

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



ITEM: 3.37
(ID # 25459)

MEETING DATE:
Tuesday, July 30, 2024

FROM : HOUSING AND WORKFORCE SOLUTIONS

SUBJECT: HOUSING AND WORKFORCE SOLUTIONS (HWS): Approving Funding Allocation and Support for Application for Low-Income Housing Tax Credits to the California Tax Credit Allocation Committee and Support for Application for Award of Private Activity Bonds to the California Debt Limit Allocation Committee for the Palm Villas at State Apartment Project Located in the City of Hemet and Approval of Up to \$5,500,000 from Permanent Local Housing Allocation (PLHA) Funds to Palm Communities for the Palm Villas at State Apartment Project; District 5. [\$5,500,000 - 100% PLHA Funds]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Adopt Resolution No. 2024-182, Approving Funding Allocation and Support for Application for Low-Income Housing Tax Credits to the California Tax Credit Allocation Committee and Support for Application for Award of Private Activity Bonds to the California Debt Limit Allocation Committee for the Palm Villas at State Apartment Project Located in the City of Hemet and Approval of Up to \$5,500,000 from Permanent Local Housing Allocation (PLHA) Funds to Palm Communities for the Palm Villas at State Apartment Project; and
2. Approve up to \$5,500,000 from Permanent Local Housing Allocation (PLHA) funds to Palm Communities for the Palm Villas at State Project, subject to the conditions set forth in Resolution No. 2024-182.

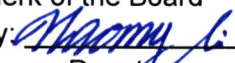
ACTION:Policy


Heidi Marshall, Director 7/3/2024

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Gutierrez, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: July 30, 2024
xc: HWS

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$5,500,000	\$ 0	\$5,500,000	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: Permanent Local Housing Allocation (PLHA) Funds (100%)			Budget Adjustment:	No
			For Fiscal Year:	2024/25

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

Palm Communities, a California corporation and an affordable housing developer (Developer) has applied to the County of Riverside (County) for Permanent Local Housing Allocation (PLHA) funding in the amount of \$5,500,000 to pay a portion of the costs to develop and construct the Palm Villas at State, an affordable multifamily low-income housing project (Proposed Project). The Proposed Project is located on approximately 4.79 acres of vacant land located on the north side of Menlo Avenue, west of N. State Street, in the City of Hemet, in the County of Riverside, State of California, identified with Assessor's Parcel Numbers 439-060-009, 439-060-010 (portion of), 439-060-011, and 439-281-035 (portion of) (Property). The Proposed Project will consist of 108 affordable rental units within 5 three-story buildings including 75 two-bedroom units and 33 three-bedroom units. In addition, 1 two-bedroom or three-bedroom unit will be set aside for on-site resident managers. Under the County's PLHA program, no more than 49 percent of the rental units or 52 units will be restricted to households whose incomes do not exceed 80% of the area median income. Of those units, 20 percent or 10 units will be restricted to households whose incomes do not exceed 50% of the area median income for the County of Riverside.

The Proposed Project has a funding gap of \$5,500,000 and the Developer applied to the County requesting assistance in the form of PLHA funds. The total cost of development is approximately \$69,163,138, other construction and permanent financing sources for the Proposed Project are anticipated to include:

Construction Sources	
Banner Bank	\$41,511,707
County of Riverside/PLHA	\$5,500,000
Deferred Costs	\$11,748,116
Tax Credit Equity	\$8,692,601
Housing Authority of the County of Riverside/Land Loan	\$1,710,714
Total	\$69,163,138

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

Permanent Sources	
Banner Bank Permanent Loan	\$4,196,995
CA Strategic Growth council AHSC	\$22,000,000
County of Riverside/PLHA	\$5,500,000
Housing Authority of the County of Riverside/Land Loan	\$1,710,714
Deferred Developer Fee	\$6,780,094
Tax Credit Equity	\$28,975,335
Total	\$69,163,138

On July 14, 2020 (Minute Order 10.4), the Board of Commissioners approved the Disposition, Development and Loan Agreement between the Housing Authority of the County of Riverside and Palm Communities for the Sale and Development of the Property. This included a Predevelopment Loan for the acquisition of the Property for \$1,710,714 and a Permanent Land Loan for construction of the Project for \$1,710,714.

