

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: MEGAN BASINGER, DIRECTOR
HOUSING AND COMMUNITY SERVICES
SUBJECT: BURBANK HOUSING DEVELOPMENT CORPORATION AND
BURBANK HOUSING NEIGHBORHOOD REVITALIZATION
CORPORATION'S REQUEST FOR A CONDITIONAL
CONSOLIDATION, EXTENSION AND MODIFICATION OF LOANS
FOR 2862 AND 2866 APPLE VALLEY LANE, 2870 AND 2874
APPLE VALLEY LANE, PAPAGO COURT, PAULIN CREEK, AND
OLIVE GROVE APARTMENTS

AGENDA ACTION: RESOLUTIONS

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by five resolutions, conditionally approve a consolidation, extension and modification to the loans for 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, Paulin Creek and Olive Grove Apartments to: 1) consolidate the existing loans that are secured on the five project sites; 2) forgive the accrued interest on the five project sites at the time of loan modification; 3) extend the loan term(s) for 57 years at the Applicable Federal Rate, with a floor of 3%; 4) extend the term of the Regulatory Agreements recorded against each project site to June 30, 2082; 5) assign the loans to Apple Valley Olive Grove, L.P., and 6) authorize the Executive Director to enter into any and all agreements necessary to carry out the direction of the Housing Authority.

EXECUTIVE SUMMARY

The Housing Authority has provided loans to Burbank Housing Development Corporation and Burbank Housing Neighborhood Revitalization Corporation (Burbank Housing) for five affordable housing properties in the total principal amount of \$13,868,472 representing a total of 232 units, 228 units affordable to extremely low-, very low- and low-income households. The properties, identified as 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, Paulin Creek and Olive Grove Apartments, are being consolidated into a "scattered site" application known as Apple Valley Scattered Sites to pursue tax exempt bonds and tax credits to access funds for rehabilitation of the project sites. The proposed consolidation includes

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a request to extend the terms of the loans to June 30, 2082, as well as to extend the term of the Regulatory Agreements, securing long term affordability for 228 income restricted units for an additional 21 to 34 years through the extension of each regulatory agreement.

BACKGROUND

Burbank Housing is pursuing a rehabilitation plan for 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Paulin Creek, Papago Court, and Olive Grove Apartments in Santa Rosa which will require the consolidation, modification of terms, forgiveness of accrued interest, and extension of the loan terms and regulatory agreements for each of the properties to create a new scattered-site project to be known as Apple Valley Scattered Sites.

Burbank Housing submitted their initial proposal in late June 2024 requesting modification and extension of the loans and Regulatory Agreements for the five project sites. The consolidated sites, Apple Valley Scattered Sites, will be applying for 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); the combined CDLAC/CTCAC application is due on August 27, 2024. The initial request included resetting the interest rate of the loans, at the time of consolidation, to the Applicable Federal Rate (AFR) which is currently at 4.61%, with a floor of 3%.

As Burbank Housing continued to develop the CDLAC/CTCAC application and explore ways to maximize the funding for the rehabilitation project, the request was modified to include the forgiveness of accrued interest on the five project sites. Accrued interest as of July 31, 2024, is approximately \$5.9 million. Forgiveness of accrued interest and extension of the loan terms will allow Burbank Housing to pursue the CDLAC/CTCAC rehabilitation funds and extend the affordability terms for all five projects sites.

The five properties combined currently have 232 units, 228 affordable units and are further described below.

2862 and 2866 & 2870 and 2874 Apple Valley Lane (Baby Apples) Background

2862 and 2866 & 2870 and 2874 Apple Valley Lane (Baby Apples) were provided financial assistance for acquisition from the Housing Authority in 1997. At the time of Burbank Housing's acquisition, rehabilitation was conducted on the 8 units and 6 of the units were restricted to households below 60% of AMI. Over the course of the last 30 years, the Housing Authority has provided three loans to the site, the outstanding principal and accrued interest is summarized below.

