



Staff Report

Date: November 29, 2016

To: City Council

From: Valerie J. Barone, City Manager

Reviewed by: Victoria Walker, Director of Community and Economic Development

Prepared by: John Montagh, Economic Development & Housing Manager
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Subject: **Considering a request by Resources for Community Development to refinance existing affordable housing loans of \$5.6 million and obtain a new loan in the amount not to exceed \$1.1 million (Affordable Housing Funds) to renovate, repair and preserve 97 existing affordable housing units in 16 buildings located along Camara Circle and Riley Court; and appropriate up to \$1.1 million from the Affordable Housing Fund as stipulated in new loan agreement; authorize the City Manager to negotiate and enter into the agreement.**

Not a “project” under the California Environmental Quality Act (CEQA) per Public Resources Code Section 21065 and CEQA Guidelines Section 15378.

Report in Brief

Resources for Community Development (RCD), a nonprofit affordable housing developer, owns (along with its affiliate, Camara Housing Associates, L.P) 16 apartment buildings in the Monument Boulevard area of Concord. These properties comprise 97 income restricted affordable units and three manager apartments (100 total units). In 1997 and 2000 the City provided housing rehabilitation loans to RCD to acquire and rehabilitate the Riley Court and the Camara Circle properties, respectively, which improved and increased the City’s affordable housing stock. RCD has a current balance of approximately \$5.6 million (Principal and Interest) owed to the City from these previous loans.

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RCD requests new funding from the City's Affordable Housing Fund (non-General Fund) in the amount of approximately \$1,100,000 to undertake substantial rehabilitation of the Camara Circle and Riley Court properties. These funds would be used to leverage an additional \$21 million in existing and new investments from non-City financing sources including tax credits financing, Contra Costa County housing funds and developer fee contributions which will be sufficient to meet the total project costs. In return, RCD will enter into a new 55 year regulatory agreement with the City so that the City will be able to enhance and preserve these 97 units as affordable into the foreseeable future. The balance of term on the existing regulatory agreement is approximately 39 years.

Recommended Action

Adopt Resolution No. 16-84 (Attachment 1) authorizing the City Manager to negotiate and enter into new loan and regulatory agreements with Resources for Community Development for the rehabilitation of 97 apartments located along Camara Circle and Riley Court and to refinance existing City loans of \$5.6 million and appropriate up to \$1.1 million from the Affordable Housing Fund as stipulated in new loan agreement.

Background

The City's Housing Element policies (H-2.1) clearly support the conservation and rehabilitation of existing housing stock through a balanced program of code enforcement and property improvements when and where appropriate. The Housing Element includes an associated program (H.2.1.1) directing the use of public funds to provide assistance in the form of loans or grants to support the rehabilitation and conservation of multi-family developments. This is especially important as the City seeks ways to preserve and maintain the limited affordable housing stock.

Riley Court

The five buildings that comprise Riley Court Apartments are located at 2050, 2051, and 2061 Riley Court, just off of Meadow Lane in the Monument area. These buildings were initially constructed as market rate housing in the 1960s, and in the mid-1990s were identified by the City as a property in need of rehabilitation and an opportune site for affordable housing. RCD acquired the property in 1997, with financial support from County HOME funds and Concord Redevelopment Agency funds. That funding covered site acquisition and a moderate rehabilitation, but did not fully address the physical needs of the aging property. In subsequent years, RCD has undertaken limited renovations as funding allowed, including new windows, roofs, and bathroom ventilation. This piecemeal funding, mainly through County sources, has addressed the most urgent needs but has not provided the overall substantial renovation that the property needs.

Camara Circle

Camara Circle consists of a collection of 11 affordable apartment buildings about half a mile from Riley Court apartments. Like Riley Court, the buildings were constructed in the 1960s as two-story flats and townhomes. The 52 apartments – all two-bedroom units – are spread

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across 11 separate buildings. Each apartment building contains four to eight units and has ground-floor garages or a small surface parking area. The 11 buildings are interspersed with other, similar apartments on the cul-de-sac that are market rate and not owned by RCD. All properties in Camara Circle are members of a Home Owners Association and contribute to maintenance of the area, including a playground and open space area in the center of the circle.

