

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



FROM : RIVERSIDE COMMUNITY HOUSING CORP.

SUBMITTAL DATE:

September 26, 2016

SUBJECT: Amended and Restated Loan Agreement for the Use of Neighborhood Stabilization Program Funds and Authorizing Formation of an Affiliated LLC, District 4 [\$3,704,000], Neighborhood Stabilization Program Funds 100%; Project is CEQA Exempt

RECOMMENDED MOTION: That the Board of Directors:

1. Find that the project is categorically exempt from California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Sections 15061(b)(3) and 15301;
2. Approve the attached Amended and Restated Loan Agreement for the Use of Neighborhood Stabilization Program Funds, including all attachments thereto, (NSP Loan Agreement) in the amount of \$3,704,000 (original \$3,204,000 loan + additional \$500,000 loan), between the County of Riverside and Riverside Community Housing Corp. (RCHC), for rehabilitation of scattered affordable rental properties owned by RCHC, creation of an operating reserve and payment of property taxes;
3. Approve the Deed of Trust with Assignment of Rents, Promissory Note (NSP Loan) and Covenant Agreement (RCHC NSP Properties), each attached to the NSP Loan Agreement;
4. Authorize the Chairperson of the Board to sign the attached NSP Loan Agreement;

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 3,704,000	\$	\$ 3,704,000	\$
NET COUNTY COST	\$	\$	\$	\$
SOURCE OF FUNDS: Neighborhood Stabilization Program 1 Funds 100%			Budget Adjustment:	No
			For Fiscal Year:	2016/17

C.E.O. RECOMMENDATION:

MINUTES OF THE BOARD OF DIRECTORS OF THE RIVERSIDE COMMUNITY HOUSING CORP.

On motion of Director Ashley, seconded by Director Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Benoit and Ashley
Nays: None
Absent: None
Date: October 25, 2016
xc: RCHC

Kecia Harper-Ihem
 Clerk of the Board
 By: *Karandanton*
 Deputy

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

5. Authorize the Chief Operating Officer, or designee, to procure a provider of professional property management services for the real property identified with assessor's parcel numbers 639-222-006, 639-302-012, 641-311-023, 644-141-013, 644-141-014, 644-141-015, 675-251-009, 680-272-032, 680-396-003, 680-452-047, and 842-216-001, located in the cities of Desert Hot Springs, Cathedral City, and Blythe (Properties); and enter into a related agreement for services, subject to approval by General Counsel;
6. Authorize the Chief Operating Officer, or designee, to form and activate an affiliated California limited liability company (LLC), structured identically to the RCHC, for the purpose of holding title to the Properties and assume RCHC's rights and obligations under the NSP Loan Agreement, subject to approval by General Counsel;
7. Authorize the Chief Operating Officer, or designee, to take any and all actions necessary to transfer title of the Properties from RCHC to the newly created affiliate LLC and to effectuate the assignment and assumption of the NSP Loan Agreement between RCHC and the affiliate LLC including, but not limited to negotiating and executing an amendment, or related document, to the NSP Loan Agreement, an amendment to Deed of Trust and Promissory Note, an Assignment and Assumption Agreement, and related real estate documents, including, but not limited to Grant Deeds, certificates of acceptance, releases, leases and related agreements, subject to approval by General Counsel; and
8. Authorize the Chief Operating Officer, or designee, to take all necessary steps to implement the NSP Loan Agreement, Assignment and Assumption Agreement and creation of the affiliate LLC, including, but not limited to, signing subsequent necessary and relevant documents, including, but not limited to the Deed of Trust with Assignment of Rents, Promissory Note (NSP Loan) and Covenant Agreement (RCHC NSP Properties), subject to approval by General Counsel.

BACKGROUND:

Summary (continued)

On September 13, 2016, the Riverside Community Housing Corp. (RCHC) Board of Directors accepted conveyance from the County of Riverside (County) of fee simple interest in 11 scattered real property sites, with a total of 35 affordable rental housing units, located in the cities of Desert Hot Springs, Cathedral City, and Blythe, all within Riverside County, as more particularly described in Attachment A, attached hereto (collectively, Properties). Site maps for the Properties are attached hereto as Attachment B. Prior to being owned by the County, the Properties were acquired and rehabilitated by Rancho Housing Alliance, Inc., a California non-profit corporation (RHA) with \$3,204,000 in financing (RHA Loan) from the County through its Neighborhood Stabilization Program (NSP). The RHA Loan was memorialized with loan agreements (RHA Loan Agreement) evidenced by a promissory note and secured by a deed of trust for each respective property. The total RHA Loan amount was disbursed by the County to RHA. Subsequent to recordation of these deeds of trust, RHA obtained a loan from Desert Commercial Bank in the amount of \$330,000, the funds of which were used, in part, to finance

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

rehabilitation of the Properties (Bank Loan). The Bank Loan was memorialized with a promissory note and a deed of trust, which was recorded against six of the eleven Properties.

