add'l Funds Requested:	\$
Explanation (if required): Funds are available from the County Fund for Housing.			
Prior Board/Commission Action(s): 4/26/05: Board approved revised CFH Program Guidelines. 5/15/07: Board adopted a Mitigated Negative Declaration approving a General Plan Amendment, Zone Change, Major Subdivision, and Use Permit for Las Palmas Subdivision. 5/22/07: Commission approved a \$1,060,000 Redevelopment Low- and Moderate-Income Housing Fund Loan to New Pueblo LLC for Las Palmas Subdivision. 6/19/07: Commission authorized the Executive Director of the CDC to submit a grant application to the State HCD BEGIN program for a grant of up to \$1,560,000. 5/6/08: Board approved a \$1,422,000 CFH loan to New Pueblo LLC for Las Palmas Subdivision.			
Alternatives - Results of Non-Approval: Non-approval would negatively effect the financial viability of the Las Palmas project by reducing its chances of receiving Infill Infrastructure Grant Program funding from the State and eliminating the possibility of receiving \$600,000 in HCD BEGIN grant funding to assist an additional 10 homes to be sold to moderate-income, first-time homebuyers.			

Background:

CFH LOAN MODIFICATION REQUEST

On May 22, 2007 and May 6, 2008, the Board of Supervisors and Community Development Commission approved a \$1,060,000 Redevelopment loan and a \$1,422,000 County Fund for Housing (CFH) loan to New Pueblo, LLC, developer of the 52-unit Las Palmas subdivision on Highway 12 in Feters Hot Springs (Developer). The Redevelopment loan is currently in escrow and will finance a portion of the project's public improvements upon recording, after the subdivision's final map is approved. The CFH loan financed a portion of the acquisition and predevelopment costs for the subdivision, in which eleven units were proposed to be affordable and restricted for sale to low- and moderate-income first-time homebuyers. (Site Location Map & Site Plan attached)

Developer is now requesting modifications to the existing financing terms on the CFH loan to (1) increase of the current CFH loan amount by \$418,000, for a total principal amount of \$1,840,000, and (2) allow pro-rata conversion of the current short-term loan to deferred-payment loans to eligible low- and moderate-income purchasers of the affordable restricted homes in the Subdivision. The purpose of this request is to enable Developer to package a more competitive application to HCD requesting a \$1,200,000 grant from its new Infill Infrastructure Grant Program (IIGP), to provide additional financing for infrastructure costs. The CFH modification would additionally assist in the up-front payment of water hook-up fees to the Valley of the Moon Water District, and a re-design of the units to meet LEED Certified standards.

In consideration of the requested loan modifications, Developer has proposed adding ten additional moderate-income affordable units to Las Palmas. This proposed increase would bring the total number of affordable units to 21, including eleven moderate- and ten low-income units. If approved, this CFH loan modification would provide an average of \$87,619 in mortgage assistance to each of the 21 first-time, income-eligible homebuyers of the affordable homes. This would augment the mortgage assistance also to be provided via conversion of the Redevelopment loan to 21 first-time homebuyer loans averaging \$50,476 for each affordable home.

Background Continued On Next Page

Attachments: 1) Concurrent Resolution
2) Site Location Map & Site Plan

On File With Clerk:

CLERK OF THE BOARD USE ONLY

Board/Commission Action (If other than "Requested")

Vote:

Background Continued:

The "as is" appraised value of the Subdivision property as of September 1, 2008 was \$3,120,000. The maximum loan-to-value ratio (LTV) allowed for predevelopment loans is 150% of the property's appraised value, less any existing liens recorded against the property. A current recorded \$2,045,000 seller-carry mortgage loan plus an increased CFH loan of \$1,840,000 results in a total 124.5% LTV. An updated appraisal will need to demonstrate that the value of the property remains greater than \$2,590,000 to meet the requirement that the CFH loan not exceed the 150% LTV allowed under the Guidelines.

APPLICATION FOR HCD BEGIN FUNDS

On August 19, 2008, Commission submitted an application to State HCD for \$330,000 in BEGIN funds to assist eleven first-time low- and moderate-income buyers of homes at Las Palmas. Pursuant to subsequent changes in HCD's guidelines for the Program, the BEGIN grant for Las Palmas was increased to \$660,000 to provide \$60,000 in deferred-payment subordinate financing to each of the eleven income-eligible buyers. If approved for the CFH loan modification, Developer requests that the Commission submit an application to the HCD BEGIN program for an additional grant of up to \$600,000 to assist the moderate-income first-time homebuyers of the 10 additional restricted units created as a result of the CFH loan modification.

Each BEGIN loan will be a long-term loan to the buyer that the Commission will secure against the individual home, bearing 3% simple interest, with repayment deferred to the earlier of the 30-year term of the loan, sale of the home, or refinancing of the BEGIN loan. When a homeowner repays a BEGIN loan, the Commission will use the repayment proceeds to assist other low-income and moderate-income first-time homebuyers.

REQUESTED ACTION

The attached Concurrent Resolution approves the modification to the CFH loan to increase the principal amount of the loan to \$1,840,000, changes the terms of the CFH loan to allow for its conversion to mortgage assistance to the income-eligible first-time homebuyers of the 21 restricted affordable units, and authorizes the Executive Director of the Commission to sign and submit an HCD BEGIN Program application for an additional grant of up to \$600,000, to accept the BEGIN grant funds and sign the necessary grant documents with HCD, and to execute all required loan and grant documents and agreements, and any future modifications, assignments, assumptions, and subordination agreements, subject to review and approval of County Counsel as to form.

Supporting maps are on file at:

County of Sonoma Board of Supervisors Office
575 Administration Drive, Room 100A
Santa Rosa, CA 95403

They can be viewed and/or copies requested during regular business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday. Call (707) 565-2241 for more information.