The Camara Circle Apartments were acquired by Camara Housing Associates, L.P., a limited partnership consisting of RCD and 112 Alves Lane, Inc. (an RCD affiliate) in 2000. These apartments underwent a moderate renovation and were converted from market rate to affordable housing. The renovation was funded by City and County funds as well as 4% tax credits and a tax-exempt bond. The tax credit compliance period ended in 2015, and the original tax credit investor recently exited from the partnership, leaving Camara Housing Associates with 100% control of the ownership.

RCD's apartment buildings at Camara Circle and Riley Court provide below-market rents to income qualified residents. The following table provides a breakdown of the affordability levels at the Riley Court and Camara Circle apartments:

UNIT MIX & POPULATION

Resident Affordability by Unit Type	Household Income (% of AMI*)	Number of Units
Camara Circle		
2 Bedroom	30%	3
2 Bedroom	40%	4
2 Bedroom	50%	41
2 Bedroom	60%	2
2 Bedroom	Manager's Unit/Office	<u>2</u>
Subtotal		52
Riley Court		
1 Bedroom	30%	4
1 Bedroom	40%	0
1 Bedroom	50%	36
2 Bedroom	30%	4
2 Bedroom	50%	3
1 Bedroom	Manager's Unit	<u>1</u>
Subtotal		48

(*Area Median Income)

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The properties initially did not have any special needs or targeted populations, but RCD recently committed to including five Opportunity for Persons with HIV/AIDS (HOPWA) units for individuals living with HIV/AIDS at Riley Court.

The City Council's Housing and Economic Development Committee considered this item at a special meeting held on October 17, 2016. At that meeting, the Committee stated their support for RCD's request as presented in this report and directed staff to forward the item to the full City Council for approval.

Analysis

RCD proposes to jointly refinance and rehabilitate Camara Circle and Riley Court along with a third RCD-owned property, Elaine Null Apartments (14 units), that is located in Bay Point. This joint, scattered-site project (referred to, in combination, as "Carena" in RCD documents), will take advantage of economies of scale, make the deal more attractive to tax credit investors and lenders by increasing the overall investment size (thereby increasing the equity funding available), and streamline property operations. The overall Carena project, which will be under one new Limited Partnership owner entity, will be funded through 4% tax credit equity, tax-exempt bonds, newly committed County funds, and the City funds requested here.

While the three properties will be refinanced and renovated under one new entity structure, the City Affordable Housing funding requested in this staff report will only be used to fund the renovations associated with the Concord properties (Riley and Camara). The inclusion of Elaine Null Apartments in Bay Point into this scattered site project provides the benefit of leveraging additional equity from its project value to more heavily benefit the overall financing needs of Riley Court and Camara Apartments.

The total rehabilitation budget for the 100 units at Camara Circle and Riley Court is approximately \$28 million and includes refinancing the existing loans and proposed development with a new allocation of low income housing tax credits and tax exempt bonds. Existing debt from the City of Concord and, the County will remain in place. The following table shows sources of funds going to Riley and Camara Circle Apartments:

Funding Sources for Concord Properties	Total	%
Tax Exempt Mortgage (Tranche A)*	\$3,820,000	14%
Tax Exempt Mortgage (Tranche B)*	\$540,000	2%
Camara Existing Debt		
City of Concord Loan - Assume/Recast	\$3,910,000	14%
Contra Costa County - Assume/Recast	\$1,270,000	5%
Riley Court Existing Debt		
City of Concord Loan - Assume/Recast	\$1,740,000	6%
Contra Costa County HOME - Assume/Recast	\$540,000	2%

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Contra Costa County HOPWA - Assume/Recast	\$530,000	2%
New Loans		
City of Concord Loan	\$1,100,000	4%
Contra Costa County Loan*	\$1,140,000	4%
RCD Riley Court Seller Take-back Note	\$990,000	4%
RCD Loan of Reserves*	\$480,000	2%
LLC (RCD) General Partner Contribution*	\$1,410,000	5%
RCD Deferred Developer Fee*	\$440,000	2%
Income from Operations prior to Conversion*	\$120,000	0%
Limited Partner- Low Income Housing Tax Credit Equity*	\$9,940,000	36%
Total Sources for Concord Properties	\$27,970,000	100%

* These sources are proportionately allocated based on number of units in Concord out of total units in the proposed Carena renovation (100/114 units).

Camara Circle apartments rents are currently subject to tax credit regulations, therefore all existing tenants will be eligible to remain in their apartments post-renovation because they met the income certification when they first leased their apartments per the tax credit regulations. The development budget for Camara Circle includes a line item for relocation to cover the potential cost of temporarily relocating the households during construction or providing stipends if residents need to be out of their apartment for certain hours.

