

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS

FROM: NANCY MANCHESTER, PROGRAM SPECIALIST II  
HOUSING & COMMUNITY SERVICES

SUBJECT: REQUEST FROM COMMUNITY SUPPORT NETWORK TO  
EXTEND THE TERM OF THE HOUSING AUTHORITY LOAN FOR  
933 GRAND AVENUE IN THE PRINCIPAL AMOUNT OF \$50,000  
FOR AN ADDITIONAL 20 YEARS

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by the Housing & Community Services Department that the Housing Authority, by resolution, approve an extension of the term of the \$50,000 loan made to Community Support Network (Loan #9014-0464-90) for 933 Grand Avenue from July 18, 2019 to July 18, 2039, deferred payment, at 3% simple interest per year.

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EXECUTIVE SUMMARY

933 Grand Avenue (Property) is a five-bed permanent housing facility serving mentally ill and homeless adults at or below 50% of Area Median Income (AMI). In 1989, Community Support Network (CSN) received a Housing Authority loan in the principal amount of \$50,000 for acquisition and rehabilitation of the Property. CSN is requesting an extension of the term of its Housing Authority Loan (#9014-0464-90) in the principal amount of \$50,000 from July 18, 2019 to July 18, 2039, deferred payment, at 3% simple interest per year.

BACKGROUND

1. CSN's property at 933 Grand Avenue (Property) is a five-bed permanent supportive housing facility that serves mentally ill and homeless adults at or below 50% of Area Median Income (AMI). Residents receive support and case management services including conflict resolution, rental agreement compliance, medication compliance, communication skills, and advocacy. In 1989, the Housing Authority provided CSN with a loan in the amount of \$50,000 at 3% simple interest per year for the purchase

and rehabilitation of the Property. Payment on this loan was originally due on July 18, 2009.

2. On July 13, 2009, the Housing Authority, via Resolution No. 1451, approved an extension of the term of the \$50,000 loan from July 18, 2009 to July 18, 2019.
3. CSN is not currently in a financial position to repay the Housing Authority's loan and is requesting a 20-year extension of the loan's due date, from July 18, 2019 to July 18, 2039.

### PRIOR HOUSING AUTHORITY REVIEW

- Housing Authority Resolution No. 496 (June 27, 1989) approved \$50,000 in Community Development Block Grant (CDBG) funds in the form of a loan to CSN to purchase, rehabilitate, and manage 933 Grand Avenue; and
- Housing Authority Resolution No. 1451 (July 13, 2009) extended the term of the \$50,000 loan to CSN from July 18, 2009 to July 18, 2019.

### ANALYSIS

1. In addition to the Housing Authority's loan, acquisition and rehabilitation of the Property was funded by a State of California Department of Housing & Community Development (HCD) loan of \$167,300 which is also due in July 2019. The balance on this loan is approximately \$307,618, and CSN is currently in the process of securing HCD's approval for an extension of this loan to July 2039.
2. The current balance on the Housing Authority's loan, with principal and interest accrued through April 16, 2019, is \$94,642.47. The loan is 3% simple interest, deferred payment.
3. The Housing Authority's loan modification criteria, approved via Resolution No. 1646 on March 26, 2018, require the following:
  - a. Review of financial statements and operating budget for subject property to determine borrower's capacity to debt-service the loan;
  - b. Analysis of all debt on the property to ascertain the loan-to-value and the Housing Authority's lien priority;
  - c. Funding source regulations that allow funds to be used as grants;
  - d. Major damage as defined by FEMA to or destruction of the collateral due to fire, earthquake, landslide, mudslide, flooding, or other natural disaster; and
  - e. Confirmation of compliance with regulatory terms.
4. Items a, b, and e above are the only criteria for modification that apply to CSN's request, as CSN is not requesting conversion of the loan to a grant, nor has the Property experienced major damage.

5. Financial statements and the operating budget for 933 Grand Avenue indicate that the Property is operated using only rental income. Rental income covers all operating, case management, and staff costs; monthly rental rates are those affordable to very low-income clients. Because of the limited rental income produced by the Property, CSN is not currently able to repay the Housing Authority's loan.
6. Analysis of all debt on the Property shows total debt of \$401,365, with the Housing Authority's lien in second position, behind HCD. Based on outstanding debt and an estimated value of \$735,375, the current loan-to-value is 55%.
7. There is no current Regulatory Agreement between the Housing Authority and CSN on the Property, therefore confirmation of compliance with regulatory terms is not possible. Staff recommends that execution and recordation of a standard Housing Authority Regulatory Agreement for a term of 30 years be a condition of approval of the extension request.
8. Since the Housing Authority's loan is secured against the real property, there appears to be minimal risk in extending CSN's loan for an additional 20 years.

#### FISCAL IMPACT

Approval of this action does not have a fiscal impact on any Housing Authority funds.

#### 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

Not applicable.

#### NOTIFICATION

Not applicable.

#### ATTACHMENTS

- Attachment 1 – CSN Loan Extension Application
- Resolution

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AUTHORITY LOAN FOR 933 GRAND AVENUE IN THE PRINCIPAL AMOUNT OF \$50,000 FOR AN  
ADDITIONAL 20 YEARS  
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