

---

 REDEVELOPMENT AGENCY
 

---




---

 COUNTY OF SANTA CRUZ
 

---

 GOVERNMENTAL CENTER  
 TOM BURNS  
 AGENCY ADMINISTRATOR

 701 OCEAN STREET, ROOM 510 SANTA CRUZ, CALIFORNIA 95060-4000  
 PHONE (831) 454-2280 FAX (831) 454-3420 TDD (831) 454-2123

November 12, 1998

Agenda: November 24, 1998

 Board of Directors  
 County of Santa Cruz Redevelopment Agency  
 701 Ocean Street  
 Santa Cruz, CA 95060

### **Financing Agreement for Above the Line Project Site**

Dear Members of the Board:

In March of 1996, your Board authorized a Redevelopment Agency predevelopment loan to Mercy Housing for initiating work on the Above the Line (ATL) Project. This project, proposed to be located on Freedom Blvd., is designed to provide transitional housing and support programs for homeless youth. As Board members are aware, since that time the project has gone through a number of phases of development and financing. On this agenda, your Board, as the Board of Supervisors, will be considering minor amendments to the land use permit for the site. With final action on the permit, the last step needed to allow the project to proceed and open next year is completing financing. The purpose of this letter is to recommend a share of that financing to be funded by the Agency's Low and Moderate Income Housing Fund.

#### **Site Description and Uses**

The project site currently contains the main ten bedroom/bath house, an out-building and seven cottages. While the original proposal assumed that Above the Line would use the entire facility for its program, it is now proposed that ATL confine its use to the main house and out building. The seven cottages are proposed to continue to be rented as low income rental units. (These units are currently restricted as low income units under the terms of a FEMA rehabilitation loan.) The land use permit before the Board of Supervisors provides greater details on the site plan and uses.

#### **Project Financing**

We have worked with ATL and Mercy Housing over the past year in securing the site and finalizing their overall financing — both for initial site acquisition and rehabilitation of the buildings and for long term operation of the facility. While this letter focuses on the acquisition and rehabilitation financing portions of the financing, Board members should be aware that representatives from HRA and HSA have reviewed and approved the projected

Board of Directors  
November 12, 1998  
Page 2

operational budgets as well. The overall capital budget sources and uses, as proposed by Mercy, are summarized below:

<b>Summary of Proposed Uses of Funds</b>	
Land Costs	\$1 ,1 77,000
Fees, Permits, and Studies	\$40,800
Direct Construction Costs	\$226,925
Indirect Construction Costs	\$92,500
Furnishings and Equipment	\$37,500
Reserves, Interest and Other	\$55,202
<b>Total Costs</b>	<b>\$1,629,927</b>

<b>Summary of Proposed Sources of Funds</b>		
ATL Sources	\$272,000	from various grants and donations
Private Financing	\$550,000	construction loan to be converted to long term financing
AHP Grant	\$156,000	RDA would need to initially front these funds, but would be reimbursed in 1999
RDA	\$651,927	Permanent RDA funding; includes \$26,000 predevelopment loan
<b>Total Financing</b>	<b>\$1,629,927</b>	

The overall concept for ownership and financing assume that Mercy Housing will be the owner, and will provide overall maintenance and management of the site, including the cottages. ATL would be operating under a lease with Mercy. The private financing for the site is secured by income from rental of the cottages and the income from the ATL lease. Tenant improvements on the house and out-building would be provided by ATL. The RDA financing would be provided in two forms — a long term forgivable loan (\$651,927) and a short term loan which would be repaid once the AHP grant is received. The agreement will also include provisions for change of tenancy, in the event that ATL ceases to exist and

Board of Directors  
November 12, 1998  
Page 3

options for the County or Agency to take ownership of the property in the future, if that ever becomes desirable. Otherwise, the financing agreement for the project will be the standard Agency agreement, including covenants and restrictions on the uses.

### **Conclusion/Recommendation**

Providing the recommended level of Agency financial assistance to this project is an efficient use of the Agency's Low and Moderate Income Housing Fund, considering that the project will provide seven long term affordable family rental units and space for twenty beds of low income transitional housing for troubled youth in our community. The proposed level of subsidy is comparable to other projects assisted by the Agency over the years. In addition, the Agency's financing will enable this important project to proceed and open early in 1999.

It is therefore RECOMMENDED that your Board, as the Board of Directors for the Redevelopment Agency, take the following actions, contingent on the pending ATL permit amendment being approved:

1. Authorize the RDA Administrator to negotiate and sign a financing agreement with Mercy Housing for this project as outlined in this letter; and
2. Authorize the RDA Administrator to take any additional actions required to implement this financial assistance.

Very truly yours,



Tom Burns  
Redevelopment Agency Administrator

RECOMMENDED:



Susan A. Mauriello  
Redevelopment Agency Director

cc. RDA

C:\MyFiles\WP7docs\LET.BD\atlfunding.wpd