The Building Homes and Jobs Act, included as part of Senate Bill (SB) 2 (Chapter 364, Statutes of 2017), established the PLHA Program which was designed to provide a permanent source of funding to local governments in California to help cities and counties implement plans to increase the affordable housing stock.

In order to complete the California Tax Credit Allocation Committee (TCAC) application for an allocation of tax credits on August 27, 2024, Developer must provide a resolution from the local jurisdiction providing support for the Proposed Project. The Proposed Project has a competitive tiebreaker score for low-income housing tax credits bolstered by the financial support from the City's contribution and County's PLHA commitment.

The attached proposed Resolution No. 2024-182 provides Board support for the Proposed Project and recommends an allocation of up to \$5,500,000 in PLHA funds to be used as a loan to Developer to pay a portion of the development and construction costs for the Proposed Project. Staff recommends that the allocation of the PLHA funds be valid until December 31, 2025.

The attached proposed Resolution 2024-182 allocates up to \$5,500,000 in PLHA funds to the Proposed Project, subject to Developer's satisfaction of the conditions specifically set forth in the attached Resolution 2024-182, which include, but are not limited to, the following:

1. Securing any and all land use entitlements, permits, and approvals which may be required for development and construction of the Proposed Project, including, but not limited to, compliance with the California Environmental Quality Act (CEQA);
2. Obtaining sufficient equity capital or firm and binding commitments for construction and permanent financing necessary to undertake the development and completion of the Proposed Project; and

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

3. Successful negotiation of a Loan Agreement requiring compliance with the PLHA Program approved by the Board of Supervisors and approved as to form by County Counsel.

Staff recommends that the Board adopt Resolution No. 2024-182. County Counsel has reviewed and approved the attached Resolution No. 2024-182 as to form.

Impact on Residents and Businesses

Approving this item will have a positive impact on the citizens and businesses in the County of Riverside. The Proposed Project is expected to generate construction, permanent maintenance and property management jobs, and provide affordable housing for residents of the County of Riverside.

SUPPLEMENTAL:

Additional Fiscal Information

No impact upon the County's General Fund; the County's contribution will be fully funded with Permanent Local Housing Allocation (PLHA) funds.

Attachment:

- Resolution No. 2024-182


Brianna Lontajo, Principal Management Analyst 7/18/2024


Aaron Gettis, Chief of Deputy County Counsel 7/9/2024

BOARD OF SUPERVISORS

COUNTY OF RIVERSIDE

RESOLUTION NO. 2024-182

APPROVING FUNDING ALLOCATION OF PERMANENT LOCAL HOUSING ALLOCATION (PLHA) FUNDS IN THE AMOUNT OF \$5,500,000 AND SUPPORT FOR APPLICATION FOR LOW-INCOME HOUSING TAX CREDITS TO THE CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE AND SUPPORT FOR APPLICATION FOR AWARD OF PRIVATE ACTIVITY BONDS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR THE PALM VILLAS AT STATE APARTMENTS AFFORDABLE HOUSING PROJECT, LOCATED IN THE CITY OF HEMET

WHEREAS, the COUNTY OF RIVERSIDE, a political subdivision of the State of California ("County"), is the recipient of funds derived from the Permanent Local Housing Allocation ("PLHA") Program which was enacted under the Building Homes and Jobs Act, included as part of California Senate Bill ("SB") 2 (Chapter 364, Statutes of 2017);

WHEREAS, the PLHA Program was designed to provide a permanent source of funding to local governments in California to help cities and counties implement plans to increase the affordable housing stock;

WHEREAS, the State of California (the "State"), Department of Housing and Community Development ("HCD") issued a Notice of Funding Availability ("NOFA"), dated February 26, 2020, to provide approximately \$195,000,000 under the PLHA Program through its Entitlement and Non-entitlement Local Government Formula Component from the Fund for assistance to local governments pursuant to California Health and Safety Code ("HSC") section 50470 et seq. and SB 2 (Chapter 364, Statutes of 2017) (the "PLHA Statutes");

WHEREAS, to implement the PLHA Program, HCD adopted and issued the HCD 2019 PLHA Final Guidelines ("Guidelines" or "PLHA Guidelines");

