



# Board Agenda Item 45

DATE: April 11, 2023

TO: Board of Supervisors

SUBMITTED BY: Sanja Bugay, Director, Department of Social Services

SUBJECT: Homekey - Revised Resolution, Amendment to Standard Agreement, Estoppel Letter, and Subordination Agreement

RECOMMENDED ACTION(S):

- 1. Approve and authorize the Vice-Chairman to execute a Revised Resolution authorizing Crossroads Village Fresno as a party to the Homekey Standard Agreement with the California Department of Housing and Community Development.**
- 2. Authorize the Chairman to execute, upon review and approval by County Counsel as to legal form, Amendment No. 1 to the Homekey Standard Agreement in identical form as the Agreement included as Attachment A, with the addition of the new ownership structure to the Contractor and signature lines, with the California Department of Housing and Community Development to authorize Crossroads Village Fresno as a party to the Agreement.**
- 3. Approve and authorize the Chairman to execute an Estoppel Letter that is required to close on a construction loan needed to begin the conversion of Crossroads Village to permanent housing.**
- 4. Approve and authorize the Chairman to execute a Subordination Agreement that is required to close on a construction loan needed to begin the conversion of Crossroads Village to permanent housing.**

Approval of the recommended actions will authorize the Vice-Chairman to execute a Revised Resolution to add the new ownership structure, Crossroads Village Fresno, to the Homekey Resolution. Crossroads Village Fresno is a limited partnership that is made up of original partners, Upholdings, RH Community Builders, and Housing on Merit. The California Department of Housing and Community Development (HCD) has requested the Vice-Chairman to sign the revised Homekey resolution to avoid self-certification by the Chairman. Execution of the Revised Resolution is needed to modify the Homekey Standard Agreement with the HCD to add Crossroads Village Fresno, LP (Partnership) as the new ownership structure of Crossroads. The Estoppel Letter and Subordination agreements are required by Citibank to close on a construction loan for Crossroads that will initially fund the conversion from interim to permanent housing. Although services are centrally located at Crossroads, which is in District 2, the item is countywide.

ALTERNATIVE ACTION(S):

Should your Board not approve the recommended actions, the County and its partners will be unable to assign the Homekey Standard Agreement to Partnership and will be out of compliance with Homekey regulations. As Partnership now owns Crossroads, the ownership of the project and property must align with the Standard agreement. The estoppel letter and subordination agreement must be executed for Citibank to issue funds from the loan to Partnership to begin construction.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended actions. While all documents are necessary to remain in compliance with Homekey regulations and begin the conversion project, there will be no monetary exchange between the County and Partnership.

DISCUSSION:

**Amendment to HCD Homekey Standard Agreement - Recommended Actions 1-2**

On July 16, 2020, the California Department of Housing and Community Development (HCD) announced the availability of approximately \$600 million of Homekey grant funding to local public entities, including cities, counties, or other local public entities, including housing authorities or Federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing.

In August 2020, the County and co-applicants, RH Community Builders (RHCB) and Upholdings submitted a joint application to HCD for Homekey funding and were subsequently awarded \$14,818,701 to acquire, rehabilitate and convert the Smugglers Hotel, located at the Southwest corner of Blackstone and Dakota Avenues in Fresno, into Crossroads Village.

On August 18, 2020, your Board adopted Resolution No. 20-269 authorizing the joint application. HCD then requested that the resolution be revised and executed by the Vice-Chair to avoid self-certification by the Chairman. The revised resolution (No. 20-317) was executed on October 6, 2020, along with the Homekey Standard Agreement with HCD for participation in Homekey.

Approval of the first recommended action is required by HCD in order to move forward with assigning the Homekey Standard Agreement to Partnership. Although items 1-5 in the Revised Resolution have already been accomplished, the resolution has now been revised to add the new partnership structure of Crossroads Village in Recital section C. The resolution already approved by this Board on August 18, 2020 is identical to this Revised Resolution except the addition of item C to include Partnership as the new owner of Crossroads.

The Department is requesting your Board approve this Revised Resolution today, with the understanding that **the Department will only present the Standard Agreement Amendment for the Board Chair's signature, after review by County Counsel, in the instance that it is identical to the previously executed Standard Agreement, with the addition of the new ownership to the Contractor and signature lines.**

**Estoppel Letter and Subordination Agreement - Recommended Actions 3-4**

Crossroads Village is in the process of conversion from interim housing to permanent housing. The conversion of 165 units will result in approximately 141 new residential units which will include 51 studios, 43 one-bedrooms, 39 two-bedrooms, and 8 three-bedrooms. Each unit will be outfitted with a full kitchen and larger bathroom to meet Housing Quality Standards. All units will be restricted to individuals and families experiencing homelessness at or below 30% of the Area Median Income (AMI) of Fresno County. These units will assist the County to meet service demands and address housing needs in the County.

In partnership with the County, Upholdings sought out funding for the conversion and has secured a construction loan from Citibank to initially fund the project. The loan will fund the conversion project initially and will be repaid with other secured funding. Prior to issuing any funds from the construction loan, Citibank is requiring the County to sign an estoppel letter and subordination agreement. Both items are standard for construction projects with subordinate financing to the construction loan.

On December 13, 2022, your Board approved Subrecipient Agreement No. A-22-585 to authorize funds needed to close the gap in funding for the conversion project. To the extent that the County terminates the Subrecipient Agreement or fails to disburse the grant funds, with or without cause, the completion of the project will be jeopardized. Since Citibank has not previously been involved with the project and prior to making advances of its loan, Citibank is requesting an estoppel letter from the County. The estoppel letter provides assurances that the funds to be disbursed under the Subrecipient Agreement have been approved and allocated, and that the County's termination right for lack of appropriation is no longer operative. Additionally, the estoppel grants Citibank certain rights including the right to consent to amendments to the Subrecipient Agreement and to receive notice of defaults and the right to cure so that it may anticipate and mitigate any disruptions in the County's funding process.

On December 13, 2022, your Board also approved Agreement No. A-22-586, which was a regulatory agreement associated with the Homekey Standard Agreement. The Homekey funds have already been fully advanced and spent, so no estoppel letter is required, however, the County recorded a regulatory agreement which would be superior to the Citibank deed of trust. Citibank's policy is that in the event the project development becomes unviable for affordable housing, it needs to have the ability (following an uncured default) to foreclose and take title to its collateral free and clear of restrictive covenants. The subordination agreement aligns the priority of Citibank's deed of trust and the Homekey regulatory agreement to facilitate that potential termination.

Once the conversion project is completed and Citibank is repaid with other secured funding, this subordination agreement will be terminated.

REFERENCE MATERIAL:

BAI #69, December 13, 2022  
BAI #7.1, October 6, 2020  
BAI #46, August 18, 2020

ATTACHMENTS INCLUDED AND/OR ON FILE:

Attachment A - Amendment to Homekey Standard Agreement  
On file with Clerk - Resolution  
On file with Clerk - Estoppel Letter  
On file with Clerk - Subordination Agreement

CAO ANALYST:

Ronald Alexander