At Riley Court, however, all existing residents must go through a full tax credit income certification process, because this property was never previously subject to tax credit regulations. Because all Riley Court residents had to meet City and County income requirements at move-in, the vast majority will continue to be eligible for residency. There may be a few households, however, who have experienced income increases since move-in, and therefore would not qualify under tax credit income standards in place today. These households will be offered a benefits package according to State and Federal relocation laws and will be permanently relocated. As of mid-2016, it appears that two to four households will be in this situation.

Scope of Work

The following major categories of high priority improvements would be undertaken if the City were to commit the requested level of funding:

- **Accessibility:** Create accessible (ADA compliant) common areas (offices, laundry rooms, etc.) and the required number of fully-accessible units.
- **Safety:** Perform structural upgrades to reduce seismic risk as well as undertake electrical and fire safety upgrades to create safer environments for residents.
- **Health:** Enhance resident health through interior ventilation improvements and the development of improved outdoor recreational spaces.

- **Sustainability:** Improve energy and water efficiency to reduce on-going operating expenses and reduce the property's environmental footprint.
- **Durability:** Upgrade or replace building components that are reaching the end of their expected useful life, including exterior siding, roofs, windows, doors, kitchens and bathrooms.
- **Community:** Improve indoor and outdoor gathering spaces to encourage community engagement among residents and neighbors.

RCD anticipates that the scope of work will continue to evolve through consultations with the City's Planning and Building Divisions, subcontractors, and other consultants. RCD welcomes input from the City when questions arise about possible changes to the scope. The City of Concord Planning and Building Divisions will ultimately have authority to review the project's planning and building permit approvals. The City Housing Program, as project funder, will have an opportunity to review the final building. The City can also request a review of plans at earlier intervals as desired. During construction, all potential change orders to increase or decrease the scope of work and/or budget will be submitted to the City. As with all publicly-funded construction, the City will have an opportunity to approve or disapprove any changes in scope through the review of these change orders.

Conclusion of City's Affordable Housing Consultant

City staff retained the services of Seifel Consulting to assist in review of the proposed scope of work and related costs and to understand the extent of repairs and funding for RCD's project. Seifel concluded that the proposed funding request is reasonable and supportable given the scope of work and would be a benefit to the City affordable housing stock as it would address needed rehabilitation work at the properties. Seifel's due diligence analysis is included as Attachment 2.

Seifel Consulting has worked for the City's Affordable Housing Program and former Redevelopment Agency of the City of Concord for many years. Seifel Consulting recently assisted staff with the review of Eden Housing's refinancing and new loan for 91 units along Virginia Lane which came before the City Council in December of 2015.

City Affordable Housing Funds

The dissolution of Redevelopment in 2012 was a tremendous blow to the City's Affordable Housing Program and to affordable housing developers Statewide. Affordable housing developers relied on local contributions from the former Redevelopment Agency's affordable housing set-aside funds.

When the State dismantled the Redevelopment programs, it also took any fund balances from the Redevelopment Agencies' affordable housing programs. The City of Concord lost an estimated \$8.5 million of affordable housing set-aside funds. Over the years, the City has also been accumulating affordable housing funds through affordable housing loan

repayments and through recent repayments from the State. Currently there is \$3.6 million in the City's Affordable Housing Fund Balance.

The City anticipates repayment of an affordable housing obligation by the former Redevelopment Agency in the amount of \$6 million over the course of the next 5 years. Given the existing fund balance and the funds received and to be paid to the City over time from the State, staff is confident in its recommendation that the City Housing Fund should be used to fund this RCD loan request.

Environmental/CEQA¹

The proposed loan/refinancing transaction is not a "project" under CEQA because it does not have the potential for resulting in a direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment (Public Resources Code Section 21065 and CEQA Guidelines Section 15378). Work to be done on each property would be subject to separate environmental review to the extent required by law.

Financial Impact

General Funds would not be used to fund the proposed loan of \$1,100,000. Staff recommends an appropriation of up to \$1.1 million dollars from the City's Affordable Housing Fund to fund the new loan. RCD's proposal would also refinance the existing \$5.6 million owed by RCD to the City at interest rate to be negotiated and would extend the term of the loan and affordability restrictions for a total of 55 years. If RCD request for funding is approved, there would be approximately \$2.5 million remaining in the City's Affordable Housing Fund Balance. The City anticipates repayment of an affordable housing obligation by the former Redevelopment Agency in the amount of \$6 million over the course of the next 5 years.