WHEREAS, the County is an eligible local government for the program to administer one or more eligible activities, including on behalf of other local governments that have delegated County to submit an application and administer their PLHA formula allocations; and

WHEREAS, HSC Section 50470 authorizes the HCD to allocate moneys collected and deposited in the Fund for the PLHA Program, with 90 percent of PLHA funds to local governments, and to adopt Guidelines to implement the PLHA Program;

*RESOLUTION NUMBER 2024-182
Palm Villas at State*

FORM APPROVED COUNTY COUNSEL
BY: PAULA S. SALCIDO
DATE: 7/22/2024

1 **WHEREAS**, pursuant to the PLHA Program, the County and HCD entered into that
2 certain Standard Agreement dated June 17th, 2021, including Exhibits A, B, C, D and E
3 (collectively, the “PLHA Standard Agreement for County’s Allocation”), which allocates PLHA
4 funding to the County for use in the County in the estimated funding amount of \$23,977,026 for
5 Allocation Years 2019-2023;

6 **WHEREAS**, the PLHA Statutes, Guidelines, NOFA, PLHA Standard Agreement for
7 County’s Allocation and all applicable rules and regulations imposed by HCD on PLHA
8 funding recipients shall collectively be referred to herein as the “PLHA Program”;

9 **WHEREAS**, Palm Communities, a California corporation and an affordable housing
10 developer (“Developer”), proposes to develop and construct a multi-family affordable housing
11 rental project for low-income family households consisting of one-hundred and nine (109)
12 affordable rental units, including one (1) manager unit (“Proposed Project” or the “Project”)
13 on approximately 4.79 acres of vacant land located on the north side of Menlo Avenue, west
14 of N. State Street, in the City of Hemet, in the County of Riverside, State of California,
15 identified with Assessor’s Parcel Numbers 439-060-009, 439-060-010 (portion of), 439-060-
16 011, and 439-281-035 (portion of) (the “Property”);

17 **WHEREAS**, under the PLHA Program, fifty-two (52) units will be restricted for
18 households whose incomes do not exceed 30% of the area median income;

19 **WHEREAS**, Developer submitted an application to County requesting financial
20 assistance in the amount of \$5,500,000 in PLHA Funds. The PLHA Funds are needed to fill an
21 existing Project financing gap in the amount of \$5,500,000;

22 **WHEREAS**, TCAC allocates low-income housing tax credits to eligible affordable
23 housing projects that receive an award of bond authority from CDLAC to raise project equity
24 through the sale of tax benefits to investors;

25 **WHEREAS**, Developer intends to submit an application to CDLAC for bond authority
26 and the right to apply for non-competitive low-income housing tax credits, the sales proceeds of
27 which will be used to finance the development and construction of the Project;

28 **WHEREAS**, the California Debt Limit Allocation Committee (“CDLAC”) was created

1 to set and allocate California’s annual debt ceiling, and administer the State’s tax-exempt bond
2 program to issue the debt;

3 **WHEREAS**, the California Tax Credit Allocation Committee (“TCAC”) facilitates the
4 investment of private capital into the development of affordable rental housing for low-income
5 households through the allocation of federal and state tax credits to affordable housing
6 developers;

7 **WHEREAS**, TCAC allocates low-income housing tax credits to eligible affordable
8 housing projects;

9 **WHEREAS**, Developer intends to submit an application to TCAC for competitive low-
10 income housing tax credits, the sales proceeds of which will be used to finance the development
11 and construction of the Project;

12 **WHEREAS**, the application deadline to be considered for bond authority through
13 CDLAC for right to apply for allocation of tax credits through TCAC is August 27, 2024;

14 **WHEREAS**, corporations provide equity to build the projects in return for the tax credits
15 in which TCAC verifies that the developers have met all the requirements of the program and
16 ensures the continued affordability and habitability of the developments for the succeeding 55
17 years;

18 **WHEREAS**, to complete the application process, Developer must provide a resolution
19 from the local jurisdictions, including the County, supporting the Project;

20 **WHEREAS**, the County desires to approve an allocation of funding in the approximate
21 amount of \$5,500,000 PLHA funds, to be used to pay a portion of the costs to develop and
22 construct the proposed Project on the Property, subject to Developer’s satisfaction of certain
23 conditions precedent for the benefit of the County; and

24 **WHEREAS**, the County desires to support the Developer’s application to TCAC for an
25 allocation of low-income housing tax credit.