RHA became unable to manage the Properties and, in lieu of the County foreclosing on the Properties, RHA agreed to transfer title of the Properties to the County. The County then conveyed the Properties to RCHC. As part of this conveyance, RCHC assumed the RHA Loan, which assumption was memorialized by an Assignment and Assumption Agreement dated September 13, 2016 between RHA (as assignor) and RCHC (as assignee), with the County's consent, (NSP Assumption Agreement), a copy of which is attached hereto as Attachment C. RCHC also desires to assume the Bank Loan.

Staff is proposing to amend and restate the RHA Loan Agreement that RCHC assumed as memorialized in the proposed Amended and Restated Loan Agreement for the Use of Neighborhood Stabilization Program Funds between RCHC and the County (Amended and Restated Agreement), which is attached as Attachment D. The proposed Amended and Restated Agreement provides, among things, additional NSP funding in the amount of \$500,000, increasing the original RHA Loan amount from \$3,204,000 to \$3,704,000 (New Loan Amount). The New Loan Amount will be evidenced by a new promissory note in favor of the County and will be secured by a deed of trust for the benefit of the County and affordability covenants. Staff recommends utilizing the additional NSP funds for the following three purposes, (i) approximately \$250,000 is necessary to complete minor rehabilitation of the Properties to ensure they meet Federal Housing Quality Standards (HQS), (ii) approximately \$100,000 is necessary to fund a reserve account to financially stabilize the operation of the Properties, and (iii) \$150,000 is necessary to pay existing unpaid property taxes which RHA was unable to pay. The proposed Amended and Restated Agreement also contains standard terms and provisions contained in the County's NSP loan agreements.

Staff recommends that management services for the Properties be provided by a professional property management company. In order to obtain such services, RCHC will need to procure a qualified provider and subsequently enter into a contract for services. To expedite this process, staff further recommends that the Board authorize the Chief Operating Officer, or designee, to procure a professional property management provider and take all necessary steps to commence with provision of services including, but not limited to, negotiating and entering into a contract for property management services, subject to approval by General Counsel.

To properly secure RCHC's assets, General Counsel has recommended that RCHC form an affiliated California limited liability company (LLC), structured identically to RCHC, for the purpose of holding title to the Properties since RCHC already owns a sizeable portfolio of federally restricted affordable housing properties. To expedite this process, staff recommends that the Board authorize the Chief Operating Officer, or designee, to form and activate an affiliated LLC and take any steps necessary to convey the Properties from RCHC to the newly formed LLC, subject to approval by General Counsel.

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

Pursuant to the California Environmental Quality Act (CEQA), the Amended and Restated Agreement was reviewed and determined to be categorically exempt from CEQA under State CEQA Guidelines Section 15061(b) (3), General Rule or "Common Sense" exemption, and Section 15301 Class 1- Existing Facilities exemption.

The project includes the loan of NSP funds to perform minor rehabilitation work, create an operating reserve and to pay back taxes, creation of an affiliate LLC and the procurement of property management services. The loan of the NSP funds, formation of an LLC and procurement of property management services is administrative in nature and will have purely financial effects. In addition, the rehabilitation work is so minimal that the use and operation will be substantially similar to the existing residential units and will not create any new environmental impacts to the surrounding area. The project is also categorically exempt from CEQA under State CEQA Guidelines section 15301, Class 1 – Existing Facilities, since the project includes only minor rehabilitation of existing facilities and no expansion of an existing use will occur. In addition, it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment and will not lead to any direct or reasonably indirect physical environmental impacts since the existing use will be maintained. A Notice of Exemption will be filed by RCHC staff with the County Clerk upon approval of the Amended and Restated Agreement.

General Counsel has reviewed and approved the attached Amended and Restated Agreement, including all exhibits, including, but not limited to the Deed of Trust with Assignment of Rents, Promissory Note and Covenant Agreement. Staff recommends that the Board approve the Amended and Restated Agreement, including all exhibits, the Deed of Trust with Assignment of Rents, Promissory Note and Covenant Agreement.

Impact on Residents and Businesses

Minor improvement of the Properties, the establishment of a reserve account, and payment of property tax arrears will ensure the continued availability of safe, affordable housing.

SUPPLEMENTAL:

Additional Fiscal Information

There is no impact upon the County's General Fund. No budget adjustment is necessary. Estimated costs are itemized as follows and will be financed with NSP funds as part of the Amended and Restated Loan Agreement.

Description	Amount
NSP Assumption Agreement	\$3,204,000
Rehabilitation costs to meet HQS	\$250,000
Property tax arrears	\$150,000
Reserve account	\$100,000

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

TOTAL	\$3,704,000
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ATTACHMENTS:

- A. Properties Overview
- B. Site Maps
- C. NSP Assignment and Assumption Agreement
- D. Amended and Restated Loan Agreement for the Use of Neighborhood Stabilization Program Funds (including all exhibits, Deed of Trust with Assignment of Rents, Promissory Note and Covenant Agreement)

RF:HM:JA:CHui:LT 13306

S:\Department\Housing\Riverside Community Housing Corporation (RCHC)\Forms 11\9-27-16 BOD Meeting\Form 11 (RCHC) - Authorize Amended Restated Loan Agreement with County and Formation of Affiliated LLC (JRB revs 9 14 16).docx