

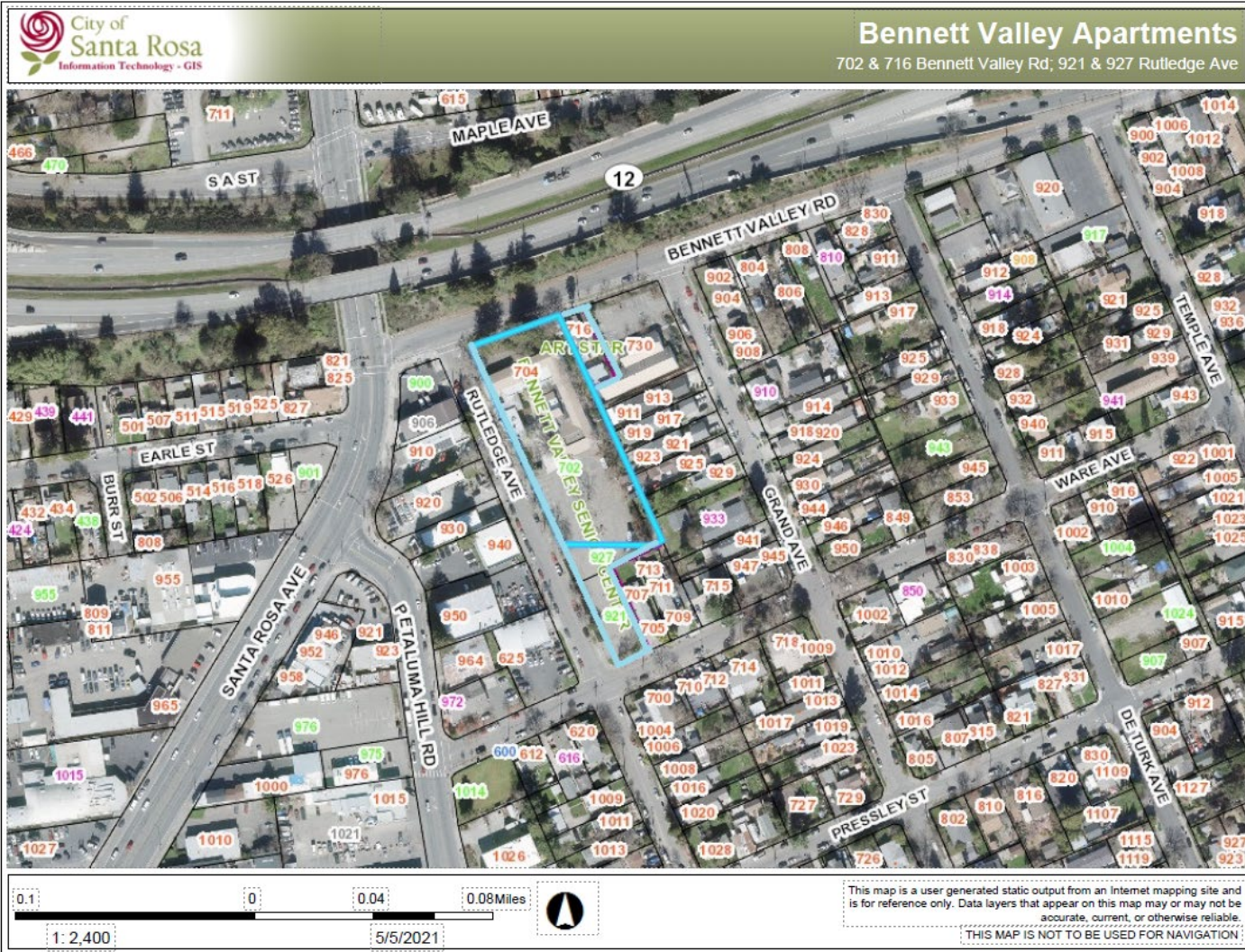


BENNETT VALLEY APARTMENTS – MODIFICATION TO
PRIOR FUNDING COMMITMENT TO ALLOW \$2,000,000
OF PREDEVELOPMENT LOAN FUNDS TO BE SECURED BY
A REPAYMENT GUARANTY UNTIL THE PROPERTY IS
PURCHASED BY DEVELOPER AND TO ALIGN THE TERM
OF THE NOTE WITH THE TERM OF AFFORDABILITY

Bennett Valley Apartments

- Developer: Freebird Development Company, LLC
- May 10, 2021, HA Resolution 1717. Loan Amount: \$5,800,000
- New Construction
(former site of City-owned Bennett Valley Senior Center Complex)
- 62 Units; 51% of units targeted for homeless individuals and families

Bennett Valley Apartments



Background

- May 10, 2021 - Housing Authority adopted Resolution No. 1717 conditionally committing \$5,800,000 of loan funds to the Developer for the Project.
- June 21, 2021 - Housing Authority approved Resolution No. 1719 to modify the prior commitment to allow loan funds to also be utilized for pre-development-related costs

Background

- June 29, 2021 - A Disposition and Development Agreement (DDA) between the Developer and the City was executed
 - Outlines the conditions and responsibilities of the City and the Developer related to the sale of the property, including securing all funding sources

Analysis

- Developer Request
 1. Allow \$2,000,000 of the award to be secured by a repayment guaranty, rather than by Deed of Trust recorded against the property, for the interim term until Developer purchases the property from the City
 2. Align the term of the Note with the term of affordability for the Project

Analysis

1. Allow the \$2,000,000 predevelopment award to be secured by a repayment guaranty, rather than by Deed of Trust recorded against the property, for the interim term until Developer purchases the property from the City
 - Prior Housing Authority commitment would need to be modified to allow for two separate loans; one for \$2,000,000 for predevelopment-related costs and one for \$3,800,000 for construction-related costs.

Analysis

- Repayment guaranty is an agreement between the Housing Authority and the Developer's financial partner L & M Development Partners, LLC., that legally binds L & M to perform all obligations and pay all monetary obligations, damages, costs, fees, expenses or any other liability accruing to the Housing Authority
- Full Housing Authority award of \$5,800,000 would be secured by a Deed of Trust recorded against the property at the time of sale, once all funding sources are committed.
- Repayment guaranty would terminate when Deed of Trust is recorded.

Analysis

2. Align Term of Note with Term of Affordability for the Project

- Term of Note is typically 55 years from the date of the Note, executed at closing
- Term of Affordability is 55 years from the Commencement of Term, when units are rented
 - Anticipated construction completion is December 31, 2024
- Extending the Term of the Note would add approximately three years to the Term

Analysis

- Approval of a repayment guarantee to secure the predevelopment loan funds allows the Developer to access the predevelopment funds now
 - Saves the Project over \$100,000 in interest
 - Expedites design development and construction document phases to better position the Project for new funding opportunities as they arise.

Analysis

- Approval of alignment of the Term of the Note with the Term of Affordability extends the Term of the Note by approximately three years.
- Alignment of terms would better position the project to receive future funding awards from HCD programs

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, allow \$2,000,000 of the conditional commitment of loan funds for predevelopment-related costs to be secured by a repayment guaranty until the property is purchased by the developer, and to align the term of the Note with the term of affordability.

Questions?