

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

656



FROM: Economic Development Agency

SUBMITTAL DATE:
November 27, 2006

SUBJECT: Second Amendment to Loan Agreement for the Use of HOME Funds, Promissory Note, and Deed of Trust for Arroyo de Paz I Family Apartments in the City of Desert Hot Springs

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Second Amendment to Loan Agreement for the Use of HOME funds, Promissory Note, and Deed of Trust with Assignment of Rents with Verbena Housing Associates, L.P.;
2. Approve the attached Subordination Agreement with Wells Fargo Bank;
3. Authorize the Chairman of the Board to execute the attached Second Amendment to Loan Agreement and Subordination Agreement; and
4. Authorize the Assistant County Executive Officer/EDA or designee to take all necessary steps to implement this Agreement, including signing subsequent essential and relevant documents.

Departmental Concurrence

BACKGROUND: On August 10, 2004, the Board of Supervisors approved a Loan Agreement for the Use of HOME Funds with Verbena Housing Associates, L.P., whose general partner is Coachella Valley Housing Coalition (CVHC), a certified non-profit Community Housing Development Organization, for the (continue on page 2)

Robin Zimpfer

Robin Zimpfer
Assistant County Executive Officer/EDA

RZ:JC:JV:ER:TF:JG
S:\CDBG\HOME\2004 HOME - TOM F\Arroyo de Paz I\Form 11\11-Second amend.doc

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 1,790,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2006/2007

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: HOME Investment Partnerships Act Grant Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: **APPROVE**

County Executive Office Signature _____
George A. Bryant

FORM APPROVED COUNTY COUNSEL

NOV 27 2006

Robin Zimpfer

- Policy
- Policy
- Consent
- Consent

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: 3.22-1/27/04, 3.5-5/4/04, 3.8-3/30/04, 3.33-8/10/04, 3.18-9/13/05, 3.13-1/24/06
District: 5th
Agenda Number:

**ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD**

3 . 8

BACKGROUND (continued):

construction of a 60-unit rental housing project in the city of Desert Hot Springs. The agreement called for a loan of \$850,000 with a 3% interest payable in 55 years.

The original development cost was initially estimated at \$10,691,981. The current development cost of the project is now at \$12,453,396 and is scheduled to be completed by the end of December 2006. A First Amendment to the Loan Agreement was approved and executed by the Board on September 13, 2005. The Amendment to the loan called for an additional \$400,000 in HOME funds to help cover project cost increases that the project was experiencing at that time.

The project has since escalated an additional \$612,298 due to cost increases for building materials, a change in the scope of work required by the city of Desert Hot Springs for offsite utility work, as well as delays in construction resulting in higher construction interest reserves. CVHC has requested that the County provide additional HOME funds in the amount of \$540,000. CVHC has demonstrated to staff that they have exhausted all other possible options to cover this increase. The current HOME Loan amount of \$1,250,000 would then be amended to \$1,790,000.

Wells Fargo Bank is providing \$10,663,396 in construction financing. The \$1,790,000 in HOME funds will be subordinate to the Wells Fargo Bank loan.

County Counsel has reviewed and approved the attached Second Amendment to Loan Agreement for the Use of HOME Funds, Promissory Note, and Deed of Trust with Assignment of Rents and Subordination Agreement. Staff recommends that the Board approve the attached documents.