Public Contact

The City Council Agenda was posted. RCD received a copy of the report.

Attachments

1. Resolution 16-84 Authorizing City Manager to enter into related agreements
2. Seifel Consulting Memorandum

¹ California Environmental Quality Act (CEQA) of 1970, Public Resources Code § 21000, et seq., and implementing State CEQA Guidelines, Title 14, Chapter 3 of the California Code of Regulations, all as amended from time to time.

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**A Resolution Authorizing the City Manager to
Negotiate and Enter into a Loan Agreement with
Resources for Community Development for the
Refinancing and Rehabilitation of Riley Court and
Camara Circle Apartments**

Resolution No. 16-84

WHEREAS, Resources for Community Development (“RCD”) is the owner of the Riley Court Apartments, located at 2050, 2051 and 2061 Riley Court, in the Monument Corridor Area, which includes 48 apartment units that are rented to very low and extremely low income families (“Riley Court”); and

WHEREAS, Camara Housing Associates, L.P., a limited partnership consisting of RCD and 112 Alves Lane, Inc. (an RCD affiliate), owns 11 separate apartment buildings located in Camara Circle, a cul-de-sac that includes the RCD owned apartment buildings interspersed with other market rate apartment buildings (the “Camara Circle Apartments”). The Camara Circle Apartments owned by RCD include 52 apartment units that are rented to low, very low and extremely low income families; and

WHEREAS, the former Redevelopment Agency of the City of Concord (the “Redevelopment Agency”) previously provided a loan to RCD for the acquisition and renovation of Riley Court as affordable housing, which loan was assumed by the City as housing successor to the former Redevelopment Agency (the “RCD Loan”); and

WHEREAS, the City previously made a loan to Camara Housing Associates, L.P. for the rehabilitation of the Camara Circle Apartments and to ensure the long term affordability of the units (the “Camara Circle Loan”); and

WHEREAS, both Riley Court and Camara Circle Apartments were developed in the 1960s and are in need of further substantial renovation; and

WHEREAS, RCD has requested an additional loan from the City in the amount of \$1,100,000 to assist in the renovation of Riley Court and Camara Circle Apartments, and to refinance the existing debt on these two properties; and

1 **WHEREAS**, the requested loan would be used to leverage approximately \$21 million in
2 outside funds from a variety of public and private sources that will be used to renovate and refinance
3 Riley Court and Camara Circle Apartments, along with the Elaine Null Apartments, an affordable
4 housing development also owned by an RCD controlled affiliate that is located in the Bay Point
5 community in unincorporated Contra Costa County; and

6 **WHEREAS**, the proposed loan/refinancing transaction is not a “project” under CEQA
7 because it does not have the potential for resulting in a direct physical change to the environment or a
8 reasonably foreseeable indirect physical change in the environment (Public Resources Code Section
9 21065 and CEQA Guidelines Section 15378). Work to be done on each property would be subject to
10 separate environmental review to the extent required by law.

11 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES**
12 **RESOLVE AS FOLLOWS:**

13
14 **Section 1.** The City Council authorizes the City Manager to negotiate and enter into (subject
15 to City Attorney approval) a new loan agreement to a new limited partnership to be established by
16 RCD that would consolidate all principal and interest currently owing on the Riley Court Loan and
17 Camara Circle Loan previously made by the City and former Redevelopment Agency to assist the
18 Riley Court and Camara Circle Apartments, and to make an additional loan of \$1,100,000 to said
19 limited partnership for the renovation of Riley Court and Camara Circle Apartments.

20 **Section 2.** The City Council further authorizes the City Manager to execute (subject to City
21 Attorney approval) any and all documents necessary to effectuate the transactions described in the
22 November 29, 2016 staff report and herein, including the negotiated loan agreement and closing of the
23 loan and associated outside financing, including but not limited to regulatory agreements to ensure the
24 affordability of the 100 units included in the Riley Court and Camara Circle Apartments at the
25 affordability levels as set forth in RCD’s funding proposal to the City dated September 20, 2016, and
26 intercreditor and subordination agreements as necessary to establish the relative priority of the City
27 loan with the other financing sources.



