

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: MARC HUGHES, PROGRAM SPECIALIST
NICOLE DEL FIORENTINO, HOUSING AND COMMUNITY SERVICES
MANAGER
SUBJECT: HOUSING AND COMMUNITY SERVICES DEPARTMENT
MODIFICATION OF LOAN NO. 9021-0274-93 AND INTEREST
FORGIVENESS FOR THE YOUTH SHELTER LOCATED AT 1243
RIPLEY STREET

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, approve a modification to the \$47,000 loan with Individuals Now dba Social Advocates for Youth for acquisition of 1243 Ripley Street to: 1) extend the loan payment date fifteen (15) years to become due August 4, 2038; 2) forgive all interest accrued from August 4, 1993 through October 24, 2022 in the approximate amount of \$41,229.95 (final amount to be determined as of the date of loan modification); 3) modify the interest rate for future accruals to 0%; and 4) extend the term of the Regulatory Agreement by fifteen (15) years to be concurrent with the loan repayment date to ensure continued community access to the 6 bed youth shelter.

EXECUTIVE SUMMARY

The Housing Authority approved a \$47,000 loan to Individuals Now, dba Social Advocates for Youth (SAY) on July 27, 1992 to assist with the acquisition of a youth shelter located at 1243 Ripley Street. The loan was executed on August 23, 1993 and has a 30-year term which will be due on August 4, 2023. Due to the nature of shelter services not producing income and the interest of the borrower to continue operation of the site as a youth shelter, SAY has requested modifications to the terms of the loan to facilitate the continued operation of the site.

BACKGROUND

The Housing Authority approved Resolution 669 on July 27, 1992 awarding \$47,000 for acquisition of the property to be operated as a youth shelter. On August 4, 1993, the Housing Authority entered into a Loan Agreement with SAY committing \$47,000 in loan funds to acquire 1243 Ripley Street to be acquired and operated as a 6-bed shelter for runaway youth. Over the past twenty-nine years, the site has been utilized as a low-barrier youth shelter and drop-in center open 24 hours, 365 days per year, in accordance with the Regulatory Agreement executed in connection with the loan. Shelter services are provided to runaway youth between

the ages of 12 and 17-, and 18-year-olds who are still enrolled in high school. Drop-in services are available for youth between the ages of 12 and 24 years old.

As a shelter, the property does not generate income from providing services and all operational costs are funded through grants and donations. SAY has requested a modification to the loan terms to extend the loan payment date, forgive the accrued interest, set the interest rate on the loan to 0%, and allow prepayment of the loan.

ANALYSIS

The youth shelter located at 1243 Ripley Street and operated by SAY obtained a Housing Authority loan for \$47,000.00 to assist in the acquisition of the property in 1993, at which time the loan funds were expended. The loan is deferred, with three percent (3%) simple interest and a 30-year term, due on August 4, 2023. The \$47,000.00 principal balance will have accrued \$42,327.04 in interest at maturity, and the amount due will be \$89,327.04.

In connection with the Housing Authority loan, the property has a Regulatory Agreement which was recorded in the Official Records of Sonoma County as Instrument Number 1993 0105432 on August 23, 1993. The Regulatory Agreement restricts the use of the property to operation of a 6-bed youth shelter for thirty years. At any time after maturity of the thirty-year term, SAY may request that the Authority modify or release the use restrictions contained in the Regulatory Agreement if continued operation of the property becomes infeasible.

As a youth shelter, participants do not pay rent and the project does not produce income. Over \$400,000 is expended annually on operational costs funded through grants and charitable donations, which are not eligible funding sources for acquisition loan repayment. SAY wishes to continue to operation of the site as a youth shelter and has made the following request to modify the Authority's loan to facilitate continued operation, based on the non-income producing nature of shelter services:

- Extension of the Term to become due upon sale or transfer of the property; and
- Forgiveness of accrued interest (\$41,229.95 accrued as of October 24, 2022); and
- Modification to the interest rate to 0%; and
- Ability to prepay the loan.

To ensure continued operation of the site as a youth shelter, if approved by the Housing Authority, the above modifications would be accompanied by an extension of the term of the Regulatory Agreement by 15 years to ensure continued community access to the 6-bed youth shelter.

PRIOR HOUSING AUTHORITY REVIEW

On July 27, 1992, the Housing Authority adopted Resolution No. 669 committing \$47,000 of loan funds to Individuals Now dba Social Advocates for Youth to assist in the acquisition of 1243 Ripley Street.

On November 23, 1992, the Housing Authority amended Resolution No. 669 to include a finding that a youth homeless shelter is of benefit to the Sant Rosa Center Redevelopment Project Area.

ARTICLE XXXIV

Not applicable.

FISCAL IMPACT

Forgiving the interest accrued to date would reduce the future program income generated by the loan and the \$41,229.95 in unrealized income from accrued interest would not be collected for reuse.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

None.

NOTIFICATION

The applicant was notified of the meeting.

ATTACHMENTS

- Resolution
- Letter request from SAY for Loan Modification

CONTACT

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