

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

697



FROM: Department of Mental Health

SUBMITTAL DATE:

July 13, 2009

SUBJECT: Approve the Rancho Dorado Exception Letter

RECOMMENDED MOTION: Move that the Board of Supervisors:

1. Approve the attached Exception Letter to the California Housing Finance Agency; and
2. Authorize the Chairman of the Board of Supervisors to sign the Exception Letter.

BACKGROUND:

On January 8, 2008, Agenda Item 3.14, the Riverside County Board of Supervisors authorized the State DMH, under the approved MHSA Plan, to transfer \$ 19 million of MHSA funds to the California Housing Finance Agency (CalHFA) to hold in a trust for Riverside County for the purposes of constructing and operating permanent supportive housing for people with disabling mental illnesses. Subsequently, RCDMH submitted an application to the State Department of Mental Health and CalHFA to partially fund the development known as Rancho Dorado. **(Continued on page 2)**

FORM APPROVED COUNTY COUNSEL
BY Carisa R-Mckenna DATE 7/13/09
Departmental Concurrence

JW:SL:TP:MIM

Jerry Wengerd

Jerry Wengerd, Director
Department of Mental Health

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	NA
	Annual Net County Cost:	\$ 0	For Fiscal Year:	09/10

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30
Requires 4/5 Vote

C.E.O. RECOMMENDATION:

APPROVE

BY: *Michael R Shetler*

Michael R. Shetler

County Executive Office Signature

Policy Policy
Consent Consent

APR 12 11:43
RIVERSIDE COUNTY

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

Prev. Agn. Ref.: 03-17-09, item 3.51; and 01/08/08, item 3.14

District: ALL

Agenda Number:

3.60

SUBJECT: Approve the Rancho Dorado Exception Letter

BACKGROUND (continued):

Pursuant to the application submitted by RCDMH to CalHFA, RCDMH agreed to allow CalHFA to directly release a total of \$2.81 million in MHSA funds (consisting of \$ 1.5 million in construction costs and \$ 1.31 million in operating subsidies for MHSA residents of the project) to MV Rancho Dorado II Limited Partnership (MVRDIILP), which is the partnership that will develop and operate Rancho Dorado. Rancho Dorado will include 15 supportive housing units under the Mental Health Services Act (MHSA) in a 70-unit affordable housing project located in Moreno Valley. On March 17, 2009, Agenda Item 3.51, the Board of Supervisors approved the agreement between the Riverside County Department of Mental Health, AWI Property Management and MV Rancho Dorado II Limited Partnership for the development, construction and property management of the Rancho Dorado project in Riverside. The general partner of the partnership that is developing the project is Palm Desert Development Company.

A \$ 1.5 million loan was approved by CalHFA on January 5, 2009 for the MHSA units. A CalHFA commitment letter was issued to the developer on March 16, 2009 containing the terms of the loan, including the lien priority of the MHSA Deed of Trust and Regulatory Agreement. The terms of the loan require that the MHSA Deed of Trust and Regulatory Agreement be in senior lien position.

In addition to MHSA funds, the City of Moreno Valley has committed to provide \$4.75 million in funding to the project and will secure its interests with a Deed of Trust and a Regulatory Agreement. The City of Moreno Valley requires that its interests be in senior lien position, establishing a conflict with the terms of the CalHFA financing. The City has agreed to resolve the conflict by incorporating language into its Regulatory Agreement to protect the continuity of the 15 MHSA units in the event of a foreclosure in exchange for allowing its Deed of Trust and Regulatory Agreement to be in senior position. An Exception Letter is the means by which CalHFA can modify the terms of an existing loan commitment. The action requested is to issue an Exception Letter to CalHFA to allow the MHSA Deed of Trust and Regulatory Agreement to be subordinate to the City of Moreno Valley Deed of Trust and Regulatory Agreement. The City of Moreno Valley has agreed not to extinguish the MHSA units in the event of a foreclosure.

FINANCIAL IMPACT:

For services performed under this agreement, RCDMH, AWI and MVRDIILP will not directly exchange funds. Project funds will be released from existing MHSA funds that are held by CalHFA on behalf of RCDMH.

July 13, 2009

California Housing Finance Agency
Multifamily Programs
100 Corporate Pointe, Suite 250
Culver City, CA 90230

ATTN: Kathy Weremiuk

RE: MV Rancho Dorado II Limited Partnership
Rancho Dorado North
CalHFA MHSAs # 08 – 018 – C

Dear California Housing Finance Agency MHSAs Housing Program Committee:

This is to request that the California Housing Finance Agency (CalHFA) grant an exception to the MHSAs Housing Program requirements as set forth in the MHSAs term sheet dated as of (insert date). Specifically, we request that the MHSAs Deed of Trust and Regulatory Agreement be subordinate to the City of Moreno Valley Deed of Trust and Regulatory Agreement, contingent that MHSAs units are protected in case of foreclosure.

The City of Moreno Valley was not willing to subordinate to the MHSAs Deed of Trust and Regulatory Agreement. However, the City of Moreno Valley has agreed not to extinguish the MHSAs units in the event of a foreclosure.

The proposed lien priority, after the construction period, would be:

1. Permanent lender
2. City of Moreno Valley Deed of Trust and affordability restrictions, \$ 4,750,000
3. MHSAs Regulatory Agreement
4. MHSAs Deed of Trust, \$ 1,500,000
5. Riverside County EDA Loan, \$ 650,000

Thank you for considering this request.

Sincerely,

Jeff Stone, Chairman