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2862 and 2866 Apple Valley Lane

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of July 31, 2024	Total Loan
6029-9353-98	8/9/2048	\$30,000.00	\$23,937.53	\$53,937.53
8029-9353-98	8/9/2048	\$51,839.95	\$36,449.21	\$88,289.16
9929-2873-17	8/9/2048	\$372,160.00	\$66,774.68	\$438,934.69
TOTAL LOAN		\$453,999.95	\$127,161.43	\$581,161.37

2870 and 2874 Apple Valley Lane

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of July 31, 2024	Total Loan
6029-9354-98	8/9/2048	\$38,339.98	\$25,677.34	\$64,017.32
8029-9354-98	8/9/2048	\$17,000.00	\$13,564.60	\$30,564.60
6029-9354.98	8/9/2048	\$30,000.00	\$23,937.53	\$53,937.53
9929-2883-17	8/9/2048	\$372,161.00	\$66,774.86	\$438,935.86
TOTAL LOAN		\$457,500.98	\$129,954.33	\$587,455.31

Papago Court Background

Papago Court, located at 2820 – 2838 Papago Court and 2852 and 2860 Apple Valley Lane was provided financial assistance for acquisition from the Housing Authority in 1997. At the time of Burbank Housing's acquisition, rehabilitation was conducted on the 48 units, 47 of which are currently affordable with 9 units restricted to households at 50% of AMI and 38 units restricted to households at 60% of AMI.

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of 7/31/24	Total Loan
9029-0505-97	4/28/2049	\$1,007,234.00	\$669,789.35	\$1,677,023.35
9929-0515-97	4/28/2049	\$137,416.00	\$93,259.78	\$230,675.78
6924-9633-00	8/4/2027	\$18,856.00	\$11,173.84	\$30,029.84
6029-0773-98	8/4/2027	\$68,856.00	\$44,640.06	\$113,496.06
8624-9633-98	9/15/2028	\$127,152.00	\$80,852.54	\$208,004.54
9929-2505-14	8/1/2037	\$1,470,646.00	\$196,728.32	\$1,667,374.32
6824-9633-98	9/15/2028	\$30,000.00	\$19,076.19	\$49,076.19
9930-1665-06	8/1/2037	\$298,000.00	\$109,985.73	\$407,985.73
TOTAL LOAN		\$3,158,160.00	\$1,225,505.81	\$4,383,665.81

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Paulin Creek Background

Paulin Creek, located at various addresses on Apple Valley Lane and W. Steele Lane, was originally constructed in the mid-1960s and was provided financial assistance for acquisition and rehabilitation from the Housing Authority in 1997. The site is 48 units, 47 of which are currently affordable with 17 units restricted to households at 50% of AMI and 30 units restricted to households at 60% of AMI.

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of 7/31/24	Total Loan
9929-2555-15	6/14/2049	\$1,143,881.00	\$269,013.84	\$1,412,894.84
9929-0842-00	6/14/2049	\$93,334.00	\$64,361.29	\$157,695.29
9929-0732-01	6/14/2049	\$160,000.00	\$106,692.55	\$266,692.55
9929-0742-00	6/14/2049	\$537,999.96	\$378,047.38	\$916,047.34
9029-0673-99	6/14/2049	\$193,230.00	\$138,822.76	\$332,052.76
6029-0743-97	6/14/2049	\$72,003.29	\$49,652.04	\$121,655.33
9929-2515-14	6/14/2049	\$1,075,000.00	\$277,774.95	\$1,352,774.95
9930-1675-06	6/14/2049	\$50,000.00	\$23,263.95	\$73,263.95
9029-0732-00	6/14/2049	\$146,000.00	\$102,802.72	\$248,802.72
9929-0822-00	6/14/2049	\$46,666.00	\$32,179.95	\$78,845.95
9029-0663-99	6/14/2049	\$233,230.00	\$168,000.23	\$401,230.23
6029-0723-97	6/14/2049	\$144,006.58	\$99,304.09	\$243,310.67
9929-0782-00	6/14/2049	\$46,000.00	\$32,389.90	\$78,389.90
9029-0683-99	6/14/2049	\$386,460.00	\$278,660.70	\$665,120.70
TOTAL LOAN		\$4,327,810.83	\$2,020,966.35	\$6,348,777.18

Olive Grove Background

Olive Grove Apartments, located at 1905 -1985 Zinfandel Avenue, was constructed in 2005 and first occupied in 2006, making it the newest complex in the scattered site project. Olive Grove is 128 units, 126 currently affordable as follows: 45 units restricted to households at 30% of AMI, 31 units restricted to households at 50% of AMI, and 50 units restricted to households at 60% of AMI. The outstanding principal and accrued interest is summarized below.

