



COUNTY OF PLACER
Community Development/Resource Agency

PLANNING
SERVICES DIVISION

Michael J. Johnson, AICP
Agency Director

Paul Thompson, Deputy Director

MEMORANDUM

TO: Honorable Board of Supervisors

FROM: Michael J. Johnson, AICP
Agency Director

DATE: February 4, 2014

SUBJECT: **EXTENSION OF AGREEMENTS AND COMMITMENT OF FUNDING FOR QUARTZ RIDGE HOUSING**

ACTIONS REQUESTED

Adopt a resolution to:

1. Exercise and execute the option for a two-year extension of the Disposition and Development Agreement (DDA) and any accompanying documents with Quartz Ridge Family Apartments, LP for the County-owned property at 360 Silver Bend Way, Auburn, CA.
2. Execute a second amendment to the Predevelopment Loan to extend the term of the Predevelopment Loan with Quartz Ridge Family Apartments, LP, setting the date of such extension beginning January 26, 2014 and ending on February 22, 2016.
3. Authorize the expenditure of up to \$318,000 of County Housing Trust Funds to replace the low-moderate income funds originally committed by the former Placer County Redevelopment Agency for this Project through the above mentioned Disposition and Development Agreement.
4. Authorize the Community Development Resource Agency Director or designee to execute such instruments as necessary to carry out the intent of this resolution contingent upon response from the State Department of Finance (DOF) relating to the transfer of the property, housing bonds and assignment and assumption agreement from the Successor Agency to the County.

SUMMARY

On December 10, 2013, the County accepted the transfer of property, housing bond proceeds in the amount of \$1,419,455 and agreed to enter into an Assignment of Rights and Obligations under Disposition, Development and Loan Agreement for the Quartz Ridge affordable housing project, notification of the transfer was submitted to the DOF for their review with a response from DOF expected on or about February 10, 2014. The DDA provides for a project loan in the total amount of \$2 million. Of the \$2 million loan up to \$350,000 is available under the Predevelopment Loan to pay for predevelopment expense. To date, the developer has drawn \$279,390 for predevelopment expenses. Additional funding of \$318,000 is needed to fulfill the \$2 million loan and costs associated with the transfer of the property to the developer. If

approved, \$318,000 will be paid from the County Housing Trust Fund. A new net County cost of approximately \$5,000 per year is required for the maintenance of the property. Funding for maintenance of the property will come from the Placer County Low & Moderate Income Housing Fund.

BACKGROUND

On February 22, 2011, the former Placer County Redevelopment Agency (“RDA”) entered into a Disposition, Development and Loan Agreement (“DDA”) for the development of an approved sixty-four unit affordable housing project known as Quartz Ridge Family Apartments (the “Project”) with Quartz Ridge Family Apartments, L.P. (the “Developer”). The DDA provides for the transfer of the property located at 360 Silver Bend Way in Auburn, encompassing Placer County Assessor’s Parcel Nos. 054-171-031, -032, -035, -036, -037, and -038 (the “Quartz Ridge Property”), to the Developer for development of the Project, and the provision of predevelopment and construction financing for the Project. The Conditional Use Permit (PCPM20100046) was approved by the County Board of Supervisors for this Project on August 10, 2010.

The original term of the DDA expires on February 22, 2014. In order for the Developer to continue to apply for federal and state tax credit financing for the Project, it is the desire of the County and the Developer to exercise the option provided for in Section 205 – Conditions of Closing and Term of the Agreement, which states that the DDA can be extended for an additional two years.

Along with the DDA, a Predevelopment Loan, and later a subsequent first amendment to the Predevelopment Loan, was entered into by the RDA and the Developer to provide funding for up to \$350,000 of predevelopment expenses prior to the funding of the balance of the \$2 million loan included in the DDA. The Agreement expired on January 25, 2014. As the funding for the project through the DDA has not been fulfilled, this Loan will continue to serve as a source for ongoing project costs, and will continue to be needed until the project secures tax credit project financing under the DDA. The Developer and staff agree that it is necessary to extend the Predevelopment Loan for an additional two-year term to coincide with the term of the DDA so that the project can continue, and therefore asks the Board to extend this Loan.

CEQA COMPLIANCE

The project is exempt from CEQA pursuant to Section 15378(b)(5).

FISCAL IMPACT

The total amount obligated in the DDA for the Quartz Ridge project is \$2 million, of which \$279,390 has been drawn for predevelopment expenses, \$1,419,455 of housing bonds will be utilized along with \$318,000 from the County Housing Trust Fund. The County Housing Trust Fund was funded by affordable housing in-lieu fees. This action authorizes the expenditure of those funds as contemplated by the DDA approved in 2011 and assigned to the County in December 2013. Placer County will assume the cost of maintenance of the property, which is approximately \$5,000 per year. Funding for maintenance of the property will come from the Placer County Low & Moderate Income Housing Fund.

