



August 14, 2024

Nicole Del Fiorentino
Housing and Community Services Manager
City of Santa Rosa
100 Santa Rosa Ave
Santa Rosa, CA 95404

RE: Request for Modification and Extension of Existing Santa Rosa Housing Authority Loans and Regulatory Agreements for Paulin Creek, Papago Court, Baby Apples, and Olive Grove

Dear Nicole:

Burbank Housing is pursuing a much-needed rehabilitation project for its properties **Paulin Creek, Papago Court, Baby Apples, and Olive Grove** in Santa Rosa, which combined have **232 units** of affordable housing. The rehabilitation project will improve the physical and financial viability of those properties, particularly Paulin Creek and Papago Court, and preserve the affordability of these homes well into the future. **This letter serves as Burbank Housing's request for a modification and extension of the existing Santa Rosa Housing Authority (SRHA) loans and regulatory agreements on these properties.**

The rehabilitation project is planned to be financed using tax-exempt bonds allocated by the California Debt Limit Allocation Committee (CDLAC) and low-income housing tax credits allocated by the California Tax Credit Allocation Committee (CTCAC), for which a combined CDLAC/CTCAC application is due on August 27, 2024. Award notification is anticipated for December 11, 2024, with construction closing anticipated for June 1, 2025.

The primary goal of the project is to provide much needed capital improvements to Paulin Creek and Papago Court, which Burbank Housing acquired on behalf and at the request of the City of Santa Rosa in the early 1990s. Paulin Creek and Papago Court were part of the neighborhood revitalization efforts of the City of Santa Rosa in which significant investments were made to revive the community in the Apple Valley neighborhood. Thirty years later, however, Paulin Creek and Papago Court are now in need of substantial rehabilitation. The properties need new building envelopes, roofs, foundation repairs, heating system replacement, hot water heating system replacement, and interior improvements including kitchen and bathroom replacement.

The inclusion of Olive Grove in the scatter site project is to provide cross-subsidization to Papago Court, Paulin Creek, and Baby Apples. Olive Grove was constructed in 2007 and is in generally good condition, and its low capital needs and relatively high appraised value allows for a larger scope of work to be performed at the other properties. In all, the properties will get \$24 million of capital improvements through this project.

A critical component of the feasibility of the project is for the existing SRHA loans on the properties to be combined into a single loan in the amount of approximately \$14 million and extended to a new 57-year term from the anticipated closing date of June 1, 2025. It is also critical that the current accrued interest of roughly \$6 million on the loans be forgiven by SHRA, which will allow for the project to have enough resources to have a feasible and competitive project for a tax credit award. The requested forgiveness of the accrued interest is not made lightly, and:

- is made in lieu of a request for new funds from the City of Santa Rosa;
- will allow for an additional \$3.5 million of funds for the rehabilitation of Paulin Creek and Papago Court (the additional \$38,700 per unit will help achieve a total of more than \$150,000 of improvements per unit);
- enables the project to be competitive in the scoring of its CDLAC/TCAC application (without the forgiveness of the accrued interest, the project will not score full points in the "leveraged public resources" scoring category making it unlikely to receive a tax credit award);
- the requested forgiveness will only be for the current accrued interest and not extended into the future, rather, at the construction closing of this project, a new interest rate will be imposed on the extended SHRA loans equal to the Applicable Federal Rate (AFR) as of the closing date (currently AFR is at 4.61% which is higher

than the interest rates of these existing SHRA loans¹), thus this future interest has the potential to accrue prospectively faster than previously; and

- Burbank Housing is also forgiving all \$1.4 million of its own loans on these properties, thus has "skin in the game" and is not only making the request of SHRA but also acting in kind.

Perhaps more critically, the opportunity to get the low-income housing tax credits and the associate investment in these properties may not exist next year. The opportunity presents itself this year due to an anticipated surplus in tax-exempt bonds, allocated by CDLAC, and there is no guarantee that a similar surplus will exist in 2025. As such, this may be the best and only opportunity to get Papago Court and Paulin Creek rehabbed in the near future.

Through the rehabilitation and repositioning, long-term affordability will be ensured through the existing SRHA regulatory agreements being extended to a new 57-year term (or replaced with a new regulatory agreement for all of the properties). Additionally, the modified and extended loans and regulatory agreements will be assigned to a new tax credit partnership in which Burbank Housing would be the General Partner.

A list of the existing SRHA loans, attached as Exhibit A, includes the loan numbers, property names, property addresses, unpaid principal balances, and accrued interest. For the purpose of the CDLAC/CTCAC application, we kindly request a commitment letter from SRHA in the form attached as Exhibit B.

We greatly appreciate your consideration of this request and your partnership in ensuring the long-term affordability and viability of these important affordable housing properties. Please do not hesitate to contact me at jlin@burbankhousing.org or (707) 303-0590 with any questions.

Sincerely,



Jocelyn Lin
Director of Housing Development

¹ To be in line with the SHRA's underwriting policies, a floor of 3.00% interest on these loans can be applied should the AFR at the time of closing fall below 3.00%.