Memorandum

Date: October 4, 2016
To: Mr. John Montagh, City of Concord
From: Seifel Consulting
Subject: Concord Carena Renovation Due Diligence Analysis

The City of Concord retained Seifel Consulting (Seifel) to review a funding request from Resources for Community Development (RCD) to substantially rehabilitate 100 rental units in two apartment developments located on Riley Court and Camara Circle in Concord's Monument Boulevard community. These two properties were built in the 1960s, and while RCD has improved the properties since they were acquired approximately 15 years ago, only piecemeal renovation has been able to be accomplished to date due to insufficient funding resources. As part of this rehabilitation effort, RCD will also renovate the 14-unit Elaine Null apartment development, located in Bay Point. The proposed renovation is collectively referred to as Carena.

Seifel performed due diligence on RCD's funding proposal and analyzed the financial feasibility of the project. This due diligence analysis included requesting and analyzing a series of technical documents on the need for the rehabilitation, the City's current outstanding loan terms and balances, anticipated rehabilitation costs, the relocation plan and associated tenant relocation costs and the proposed funding plan from RCD. Seifel interviewed RCD staff regarding specific elements of the proposed project, and worked with them to refine the RCD proposal to the City to focus on the highest priority rehabilitation items, given funding limitations. In addition, City staff conducted a site visit to verify the need for the proposed rehabilitation improvements, and provided feedback on the suggested design.

This memorandum is organized into the following sections:

- A. Project Description and Funding Proposal
- B. Due Diligence Findings
- C. Conclusion

The analysis in this memorandum documents why RCD's funding request is reasonable and how it will help the City of Concord preserve and substantially rehabilitate an important source of affordable housing, consistent with the City's Housing Element goals.

A. Project Description and Funding Proposal

The proposed Carena renovation would rehabilitate two existing apartment developments in Concord. Located a few blocks from one another on cul-de-sacs to the north of Monument Boulevard, these developments consist of 100 rental units that were acquired by RCD in the late 1990s:

- Camara Circle—52 units in eleven buildings located on Camara Circle off Detroit Avenue, including 1 unit used as a resident manager’s unit and 1 unit used as the site office.
- Riley Court—48 units in five buildings located at 2050, 2051 and 2061 Riley Court, including 1 unit used as a resident manager’s unit.

RCD proposes to jointly refinance and rehabilitate these two properties in Concord along with a third RCD-owned property—Elaine Null Apartments, a 14-unit development located in the Bay Point area of Contra Costa County. This joint, scattered-site 114-unit rehabilitation project is referred to by RCD as the Carena renovation.

RCD proposes to renovate and recapitalize these three properties together in order to streamline operations and to secure better financial terms from tax credit investors and lenders by increasing the overall investment size. While the three properties will be refinanced and renovated under one new Limited Partnership structure—known as Carena—the City’s funding will be used exclusively to fund the renovations associated with the two Concord properties (Riley Court and Camara Circle).

RCD acquired both Riley Court and Camara Circle in the late 1990s. The properties are approximately 50 years old (constructed in the 1960s) and have undergone moderate levels of rehabilitation since they were acquired by RCD. While currently in fair condition, both properties suffer from aging systems and deferred maintenance, and the apartments are in need of substantial renovation to improve the health, safety and quality of life for residents. The currently proposed renovation would address all immediate physical needs and establish reserves and cash flow to address future maintenance needs as they arise.

As part of the Carena renovation process, the apartment units at Riley Court and Camara Circle will be restricted as affordable rental units for another 55 years. RCD proposes to maintain the current income restrictions at each property, which range from 30% to 60% of the Area Median Income (AMI). More than 90% of the units will continue to house residents earning 50% AMI or less.

The current resident population is primarily families, with a number of single adults and seniors. This resident mix is proposed to continue in the future. While the properties initially did not have any special needs or targeted populations, RCD has recently committed to including 5 HOPWA units at Riley Court for individuals living with HIV/AIDS. These units are being layered onto vacant units, as existing households move out. Although no special needs units would be designated at Camara, both developments provide units affordable to extremely low income households that earn 30% of AMI.

Table 1 on the next page shows the future proposed household income distribution at the developments.