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Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of 7/31/24	Total Loan
9930-1065-02	12/16/2059	\$625,000.00	\$301,848.24	\$926,848.24
9930-1085-02	12/16/2059	\$176,000.00	\$85,000.46	\$261,000.46
9930-1075-02	12/16/2059	\$2,394,088.00	\$1,067,105.16	\$3,461,193.16
9930-1125-03	12/16/2059	\$1,275,912.00	\$540,285.33	\$1,816,197.33
9030-0955-01	12/16/2059	\$1,000,000	\$490,165.38	\$1,490,165.38
TOTAL LOAN		\$5,471,000.00	\$2,484,404.57	\$7,955,404.57

PRIOR HOUSING AUTHORITY REVIEW

The Housing Authority has reviewed and acted on each of these projects on numerous occasions between 1997 and 2017.

ANALYSIS

Burbank Housing has been evaluating financial methods to conduct rehabilitation work at 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, and Paulin Creek for several years. It is estimated that the proposed work at 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, Paulin Creek, and Olive Grove is approximately \$22.9M; due to funding limitations at the local and state level, accessing competitive financing for rehabilitation is challenging. Burbank Housing is proposing to consolidate the loans into one singular loan with a principal amount of \$13.86M.

Forgiveness of the accrued interest on all five project sites will allow Burbank Housing to leverage \$3.5M in additional funding through the tax credits, bonds, and permanent loan to conduct the rehabilitation work. Forgiving the interest allows Burbank Housing to proceed with the application and proposed rehabilitation without requesting additional funding from the Housing Authority. As of July 31, 2024, the accrued interest on the combined loans was approximately \$5.9M, accrued interest per project site can be found in the Project Summaries. The amount of accrued interest on each of the loans will continue to increase until the time of loan consolidation and interest forgiveness. Burbank Housing is forgiving \$1.4M of loans that it has provided to the projects.

Burbank Housing estimates that the Olive Grove units will each receive \$60,000 in improvements; units at 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, and Paulin Creek are anticipated to receive \$140,000 of improvements per unit. Additional information on the needs at each project site can be found in the Analysis Section.

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The urgency behind this request is that Burbank Housing desires to apply in CDLAC and TCAC's final funding round of 2024. TCAC is expected to be undersubscribed which reduces the competition for the funds. If the request is not advanced, the next application round is in 2025 and rehabilitation funds and competitive nature is unknown. Proceeding with this request will allow Burbank Housing to pursue the necessary rehabilitation work to keep the units in safe, habitable condition and ensure that they continue to serve the residents of Santa Rosa in the coming decades.

PROPERTY CONDITION ASSESSMENT/PHYSICAL NEEDS ASSESSMENTS

The Property Condition Assessment (PCA) and Physical Needs Assessments (PNA) rate various aspects as of the exterior, landscaping, site improvements, and units as Excellent, Good, Fair, Poor and Aged. Each property has a report outlining the conditions. Please note that the summaries below highlight the needs and are not exhaustive lists of work that will transpire or additional work that may be required as items are evaluated during the rehabilitation process.

Apple Valley (Baby Apples) Physical Needs Assessment Summary

Burbank Housing had the site assessment completed in August 2023. The property is rated as being in overall "fair" condition, although immediate needs were identified. Those items are replacing broken patio slabs, tree trimming and root spread mitigation, dry rot removal and repairs, painting, replacing shower valves with anti-scald devices, add seismic shut offs at gas meters, hard wire smoke detectors, replace carbon monoxide detectors, inspect fire extinguishers, replace heaters and wiring. Additionally, Burbank Housing plans on replacing flooring, doors, appliances, cabinets, countertops, toilets, window blinds in all units.