26 **NOW THEREFORE, BE IT RESOLVED, FOUND, DETERMINED AND**
27 **ORDERED** by the Board of Supervisors of the County of Riverside (“Board”), in regular
28 session assembled on July 30, 2024, in the meeting room of the Board of Supervisors located on

1 the 1st floor of the County Administrative Center, 4080 Lemon Street, Riverside, California, as
2 follows:

- 3 1) That the Board of Supervisors hereby finds and declares that the above recitals are true
4 and correct and incorporated as though set forth herein.
- 5 2) The Board of Supervisors continues its support of the Developer's application to TCAC
6 for an award low-income housing tax credits, the sale proceeds will be used to finance
7 proposed Project the construction of Palm Villas at State , a multi-family affordable
8 rental housing consisting of one-hundred and nine (109) affordable rental units,
9 including one (1) manager unit on approximately 4.79 acres of vacant land located on
10 the north side of Menlo Avenue, west of N. State Street, in the City of Hemet, in the
11 County of Riverside, State of California, identified with Assessor's Parcel Numbers
12 439-060-009, 439-060-010 (portion of), 439-060-011, and 439-281-035 (portion of).
- 13 3) Subject to any restrictions on the use of PLHA funds and the Board of Supervisors
14 agrees to provide financial assistance to the Developer in the maximum amount of
15 \$5,500,000 of PLHA funds, for the construction of affordable housing and the conduct
16 of eligible activities for the Project, subject to the satisfaction of the following
17 conditions precedent:
 - 18 a. Applicant shall be Palm Communities, a California corporation and an affordable
19 housing developer, which will act as the Sponsor and Developer for the purpose
20 of developing the Project. The Project will be owned, constructed, and operated
21 by a limited partnership in which Developer, or a limited liability company
22 affiliate, acts as the administrative general partner;
 - 23 b. Project Name shall be Palm Villas at State ;
 - 24 c. PLHA Loan Amount shall not exceed Five Million Five Hundred Thousand
25 Dollars (\$5,500,000);
 - 26 d. Interest shall be three percent (3%) simple interest;
 - 27 e. Under the PLHA Program, fifty-two (52) units will be restricted for households
28 whose incomes do not exceed 30% of the area median income;

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- f. Affordability Period shall be 55 years from recordation of the Notice of Completion in the Official Records of the County of Riverside, subject to an affordability covenant agreement recorded in a senior lien position to all deeds of trust;
- g. PLHA Funds Loan Term shall be 55 years;
- h. Repayment shall be derived from a pro-rata share of a portion of the Project's residual receipts;
- i. Entitlements and Governmental Approvals: Developer shall secure any and all required land use entitlements, permits, and approvals which may be required for construction of the Project, including, but not limited to compliance with the California Environmental Quality Act;
- j. Other Financing: The PLHA Funds Loan is expressly conditioned upon the Developer's ability to secure sufficient equity capital or firm and binding commitments for financing necessary to undertake the development and construction of the Project. All financing contemplated or projected with respect to the Project shall be, or have been, approved in form and substance by the Board of Supervisors. Other financing sources for the Proposed Project are anticipated to include Tax Credits, a Construction Loan, and a Permanent Loan;
- k. Monitoring Fee: Payment of annual compliance monitoring fee to the County in the amount of \$10,800. Monitoring fee to be adjusted annually, not to exceed an increase in the Consumer Price Index (CPI); and
- l. Successful negotiation of a loan agreement evidencing the loan of PLHA Funds in the amount approved herein, approved as to form by County Counsel, approved by the Board of Supervisors and executed by all required parties.

4) The Board of Supervisors' commitment to provide the PLHA Funds loan is subject to the satisfaction of the conditions precedent set forth herein, is valid until December 31, 2025, and shall thereafter have no force or effect, unless a PLHA Funds loan agreement related

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to the financing of the Project (approved as to form by County Counsel) has been approved and executed by the Board of Supervisors and the Developer.


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ROLL CALL:

Ayes: Jeffries, Washington, Spiegel, Perez, and Gutierrez
Nays: None
Absent: None

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

KIMBERLY A. RECTOR, Clerk of said Board

By:  _____
Deputy