Attachments:

- Attachment 1: Resolution
- Attachment 2: Proposed First Amendment to the Disposition, Development and Loan Agreement
- Attachment 3: Proposed Second Amendment to Predevelopment Loan

**Before the
Board of Supervisors County of Placer, State of California**

In the matter of:

Resol. No:.....

Adopt a Resolution to (1) exercise the option for a two year extension of the Disposition and Development Agreement and any accompanying documents with Quartz Ridge Family Apartments, LP for the County-owned property at 360 Silver Bend Way, Auburn, CA (2) execute a second amendment to the predevelopment loan to extend the term of the predevelopment loan with Quartz Ridge Family Apartments, LP, (3) authorize the expenditure of up to \$318,000 of County Housing Trust Funds to replace the low-moderate income funds originally committed by the former Placer County Redevelopment Agency for this Project and, (4) authorize the Community Development Resource Agency Director or designee to execute such instruments as necessary to carry out the intent of this resolution.

The following RESOLUTION was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held _____,

2013 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest:
Clerk of said Board

Chair, Board of Supervisors

WHEREAS, pursuant to a Disposition, Development and Loan Agreement ("DDA") executed by the Placer County Redevelopment Agency (RDA) and Quartz Ridge Family Apartments L.P. (the "Developer"), the property at 360 Silver Bend Way in Auburn encompassing APNs 054-171-031, 054-171-032, 054-171-035, 054-171-036, 054-171-037,

and 054-171-038 (the "Quartz Ridge Property") is slated for the development of a 64-unit affordable housing project known as Quartz Ridge Family Apartments (the "Project").;

WHEREAS, on July 13, 2010, the RDA and the Developer entered into a Predevelopment Loan to provide financing for this Project, a first amendment to the Predevelopment Loan was executed January 25, 2011 to increase the amount of financing available prior to the execution of the DDA. The term of the predevelopment loan expired on January 25, 2014. The County and Developer desire to extend the term of the predevelopment loan to coincide with the term of the DDA with a new expiration date of February 22, 2016.

WHEREAS, on December 10, 2013, the county accepted the Quartz Ridge Property, housing bond proceeds of the former RDA and entered into an Assignment and Assumption of Rights and Obligations Under Disposition, Development and Loan Agreement for the Quartz Ridge Housing Project.

WHEREAS, upon assignment of the DDA and transfer of the Quartz Ridge Property to the County, the County assumed responsibility for management and maintenance of the property pending conveyance to the Developer;

WHEREAS, upon assignment of the DDA, the County assumed responsibility for addressing a shortfall in financing for the Project, to address the shortfall in financing the County proposes to utilize up to \$318,000 of County Housing Trust funds to replace the original commitment of low-moderate income funds. The balance of the financing of \$1.4 million of housing bond funds was transferred to the County from the Successor Agency for this Project. The State of California required that all low-moderate income funds on hand at the dissolution of the RDA be distributed to the local taxing entities, and

WHEREAS, this Project will provide critically needed affordable housing in the Auburn/Bowman community.

NOW THEREFORE, BE IT RESOLVED BY THE PLACER COUNTY BOARD OF SUPERVISORS as follows:

1. The Board hereby authorizes a two-year extension of the DDA for the Quartz Ridge Project,
2. The Board hereby authorizes a two-year extension of the Predevelopment Loan for the Quartz Ridge Project,
3. The Board hereby authorizes the expenditure of up to \$318,000 of County Housing Trust funds for the Project, and
4. The Board hereby authorizes the Community Development Resource Agency Director or designee to execute such instruments as necessary to carry out the intent of this resolution, including without limitation, Option to extend the Disposition, Development and Loan Agreement and Amendment to the Predevelopment Loan Agreement.

**FIRST AMENDMENT DISPOSITION AND DEVELOPMENT AGREEMENT
(QUARTZ RIDGE FAMILY APARTMENTS)**

This First Amendment to the Predevelopment Loan Agreement ("Amendment One") is made as of _____, 2014, by and between PLACER COUNTY, a public body, corporate and politic (the "County"), and QUARTZ RIDGE FAMILY APARTMENTS, L.P., a California limited partnership ("Developer").

WHEREAS, the former Placer County Redevelopment Agency ("Agency") and the Borrower entered into that certain Disposition and Development Agreement dated as of February 22, 2011 (the "Agreement"), pursuant to which the Agency agreed to provide for the disposition of property and provide additional financial assistance in the form a loan for the construction of a sixty-four (64) unit multifamily rental housing project to be undertaken by Developer on the Agency owned property at 360 Silver Bend Way, Auburn, CA 95603 (the "Property"); and

WHEREAS, the Successor Agency for the former Placer County Redevelopment Agency transferred the Property and financing for the Quartz Ridge Project ("Project") to the County on December 10, 2013 via an Assignment and Assumption of Rights and Obligations Under Disposition and Development Agreement.

