



COUNTY OF HUMBOLDT

For the meeting of: 11/19/2019

File #: 19-1593

To: Board of Supervisors

From: Planning and Building Department

Agenda Section: Consent

SUBJECT:
Pre-development Loan for Murray Apartments Rehabilitation

RECOMMENDATION(S):
That the Board of Supervisors:

1. Authorize the use of unrestricted repaid housing funds to make a pre-development loan; and
2. Authorize the Planning and Building Director to sign loan documents for a pre-development loan to Redwood Community Action Agency after review and approval from County Counsel and Risk Management.

SOURCE OF FUNDING:
Pre-1993 Community Development Block Grant (CDBG) Program Income Account, Fund 3590.

DISCUSSION:
Staff is asking your Board to authorize the use of repaid unrestricted loan funds and for the Director of Planning and Building Director sign loan documents for a pre-development loan to Redwood Community Action Agency (RCAA). Loan funds will be used to develop plans, specifications, and bid documents for the rehabilitation of the Murray Apartments. Loan documents will be signed after final review and approval from County Counsel and Risk Management.

In the mid-1980's the county received a CDBG grant to make fix-up loans to low-income property owners. Prior to 1993 regulations allowed jurisdictions to use these repaid funds in any manner deemed appropriate by the jurisdiction. Since 2000 these funds have been used for grant cash match or other small housing related grants. There is currently approximately \$48,000 in this account. By providing a pre-development loan for multi-family rehabilitation the spirit of the funds remains intact. In addition, CDBG is making it easier for a jurisdiction to incur pre-development costs and be repaid out of a grant. These funds will likely be repaid and may be used in a similar manner in the future.

The Murray Apartments are located at 1419-1457 Murray Road, McKinleyville. The property consists of ten one-story buildings that contain 19 two-bedroom apartments and one one-bedroom apartment. The Complex was built in 1945 to house service people that were working at the airport and their

families.

The 2.1-acre property was purchased by RCAA in 1993 with HOME Program funds for the purpose of providing decent affordable housing to low-income households. The property was purchased with a grant that required a 30-year period of affordability; this will sunset in 2023. Currently, the units are occupied by 16 households earning 80% or less of the Area Median Income (AMI) and 4 households earning 50% or less of the AMI.

RCAA has conducted as needed repair and maintenance in its period of ownership; however, given the age of the structures, some deferred maintenance and changing development standards, the property is due for a major rehabilitation. The county is at risk of losing this affordable housing if it cannot be rehabilitated, so the county and RCAA have partnered twice to apply for CDBG grant funds to rehabilitate the apartments. Due to the competitive nature of the funding source, these applications have not been successful. Prior applications have lost points for readiness; the project needs plans, specifications and a building permit application issued to be considered shovel-ready. This loan will provide funding to complete these tasks and create the shovel-ready project. Staff intends to partner with RCAA on another grant application for the project in 2020. If the grant application is successful, the loan could be repaid with grant funds. Furthermore, since the county filed its second CDBG application for this project, the state has overhauled and redesigned the non-entitlement CDBG program. The revamped program now prioritizes shovel-ready projects.

The loan amount will not exceed \$47,000. The terms of the loan will be: deferred repayment for 30-years with zero percent interest. The predevelopment loan agreement will contain an affordability clause. The apartments will be maintained at the current level of affordability for the life of the loan.

FINANCIAL IMPACT:

There will be no effect on the General Fund. The loan amount will not exceed \$47,000, the county will be using the Pre-1993 CDBG Trust, 3590.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by protecting vulnerable populations and providing affordable housing.

OTHER AGENCY INVOLVEMENT:

Redwood Community Action Agency

ALTERNATIVES TO STAFF RECOMMENDATIONS:

1. Use General Fund for this activity and keep the Pre-1993 CDBG Trust 3590 available for other projects.
2. Apply for CDBG Planning and Technical Assistance Grant. This is not recommended because it will delay the project 1-2 years and this type of grant may not be used for architectural plans.

ATTACHMENTS:

Physical Needs Assessment, dated January 24, 2019

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Draft Loan Agreement
Draft Promissory Note

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A