**Table 1. Resident Affordability by Unit Type
for the Concord Properties in the Carena Renovation**

Resident Affordability by Unit Type	Household Income (% of AMI)	Number of Units
Camara Circle		
2 Bedroom	30%	3
2 Bedroom	40%	4
2 Bedroom	50%	41
2 Bedroom	60%	2
2 Bedroom	Manager's Unit/Office	<u>2</u>
Subtotal		52
Riley Court		
1 Bedroom	30%	4
1 Bedroom	40%	0
1 Bedroom	50%	36
2 Bedroom	30%	4
2 Bedroom	50%	3
1 Bedroom	Manager's Unit	<u>1</u>
Subtotal		48

Source: Resources for Community Development (RCD)

RCD is applying to the City for an additional \$1.1 million in loan funds to help fund the substantial rehabilitation of Riley Court and Camara Circle. (The City's funds will be solely used for these properties.) To date, the City has contributed about \$3.75 million in principal for the original acquisition and minor rehabilitation that was undertaken in the 1990s for both properties, and accrued interest on the City's original loan is about \$1.9 million. Both the existing and new loans will be repaid out of residual cash flow from the project in proportion to the City's contribution, as the project stabilizes.

Contra Costa County committed \$1 million in CDBG and HOME funds toward the Carena renovation in March 2016. Although RCD had requested \$1.3 million, and the County agreed that this level of funding is warranted, the County did not have sufficient budget to commit the full amount in 2016. The County anticipates that additional funds will be available in early 2017, and \$300,000 will be awarded at that time. This will allow for the full amount of funds to be committed in time for the scheduled construction close of mid-2017.

Given recent statewide changes in the low income housing tax credit (LIHTC) program, RCD can maximize the potential amount of investment from LIHTC if it receives the City's funding request this Fall and can move forward quickly toward construction. Currently, the entire development is in a designated Difficult Development Area (DDA), which increases the tax credit basis by 130%. Only projects that submitted initial applications to CDLAC as of June 2016 (as this project did) are eligible to receive this 130% boost, as long as the rest of financing is secured and construction starts shortly. RCD intends to apply for and receive a tax credit and bond allocation while the DDA status is still in effect.

B. Due Diligence Findings

The buildings are in substantial need of rehabilitation, which is evident from the technical analysis that RCD has undertaken. RCD contracted with Elizabeth McLachlan Consulting (EMC) to prepare a Physical Needs Assessment (PNA) that evaluates the condition of each building, identifies what building elements are in need of repair and prioritizes the repairs. In addition, RCD retained an experienced General Contractor (Bullard) to review the building conditions and prepare an initial cost estimate to undertake the rehabilitation this past Winter, as well as other technical consultants, including an experienced architect and seismic engineer.

RCD recently issued a Request for Proposals for contractors and chose D&H Construction (D&H) through this process. D&H will provide pre-construction services, including the refinement of cost estimates and review of architectural plans to suggest cost effective approaches to the rehabilitation. RCD is not obligated to retain D&H to perform the construction, although RCD often works with the contractor that is selected to assist with preconstruction. D&H was the contractor for RCD on the University Ave Coop and Erna P Harris developments in Berkeley and Eldridge Gonaway in Oakland and worked in 2002 on the rehabilitation for Camara Circle.

Seifel reviewed the PNA and interviewed RCD extensively to understand what rehabilitation elements are most critically needed, as there is not likely sufficient funding to undertake all of the improvements identified in the PNA. The following major categories of high priority improvements would be undertaken if the City were to commit this level of funding:

- **Accessibility:** Create accessible (ADA compliant) common areas (offices, laundry rooms, etc.) and the required number of fully-accessible units.
- **Safety:** Perform structural upgrades to reduce seismic risk as well as undertake electrical and fire safety upgrades to create safer environments for residents.
- **Health:** Enhance resident health through interior ventilation improvements and the development of improved outdoor recreational spaces.
- **Sustainability:** Improve energy and water efficiency to reduce on-going operating expenses and reduce the property's environmental footprint.
- **Durability:** Upgrade or replace building components that are reaching the end of their expected useful life, including exterior siding, roofs, windows, doors, kitchens and bathrooms.
- **Community:** Improve indoor and outdoor gathering spaces to encourage community engagement among residents and neighbors.

Seifel reviewed RCD's funding plan in detail and agrees that RCD has identified all relevant funding sources that could be cost effectively utilized for this rehabilitation effort. RCD will work to maximize the amount of revenues that are generated from LIHTC, and RCD has contributed more than half of its eligible developer fee (in the form of a General Partner contribution and fee deferral) to help fund the planned rehabilitation. In addition, RCD is providing a deferred loan to the development that is equal to the difference between the property value at Riley Court and the existing debt. Repayment on this loan is limited to the amount of the General Partnership management fees that RCD would normally be paid.

