



**COMMUNITY DEVELOPMENT COMMISSION  
Of Mendocino County**

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**Memorandum**

**To: Steve Dunnicliff, County of Mendocino Planning Director**

**From: Todd Crabtree, CDC of Mendocino County Executive Director**

**Date: June 16, 2015**

**History of Community Development Commission (CDC)'s Ownership  
of Holly Ranch Village**

Holly Ranch Village is located at 33001 to 33033 Lassen Drive (APN #069-161-19-05 & #069-161-25-05), north of Fort Bragg (outside the city limits by about 3 miles). It was built in the 1950s, consisting of a ten unit apartment building, 16 single family homes and a duplex. It was acquired by the CDC in 1985. Sales price was \$1,000,000 (with closing costs \$1,004,023.82). CDC put down a \$5,000 deposit, \$219,945.01 at closing and assumed the loan held by the Martini Family Trust. Loan balance was \$779,078.81. Original terms were 12% interest and monthly payments of \$8,013.

CDC is a public housing authority. All other properties owned by CDC have been public housing, with the exception of Holly Ranch Village and College Court (College Court is a 7 unit development built in the late 90s with Ukiah redevelopment funds). Public housing sites had operating subsidy and capital funds from HUD each year for their management. These funds couldn't be used for other developments. From the beginning of when CDC owned Holly Ranch Village, there was not a source of funds for management, maintenance, capital improvements, etc. other than the rents. It was already over 30 years old when acquired and had substantial debt servicing from the beginning. It has never been able to support a replacement reserve account for capital improvements.

The apartment building showed signs of structural stress and was considered unsafe in 2002. CDC worked with the County of Mendocino to apply for a two year CDBG grant for the reconstruction of the apartment building in 2003. Grant was for \$1million. The total cost of the project was over \$2.2 million. CDC requested and received through Board of Supervisors' approval, transfer of CDBG program income of \$600,000 and \$300,000 for the project. There was another \$90,000 of CDBG program income loaned to the project that did not require a Board of Supervisors' transfer, bringing total of CDBG program income loaned to Holly Ranch Village to \$990,000 deferred payment loans. These were financed as 0% deferred payment loans. At that time, CDC also refinanced the first loan with Savings Bank to pay for the project. The bank loan at that point was over \$1,000,000 and total debt on the property was over \$2.2 million at the end of construction.

The other 18 units continued to need more and more repairs. With no reserve and limited funds from other sources to draw from, over time the units have fallen into disrepair and by 2006 were considered unsafe and boarded up. In 2006, the apartment building was completed. The rents from the 10 units have been the sole source of income for that site and rents have had to remain affordable as that is the CDC's mission. The site has its own well system and a communal septic system that is limited to 50 total bedrooms. The apartment building is 20 bedrooms, leaving up to 30 bedrooms for development. CDC has applied for a permit to replace the 18 units with 15 two bedroom units on the existing footprints and have kept the permit in good standing.

CDC has tried to develop the property. Applied for tax credits in 2008 and applied for HOME and Multifamily Housing Program (MHP) funds. The site is not competitive for these funds. Tax credit application was approved but could not find an investor for a small coastal hard to reach development. HOME and MHP applications were denied. CDC worked with the County of Monterey housing authority as co-developers for these applications. The site does not score well due to overall debt, distance from services and small number of potential units. At that time, our estimates to demolish and replace 15 units with modular two bedroom homes and do infrastructure repairs was \$4.5 million.

CDC completed a disposition in 2010 and sold the public housing properties to its nonprofit, Building Better Neighborhoods (BBN). This sale converted those units to project based vouchers and increased overall income for those sites. They have been able to have a replacement reserve. Any extraordinary or capital expenses for repairs for Holly Ranch Village have come from these sites. Rental income from Holly Ranch Village 10 unit apartment building pays for the debt service on the bank loan and most

staff expenses for the site. The stairs currently are in a condition needing immediate repair.

Since 2010, Congress has been cutting funding for HUD. One of the hardest hits has been on Housing Choice Voucher (Section 8) administration funding. CDC receives a monthly fee for each voucher in place. The past three years, Congress and HUD have prorated that fee to 68%, 79% and this year currently at 74% of what is earned. Community development programs are mostly reimbursement based and tend to break even. This means that CDC has very tight finances. We have eliminated three fulltime staff positions, two part time on-site manager positions and one manager position, leaving us with eighteen full time positions. We have cut all the positions we can cut and still be able to fulfill our mission.

CDC currently can sustain its programs and projects but not with the continual losses and financial drain of Holly Ranch Village. Loss was \$137,370.31 in 2013 and \$150,530.54 in 2014. Our last completed audit was for year ending September 30, 2013 and our net position decreased by \$440,601. CDC cannot afford to keep Holly Ranch Village, cannot afford to develop it and cannot afford to do major repairs. This leaves selling the property or defaulting on the bank loan and letting the bank take over the property. Every month of inaction means more debt and Holly Ranch Village not being maintained and developed.

After discussions with County of Mendocino Planning Department staff, they contacted the California Department of Housing and Community Development, since the funds County of Mendocino loaned the property were from CDBG program. The response was that the County would have to demonstrate "due diligence" prior to considering any approval of a short sale, which would result if a sales price was negotiated that did not cover the total debt on the property. County staff informed CDC that due diligence could be demonstrated if the property was marketed with a Real Estate firm for at least 90 days. CDC listed the property with a Fort Bragg realtor and the first day of listing was March 29<sup>th</sup>. The property was listed at \$1.7 million, the amount being total debt on the property plus funds for Realtor commission and closing costs. It is listed with affordability requirements for the 10 unit apartment building until March of 2017. Some parties expressed interested, but no offers. After the CDC Board of Commissioners meeting on May 21<sup>st</sup>, the asking price was lowered to \$1.21 million, the appraised value of the property. Property will have been listed for 90 days on Friday, June 26<sup>th</sup>.