



MARIPOSA COUNTY

Administration • 966-3222



RESOLUTION - ACTION REQUESTED 2021-175

MEETING: April 6, 2021
TO: The Board of Supervisors
FROM: Dallin Kimble, County Administrative Officer
RE: Below Market Rate Loans

RECOMMENDATION AND JUSTIFICATION:

Approve the issuance of three below market rate loans to Self Help Enterprises for the 42-unit Creekside Terrace Project (\$2,809,000); approve the use of state grants to fund the loan; and authorize the Board of Supervisors Chair to sign all loan documents Pertaining to the Three Loans (Subject to Approval as to Legal Form by County Counsel).

The County of Mariposa has received several grants in support of the Self Help Enterprises (SHE) Creekside Terrace project. The state allows these funds to be loaned rather than given in order to avoid additional taxes that would limit the scale and rents of the housing project itself. Staff has reviewed the below market rate loan concept and is prepared to recommend this option to the Board.

SHE has been developing a 42-unit multifamily housing project near the intersection of Fournier and Anton Roads in Mariposa since 2019. Named the Creekside Terrace, this housing development will provide below market rate rents (estimated between \$300 - \$800 per month) to Mariposa citizens for at least 55 years. This level of affordability cannot be reached without utilizing affordable housing financing tools.

Some of the financing tools used in this project are: Section 8 project base funding, 9% Low Income Housing Tax Credits (LIHTC), and State grant funding to support affordable housing. In addition, partnerships between nonprofit Community Development Housing Organizations (CDHOs) and local jurisdictions are required to compete for state grant funds. Mariposa County has been partnering with SHE to do exactly this and has been awarded State Infill Infrastructure (\$1.95 million) and Permanent Local Housing Allocation (\$256,000) grants to support the construction of Creekside Terrace. The County has also committed Whole Person Care (\$600,000) funding to the project.

Creekside Terrace is approaching the start of construction and the limited partnership between SHE and their financiers is ready to access the grant funding that we have secured for the project. Issuing a secured loan at zero percent (0%) interest allows the limited partnership to avoid having to claim the grants as income while still delivering capital to the project at rates lower than traditional lenders. This is an acceptable

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strategy to the state as long as the loan is below market rate interest, is secured by an affordability deed of trust for fifty-five (55) years or more, and is used to support housing for County residents that are at or below sixty percent (60%) of our Area Median Income(AMI). The overall interest rate on this project is 4.75% so 3% is Below Market Rate.

As a loan, the County will have an option to require the loan to be repaid either at the end of the term or if the project is refinanced in the future. At that time, collected funds could be reinvested into the project (e.g. for a remodel or upgrades), invested into other housing projects for residents at or below 60% AMI, or the loan could be forgiven.

BACKGROUND AND HISTORY OF BOARD ACTIONS:

RES 2018-292 Approved the Comprehensive Housing Program Implementation Study indicating the need for the County to partner with nonprofit developers to build affordable housing throughout the County.

Design Review 2019-035 Approved Self Help Enterprises' 42-unit apartment complex at 5118 Fournier Road.

RES 2019-52 Approved No Place Like Home round one to begin funding of Creekside Terrace (formerly known as Mariposa Village).

RES 2019-498 Adopted 2019-2024 Housing Element to the General Plan noting the Creekside Terrace (FKA Mariposa Village) as adding affordable housing to our County's housing stock.

RES 2019-702 Approved an application to the Infill Infrastructure Grant program for the construction of Creekside Terrace (\$1,953,000). The grant was awarded.

RES 2020-484 Authorized the application for Permanent Local Housing Allocation(PLHA) grant funds (\$256,000).

RES 2020-484 Approved PLHA plan 302(c)(4) committing the first two years as gap financing for Creekside Terrace.

RES 2021-75 Committed \$600,000 in Whole Person Care funding to the Creekside Terrace project with no interest for a term of fifty-five (55) years.

March 2,2021 Received information from Self-Help Enterprises Director of Real Estate on Below Market Rate Loan structure.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

The County could use a private lender to issue this loan. Interest rates would be higher and the project would have less capital to use for construction and rent subsidies.

The County could grant funds to Self Help Enterprises. A portion of the grant funds would be returned to the state in the form of income taxes and the project would have



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less capital to use for construction and rent subsidies.

FINANCIAL IMPACT:

There will be no significant short term financial impact as these are grant funds that we are loaning to a public benefit project to support a community need. In the long term these loans will be repaid and can be reused to support affordable housing. They could also be forgiven.

ATTACHMENTS:

WPC note (PDF)
WPC DOT (PDF)
WPC agreement (PDF)
IIG note (PDF)
IIG DOT (PDF)
IIG agreement (PDF)
PLHA note (PDF)
PLHA DOT (PDF)
PLHA Agreement (PDF)
Subordination Agreement (PDF)

RESULT: ADOPTED [UNANIMOUS]

MOVER: Rosemarie Smallcombe, District I Supervisor

SECONDER: Wayne Forsythe, District IV Supervisor

AYES: Smallcombe, Sweeney, Long, Forsythe, Menetrey