WHEREAS, the Borrower has requested, and the County is willing, to extend the term of the Agreement to allow additional opportunities for the Borrower to apply for low income housing tax credits from the California Tax Credit Allocation Committee.

NOW THEREFORE, in consideration for the mutual covenants of the Parties and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

Section 205 Conditions of Closing and Term of the Agreement is amended to read in full as follows:

The Closing is conditioned upon the satisfaction of the following terms and conditions within the times designated below. All conditions of closing shall be met within five years from the execution of this agreement.

[SIGNATURE PAGE FOLLOWS]

ATTACHMENT 2

IN WITNESS WHEREOF, the County and the Borrower have executed this Amendment Two as of the date first set forth above.

COUNTY OF PLACER, a public body
corporate and politic

By: _____
CDRA, Director
"COUNTY"

Dated: _____, 2014

APPROVED AS TO FORM:

_____, County Counsel

QUARTZ RIDGE FAMILY
APARTMENTS, L.P., a California
limited partnership

By: USA Quartz Ridge Inc.
a California corporation, It's
Administrative General Partner

By: _____
President
"BORROWER"

Dated: _____, 2014

APPROVED AS TO FORM:

_____, Borrower Counsel

Dated: _____, 2014

**SECOND AMENDMENT TO PREDEVELOPMENT LOAN AGREEMENT
(QUARTZ RIDGE FAMILY APARTMENTS)**

This Second Amendment to the Predevelopment Loan Agreement ("Amendment Two") is made as of _____, 2014, by and between PLACER COUNTY, a public body, corporate and politic (the "County"), and QUARTZ RIDGE FAMILY APARTMENTS, L.P., a California limited partnership ("Borrower").

WHEREAS, the former Placer County Redevelopment Agency ("Agency") and the Borrower entered into that certain Predevelopment Loan Agreement dated as of July 13, 2010 (the "Agreement") and amended on January 25, 2011, pursuant to which the Agency agreed to provide a loan for certain predevelopment activities to be undertaken by Borrower in connection to the redevelopment of the Agency owned property at 360 Silver Bend Way, Auburn, CA 95603 (the "Property"); and

WHEREAS, the Successor Agency for the former Placer County Redevelopment Agency transferred the Property and financing for the Quartz Ridge Project ("Project") to the County on December 10, 2013 via an Assignment and Assumption of Rights and Obligations Under Disposition, Development and Loan Agreement.

WHEREAS, the Borrower has requested, and the County is willing, to extend the term of the Agreement to allow additional opportunities for the Borrower to apply for low income housing tax credits from the California Tax Credit Allocation Committee.

NOW THEREFORE, in consideration for the mutual covenants of the Parties and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1. ARTICLE 1. LOAN TERMS, Section 1.2 Term of Agreement is amended to read in full as follows:

1.2 Term of Agreement. The term of this Agreement ("Term") shall commence upon the Effective Date and remain in full force and effect until the earlier of: (a) February 22, 2016; (b) the approval of the County Loan and funding of an agreement entered into by the parties to fund the County Loan ("**Intercreditor Agreement**"); or (c) upon County delivering to Borrower written notice that this Agreement is termination pursuant to the terms of this Agreement. Any obligation of the County to disburse the Predevelopment Loan herein shall terminate upon the expiration or earlier termination of this Agreement.

Section 2. ARTICLE 1. LOAN TERMS, Section 1.7(a) Repayment of Predevelopment Loan is amended to read in full as follows:

1.7 Repayment of Predevelopment Loan. (a) all principal and interest on the Predevelopment Loan shall be due and payable pursuant to the terms of this

Agreement upon the earlier of (i) the expiration of the Term, (ii) County's termination of this Agreement, (iii) occurrence of a default hereunder that remains uncured after the expiration of the applicable cure period. If the Predevelopment Loan is terminated due to (ii), (iii), Borrower shall immediately deliver to the County any and all environmental, surveying, and engineering documents; improvement plans; engineering drawings and calculations; grading plans; SWPPP design plans; utility plans; architectural plans; landscape plans; fire sprinkler design drawings; and any other documents prepared using Predevelopment Loan funds ("collectively, the **"Predevelopment Work Product"**). Borrower hereby expressly acknowledges that upon expiration or earlier termination of this Agreement Borrower shall not incur any costs or expenses for Predevelopment Work.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the County and the Borrower have executed this Amendment Two as of the date first set forth above.

COUNTY OF PLACER, a public body
corporate and politic

By: _____
CDRA, Director
"COUNTY"

Dated: _____, 2014

APPROVED AS TO FORM:

_____, County Counsel

QUARTZ RIDGE FAMILY
APARTMENTS, L.P., a California
limited partnership

By: USA Quartz Ridge Inc.
a California corporation, It's
Administrative General Partner

By: _____
President
"BORROWER"

Dated: _____, 2014

APPROVED AS TO FORM:

_____, Borrower Counsel

Dated: _____, 2014

