

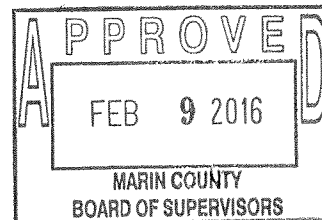
# COMMUNITY DEVELOPMENT AGENCY

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February 9, 2016

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County of Marin  
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**SUBJECT:** Loan of Housing Trust Funds to EAH Housing for acquisition of the Piper Court Apartments.

Building and Safety  
Environmental Health Services  
Planning  
Environmental Review  
Housing  
Sustainability  
Code Enforcement  
GIS  
Federal Grants

Dear Supervisors:

**RECOMMENDATION:** 1) Approve a loan in the amount of \$675,000 from the County's Housing Trust Fund for the purchase of the Piper Court Apartments. 2) Authorize President, subject to County Counsel approval, to execute (a) County Housing Trust Loan documents; (b) regulatory agreement; and (c) related documents (including subordination agreements) that may be required by other sources of financing for this project.

**SUMMARY:**

The Piper Court Apartments is an existing rental housing complex in Fairfax, owned through a partnership with EAH, a non-profit affordable housing provider and John Stewart Company, a for profit multi-family real estate financing and management company. Piper Court has an affordability restriction limiting the rental of 51% of its 27 units to families at 120% of area median income or below (moderate income). However, that rental restriction terminates upon the prepayment of the existing loan in October of 2016. EAH is concerned that if sold on the open market, a purchaser would rehabilitate the property, drastically increase the rents, and displace the existing residents. The Piper Court Apartments provides homes for 27 families in a location near a high performing school and close to public transit. County funding would ensure that all of the units are affordable to low income households. Ownership and management by a not-for-profit organization, together with the County's affordability restrictions, will ensure that the property remains affordable in perpetuity.

The purchase of this property exemplifies the acquisition for preservation strategy that was discussed and supported by the Board during the recent workshops on Preserving Housing Affordability and Preventing Displacement.

**DISCUSSION:**

EAH proposes to purchase John Stewart Company's share and rehabilitate the property in two phases. In phase one, acquisition, the housing will be converted to permanently affordable. The acquisition will utilize local funding. County Housing Trust funds would be approximately 15% of the acquisition budget. Other funding sources include a loan of \$1,000,000 and a \$500,000 grant from Marin Community

[www.marincounty.org/cda](http://www.marincounty.org/cda)

Foundation, which have been conditionally approved, (contingent on approval of County funds), a \$100,000 grant from the Tamalpais Pacific Foundation and \$2,132,243 in equity from EAH. The project has significant deferred maintenance, so phase two will focus on rehabilitation, relying upon the use of 4% federal tax credit financing, and is expected to be initiated in the spring of 2017.

The terms of the proposed Housing Trust loan would be a residual receipts loan that would generate income for the County's Housing Trust only if the project's other financial obligations were met. The loan term would be for 55 years with a 1% interest rate, and if the property is still operating as affordable housing at the end of the 55-year term, then any remaining loan balance would be forgiven.

The Marin County In-Lieu Housing Trust Fund (Housing Trust) was created to increase the stock of permanently affordable homes in the County. The Housing Trust provides a local funding source for financial and technical assistance to help affordable housing developers create and preserve affordable housing for low and very low income households. Housing Trust monies are intended to advance the values of a balanced community, by providing support for a variety of housing types available for households at a range of income levels. The proposed loan for the Piper Court Apartments meets the guidelines for the County's Housing Trust and furthers a number of Countywide Plan goals including the following:

**CWP Policy CD-2.11 Promote Diverse Affordable Housing Strategies.**

Promote a diverse set of affordable housing strategies to convert existing market rate units to permanently affordable units in addition to building affordable housing in appropriate locations.

**CWP Program CD-2.r Convert Existing Market Rate Units.** Identify specific strategies and funding mechanisms for the conversion of existing market rate units into permanently affordable housing.

The Housing Trust funds can be used anywhere in the County, with a priority for projects in the unincorporated areas. Historically, funds were spent within cities and towns as well as in the unincorporated areas. However, approximately 15 years ago, with changes in Housing Element legislation, the Board took a different direction and has spent funds exclusively in the unincorporated areas. Funding the Piper Court Apartments in Fairfax would be a significant change in policy and will lead to more applications from projects throughout the County. This will result in fewer funds available for projects in the unincorporated areas, but will likely result in additional housing available to lower income households.

The Town of Fairfax does not have dedicated housing funds and is not putting any funds into the first phase of the project. However, they have expressed support for the project (see attached letter) and they will waive application fees in phase two. Fairfax will explore whether they can receive housing element credit towards meeting their share of the Regional Housing Need Allocation through conversion for a portion of the units.

**FISCAL IMPACT:** No impact on the General Fund; funds for the loan are available in the Housing Trust Fund (SAP #80401).

**REVIEWED BY:**

- Auditor Controller
- County Counsel
- Human Resources

- N/A
- N/A
- N/A

Respectfully Submitted,



Leelee Thomas  
Principal Planner



Brian C. Crawford  
Director

**Attachment:**

1. Letter of Support from Town of Fairfax