Exhibit A
Loan Schedule

Property	Address	Loan Number	Unpaid Principal Balance (as of 12/31/23)	Accrued Interest (as of 12/31/23)	Total Loan Balance (as of 12/31/23)
Papago Court		9029-0505-97	\$ 1,007,234	\$ 652,156	\$ 1,659,390
Papago Court		9929-0515-97	\$ 137,416	\$ 90,854	\$ 228,270
Papago Court		6924-9633-0	\$ 18,856	\$ 10,844	\$ 29,700
Papago Court	2830 Papago Court,	6029-0773-98	\$ 68,856	\$ 43,435	\$ 112,291
Papago Court	Santa Rosa, CA	8624-9633-98	\$ 127,152	\$ 78,627	\$ 205,779
Papago Court		9929-2505-14	\$ 1,470,646	\$ 170,982	\$ 1,641,628
Papago Court		6824-9633-98	\$ 30,000	\$ 18,551	\$ 48,551
Papago Court		9930-1665-06	\$ 298,000	\$ 104,769	\$ 402,769
Paulin Creek		9929-2555-15	\$ 1,143,881	\$ 263,915	\$ 1,407,796
Paulin Creek		9929-0842-00	\$ 3,183,930	\$ 1,681,285	\$ 4,865,215
		9929-0732-01			
		9929-0742-00			
		9029-0673-99			
	2824 Apple Valley	6029-0743-97			
	Lane, Santa Rosa,	9929-2515-14			
	CA	9930-1675-06			
		9029-0732-00			
		9929-0822-00			
		9029-0663-99			
		6029-0723-97			
		9929-0782-00			
		9029-0683-99			
Baby Apples		8029-9353-98	\$ 51,840	\$ 35,542	\$ 87,382
Baby Apples		6029-9353-98	\$ 30,000	\$ 23,412	\$ 53,412
Baby Apples	2862, 2866, 2870	9929-2873-17	\$ 372,160	\$ 60,259	\$ 432,419
Baby Apples	and 2875 Apple	6029-9354-98	\$ 38,340	\$ 25,006	\$ 63,346
Baby Apples	Valley Lane, Santa	6929-9354-00	\$ 30,000	\$ 23,412	\$ 53,412
Baby Apples	Rosa, CA	8029-9354-98	\$ 17,000	\$ 13,267	\$ 30,267
Baby Apples		9929-2883-17	\$ 372,161	\$ 60,259	\$ 432,420
Baby Apples		9029-0643-99	\$ 122,540	\$ 88,579	\$ 211,119
Baby Apples		9929-0653-9	\$ 20,760	\$ 14,816	\$ 35,576
Olive Grove		9930-1065-02	\$ 5,471,000	\$ 2,388,624	\$ 7,859,624
	1945 Zinfandel	9930-1085-02			
	Avenue Santa Rosa,	9930-1075-02			
	CA	9930-1125-03			
		9030-0955-01			
Totals			\$ 14,011,772	\$ 5,848,594	\$ 19,860,366

*All loans to be combined into a single loan of \$19,860,366 (plus accrued interest as of approximately June 1, 2025) and extended to a new 57-year term at an interest rate of the Applicable Federal Rate as of closing (currently 4.61%)

Exhibit B
Form of Commitment Letter

DATE

California Tax Credit Allocation Committee
915 Capitol Mall, Suite 485
Sacramento, CA 95814

Dear TCAC:

This letter is to acknowledge that the **LENDER (“LENDER”)** supports the rehabilitation of **PROJECT** Apartments in **CITY**. In supporting the rehabilitation, the **Lender** will modify the project’s loans with the **LENDER** for the single new tax credit partnership, to be controlled by **DEVELOPER** and its affiliates.

Below, please find a summary of the **Lender’s** loans and modifications:

Source	Current Principal	Accrued Interest through DATE*	Total Principal and Interest	Current Interest Rate	Proposed Interest Rate	Extended Loan Maturity
NAME	\$	\$	\$	RATE%	AFR at time of construction closing (estimated - DATE)	57 years

**Note: The accrued interest amount is subject to change.*

New Committed Loan Amounts and Terms

Type	Source	Principal Amount	Accrued Interest PROJECTED CLOSING DATE	Total Loan Amount	Interest Rate	New Loan Term
Loan	NAME	\$	\$	\$	AFR at the time of construction closing	57 Years
Loan		\$	\$	\$	AFR at the time of construction closing	57 Years
Loan		\$	\$	\$	AFR at the time of construction closing	57 Years

DEVELOPER intend to sponsor a new Federal Low Income Housing Tax Credit project for the purposes of substantially rehabilitating **PROJECT** Apartments. **CURRENT OWNERSHIP**, has site control for

this project. **DEVELOPER** supports the LIHTC application and will participate in the future ownership structure through an **NAME OF ENTITY** which will serve as the General Partner. A new tax credit partnership will also be created and an **NAME OF ENTITY** will serve as General Partner.

The **Lender** supports this project and will modify existing regulatory agreement and loans for the new tax credit financing. Modification includes extending the term of its loans and affordability restrictions for a 57-year term and restating the principal and accrued interest rate at the Applicable Federal Rate (AFR) at the date of the closing, of the new financing. The **Lender** will also resubordinate its loans to the senior mortgage and senior residual receipts financing. The **Lender** may also allow additional financing subject to County program requirements.

Finally, the **Lender's** regulatory agreements and loans will be assumed by the new ownership entity and the assumption will take place upon the acquisition and prior to the commencement of the rehabilitation of this project.

If you have any questions or require additional information, please contact **NAME** at **CONTACT**.

Sincerely,

NAME
TITLE