Seifel reviewed RCD's financial pro forma, and the proposed high priority rehabilitation projects can be feasibly undertaken if the City and County provide the requested level of funding. RCD has included a healthy contingency to take into account cost escalations since the original cost estimate was made as well as anticipated increases that may occur between now and next Spring when construction would begin.

Should less funding be available, the scope of the rehabilitation would need to be reduced. If additional funding is available or not all of the construction contingency funds are needed, additional rehabilitation improvements would be undertaken. Seifel worked with RCD to identify and prioritize these improvements, and RCD is committed to implementing as many of the needed improvements as possible, following this order of priority (as indicated in Attachment J to the application).

The total budget for the substantial rehabilitation of the Carena development is \$32.7 million, which includes refinancing the development with a new allocation of LIHTC and tax exempt bonds. Approximately \$28 million of the Carena budget is attributable to Riley Court and Camara Circle with the remaining amount related to Elaine Null.

RCD proposes that the existing public loans (soft debt) from the City of Concord and Contra Costa County would be amended to an interest rate equal to a compounding Applicable Federal Rate (AFR, which is currently approximately 2.2%). This proposed modification is roughly equivalent to the current term of 3% simple interest, but due to federal tax law will generate additional tax credit equity for the project. The City similarly modified the City’s existing loan terms for the Virginia Lane development in the process of being renovated by Eden Housing. The new terms of the new City loan of \$1.1 million would be at a 3% simple interest rate.

The City’s current and future investment of approximately \$6.7 million (including the accrued interest on its existing loans) will leverage additional funding of \$21.2 million from other sources to fund the total projected development costs of about \$28 million for the Concord properties, as shown in Table 2 below.

Table 2. Funding Sources for the Concord Properties in the Carena Renovation

Funding Sources for Concord Properties	Total	%
Tax Exempt Mortgage (Tranche A)*	\$3,820,000	14%
Tax Exempt Mortgage (Tranche B)*	\$540,000	2%
Camara Existing Debt		
City of Concord Loan - Assume/Recast	\$3,910,000	14%
Contra Costa County - Assume/Recast	\$1,270,000	5%
Riley Court Existing Debt		
City of Concord Loan - Assume/Recast	\$1,740,000	6%
Contra Costa County HOME - Assume/Recast	\$540,000	2%
Contra Costa County HOPWA - Assume/Recast	\$530,000	2%
New Loans		
City of Concord Loan	\$1,100,000	4%
Contra Costa County Loan*	\$1,140,000	4%
RCD Riley Court Seller Take-back Note	\$990,000	4%
RCD Loan of Reserves*	\$480,000	2%
LLC (RCD) General Partner Contribution*	\$1,410,000	5%
RCD Deferred Developer Fee*	\$440,000	2%
Income from Operations prior to Conversion*	\$120,000	0%
Limited Partner LIHTC Equity*	<u>\$9,940,000</u>	<u>36%</u>
Total Sources for Concord Properties	\$27,970,000	100%

* These sources are proportionately allocated based on number of units in Concord out of total units in the proposed Carena renovation (100/114 units).

Source: Resources for Community Development (RCD)

C. Conclusion

As described above, the property needs to be substantially rehabilitated, and the proposed funding request is reasonable. The City should continue to work with RCD and the County to obtain the additional \$300,000 in funding from Contra Costa County in order to undertake the high priority improvements. In total, the City's commitment to the development would be about \$6.7 million:

- Existing loans—\$5.6 million (consisting of about \$3.75 million in principal and accrued interest of about \$1.9 million).
- New loan—\$1.1 million

Both the existing and new loans will be repaid out of residual cash flow from the Carena developments in proportion to the City's contribution. The City's investment will leverage about \$21.2 million in additional funding to meet the total development costs of \$28 million for both properties.

The City's total investment will result in the following:

- Recapitalization of the developments, which will leverage sufficient funding to undertake much needed rehabilitation improvements at both properties.
- Substantial health, life-safety, environmental and accessibility improvements.
- Enhanced living environment for approximately 300 of the City's residents.
- Continued preservation of these developments consisting of 100 apartments (including three units that are used as an office and lived in by on-site resident managers), with an extension of the affordability covenants for another 55 years.