The Immediate Needs were estimated at \$201,150 and ongoing replacement items were estimated at \$263,500 in 2023 dollars for the 8 units.

Papago Court Physical Needs Assessment Summary

Burbank Housing had the site assessment completed in August 2023. The property is rated as being in overall "aged" condition. Those items are replacing broken patio slabs, tree trimming and root spread mitigation, dry rot removal and repairs, replace the exterior siding, replace all windows and doors, exterior painting, replace unit heating and cooling, and upgrade the fire alarm system. Additionally, Burbank Housing plans on replacing flooring, doors, appliances, cabinets, countertops, toilets, window blinds in units.

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The Immediate Needs were estimated at \$2,636,825 and ongoing replacement items were estimated at \$2,442,700 in 2023 dollars for the 44 units.

Paulin Creek Physical Needs Assessment Summary

Burbank Housing had the site assessment completed in August 2023. The property is rated as being in overall “aged” condition. Those items are replacing broken patio slabs, tree trimming and root spread mitigation, dry rot removal and repairs, replace the exterior siding, replace all windows and doors, exterior painting, replace unit heating and cooling, and upgrade the fire alarm system. Additionally, Burbank Housing plans on replacing flooring, doors, appliances, cabinets, countertops, toilets, window blinds in units.

The Immediate Needs were estimated at \$2,897,225 and ongoing replacement items were estimated at \$2,873,000 in 2023 dollars for the 48 units.

Olive Grove Property Condition Assessment Summary

Burbank Housing first retained the consultant in 2020 to conduct the PCA for Olive Grove. Overall, Olive Grove is rated as being in “good” condition, but there are areas that are identified as “poor” and will be part of the rehabilitation. Interior areas rated as “poor” include unit flooring and bathroom countertops. On the exterior of the buildings, stucco and windows will be repaired and roof maintenance will occur.

The Immediate Needs were estimated at \$82,864 and ongoing replacement items were estimated at \$2,826,346 in 2020 dollars for the 128 units.

REHABILITATION AND FINANCING SUMMARY

As identified in the preceding sections, the project sites have rehabilitation work that needs to occur to allow the units to continue to be safe, habitable and desirable residences. By asking the Housing Authority to forgive the accrued interest on the existing loans, currently valued at \$5.9M as of July 31, 2024, Burbank Housing will be able to leverage an additional \$3.5M in funding through the CDLAC/CTCAC process that will be put towards rehabilitation and associated expenses. If the Apple Valley Scattered Site project is approved and proceeds, the accrual of interest on the principal loan amount of \$13,868,471 will begin with the consolidated loan documents and will accrue at the AFR which is currently 4.61% and has a floor of 3%, the current interest rate on the existing loans. If the higher interest is in place that that time, the Housing Authority will be accruing interest at 153% of the current rate; stated another way, the Authority will accrue the amount of the forgiven interest in 9.35 years versus 14.4 years at a 3% rate.

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FISCAL IMPACT

Approval of this item will reduce future interest revenue by approximately \$6 million. The forgiven interest will leverage approximately \$3.5M in additional funds for rehabilitation. Interest will begin to accrue again on the new loan at the AFR which is currently 4.61% and which has a floor of 3%, the current interest rate.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

NOTIFICATION

Larry Florin, Burbank Housing, lflorin@burbankhousing.org
Jocelyn Lin, Burbank Housing, jlin@burbankhousing.org

ATTACHMENTS

- Attachment 1 – Burbank Housing Request, 6/27/24
- Attachment 2 – Modified Burbank Housing Request, 8/14/24
- Attachment 3 – Financial Feasibility, 8/13/2024
- Resolution – 2862 and 2866 Apple Valley Lane
- Resolution – 2870 and 2874 Apple Valley Lane
- Resolution – Papago Court
- Resolution – Paulin Creek
- Resolution – Olive Grove Apartments

PRESENTER

Megan Basinger, Director