



Yolo County Housing

Lisa A. Baker, Executive Director

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DATE: March 15, 2012
TO: YCH Housing Commissioners
FROM: Lisa A. Baker, Executive Director
SUBJECT: **Authorize the Use of up to \$150,000 from YCH Development Fund to complete Crossroads Acquisition and Authorize Executive Director to Execute Required Documents**

RECOMMENDED ACTIONS:

That the Housing Commission:

1. Appropriate \$150,000 and authorize the use of up to \$150,000 from the YCH Development Fund to complete the Crossroads initial acquisition; and
2. Authorize the Executive Director to Negotiate and Execute Any and All Necessary Documents and to Furnish all Materials Necessary to Accomplish the Activities.

BACKGROUND / DISCUSSION:

Crosswood Apartments is a 48 unit complex located at 646 Third Street, Woodland, CA. Crosswood Apartments was a privately-owned HUD-funded Multi Family project. Yolo County Housing stepped forward when the property was for sale in order to continue to preserve the property's affordability for the community. Ultimately, the property was purchased by our bond pool, Cal-AHA and is currently managed by a private management company.

On October 2, 2008, the Board authorized Lisa A. Baker, Executive Director of Yolo County Housing (YCH) to act as the Agency's chief negotiator for the potential purchase of real property located at 646 3rd Street, Woodland, CA 95695. On April 2, 2009, the Board authorized the Executive Director to execute a Letter of Intent with Cal-AHA for purchase of the property. Cal-AHA then issued a Bond Anticipation Note (BAN) to acquire the property.. Cal-AHA is the current owner. The BAN expires on May 1, 2012, at which time YCH must either acquire the property or Cal-AHA would need to issue a new bond to pay the BAN.

Subsequent to this transaction, YCH partnered with DFA Development and Dawson Holdings, Inc. to bring forward an acquisition-rehabilitation proposal for the property that would meet the criteria laid out in the Letter of Intent with Cal-AHA for acquisition and rehabilitation of the property. DFA and DHA have extensive experience and expertise in these types of acquisition and have worked with Cal-AHA staff on other transactions. Unfortunately, DFA-DHA were unable to complete a financing package to cover the acquisition and rehabilitation. DHA agreed to be released from its agreement and staff retained DFA to work out a development proposal with YCH as the principal developer.

Working together to provide quality affordable housing and community development services for all

DFA, with Goldfarb-Lippmann as bond counsel, presented YCH with a proposed development package that would meet YCH expectations. At its meeting of December 8, 2011, the YCH Board of Commissioners adopted a Resolution authorizing the formation of a limited partnership with New Hope Community Development Corporation to move forward with the acquisition and rehabilitation of the property and the Board authorized collateralization of YCH's 1212 "L" street lot in the City of Davis to effect the transaction.

In this context, New Hope Community Development Corporation would be YCH's partner in ownership of the project and with YCH having a future right to the property after the expiration of the tax credit period. This proposed development is very similar in nature to the other tax credit properties completed by YCH and by New Hope, including Eleanor Roosevelt Circle, Cesar Chavez Plaza, Rochdale Grange – the differences being YCH would be the developer instead of an outside development partner, that this is acquisition and rehabilitation instead of new construction, the use of a HUD mortgage project in lieu of private financing and the ability to layer a continued Section 8 contract to ensure long term affordability.

YCH is moving forward with the U.S. Department of Housing and Urban Development (HUD) on a 221 (d) (4) loan and a state 4% tax credit – YCH/New Hope are applying to CDLAC for a forward commitment of a 4% non-competitive tax credit/bond allocation and have already engaged CBRE HMF, Inc/Capital Markets to finance the 221 (d) (4).

This would allow YCH/New Hope to acquire and rehabilitate the property and instill YCH management discipline on the development. However, YCH has been apprised that completion of the 221 (d) (4) loan could take as long as 8 months to 1 year, which is several months beyond the date at which the BAN must be repaid. Staff is anxious to avoid re-bonding for the property as fees and bond interest will add a heavy burden to the project and almost certainly ensure that future acquisition and rehabilitation will be too expensive and impossible to complete. With that in mind, YCH reached out to consider private financing. YCH is currently in negotiations with First Northern Bank to allow a note to pay the outstanding BAN. This would require that Cal-AHA defer its origination fee, that YCH use the "L" street lot as collateral and that YCH potentially use some funds from its development fund to close the initial acquisition. Any use of development funds would be repaid from the developer fee YCH will ultimately earn for the project.

FISCAL IMPACT:

YCH currently has \$339,000 in its development fund for the purposes of development, including acquisition/rehabilitation of affordable properties. The pro forma modeling for the above scenario shows that the property would provide sufficient funds for a developer fee for the project and the ability to repay a loan.

CONCLUSION:

Staff has reviewed the proposed project in light of its obligations under the Cal-AHA Letter of Intent and recommends that the Board appropriate the necessary funds and move forward with the acquisition.