

CITY OF SANTA ROSA
HOUSING AUTHORITY

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

SUBJECT: BURBANK HOUSING DEVELOPMENT CORPORATION
REQUEST FOR EXTENSION OF HOUSING AUTHORITY LOAN
TERMS AND APPLICABLE REGULATORY AGREEMENTS FOR
CYPRESS RIDGE, GROSMAN APARTMENTS, JAY'S PLACE,
PANAS PLACE, AND WEST OAKS AND SUBORDINATION OF
THE HOUSING AUTHORITY'S LOANS TO REFINANCED
SENIOR MORTGAGES

AGENDA ACTION: RESOLUTION

RECOMMENDATION

To provide sufficient financial resources so that Burbank Housing Development Corporation (BHDC) can (1) perform needed repairs to the properties listed herein through the refinance of the first mortgages for each property, and (2) repay a portion of the unsecured loan approved by the Housing Authority via Resolution No. 1669 on November 5, 2019, it is recommended by the Housing & Community Services Department that the Housing Authority (Authority), by five (5) separate resolutions, approve the following:

- a. Extend the due date of the Authority's loan, in the principal amount of \$1,995,650 (Authority Loan Nos. 9014-0595-92 and 9914-0875-00) for Cypress Ridge, a 122-unit affordable multifamily rental project located at 1815 Meda Avenue (APN 044-031-048), and the term of affordability, from October 27, 2030 to October 27, 2049 (19 years), and approve subordination of the Housing Authority's loan to a refinanced first mortgage of \$5,095,000 at 5.47% interest;
- b. Extend the due date of the Authority's loan in the principal amount of \$75,215 (Loan No. 9025-0525-89) for Grosman Apartments, a 13-unit special needs affordable multifamily rental project located at 1289 Martha Way (APN 014-552-029), from January 10, 2032 to January 10, 2049 (17 years), and approve subordination of the Authority's loan to a refinanced first mortgage of \$782,000 at 5.47% interest. In exchange for approval of the loan extension, BHDC will execute a new regulatory agreement securing affordability of the property through 2049;

- c. Extend the due date of the Authority's loan in the principal amount of \$619,010 (Loan Nos. 9933-0805-00 and 9933-0815-00) for Jay's Place, a 41-unit affordable multifamily rental project located at 2805 Park Meadow Drive (APN 357-70-041), and the term of affordability, from December 12, 2030 to December 12, 2049 (19 years), and approve subordination of the Authority's loan to a refinanced first mortgage in the amount of \$1,570,000 at 5.47% interest;
 - d. Extend the due date of the Authority's loan in the principal amount of \$2,291,091 (Loan Nos. 9931-0355-97, 9931-0365-96, 9931-0335-94, 9931-0375-96, and 9931-0345-97) for Panas Place, a 66-unit affordable multifamily rental project located at 2450 Stony Point Road (APN 125-521-005), and the term of affordability from May 1, 2039 to May 1, 2060 (21 years), and approve subordination of the Authority's loan to a refinanced first mortgage in the amount of \$6,400,000 at 5% interest; and
 - e. Extend the due date of the Authority's loan in the principal amount of \$1,350,000 (Loan Nos. 9031-0465-97 and 9031-0475-97) for West Oaks, a 53-unit affordable multifamily rental project located at 2594 Guerneville Road (APN 341-10-084), and the term of affordability from October 31, 2039 to October 31, 2060 (21 years), and approve subordination of the Authority's loan to a refinanced first mortgage in the amount of \$4,750,000 at 5% interest.
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EXECUTIVE SUMMARY

The Housing Authority has provided loans to Burbank Housing Development Corporation (BHDC) for five affordable housing properties in the total principal amount of \$6,330,966 representing a total of 295 units affordable to extremely low-, very low- and low-income households. Cypress Ridge, Grosman Apartments, and Jay's Place are being refinanced through Berkadia Group; Panas Place and West Oaks are being refinanced through California Housing Finance Agency (CalHFA). The first mortgages for all five properties are being refinanced to: (1) make repairs to each property; (2) repay a portion of the unsecured loan approved by the Housing Authority via Resolution No. 1669 on November 5, 2019; (3) to lower the interest rates on four of the five loans, to support future housing development by BHDC; and (4) to provide support to BHDC's property portfolio. Not only will approval of the loan extensions provide much-needed repairs to each property, it will also secure affordability for 295 units for an additional 17 to 21 years through the extension of each regulatory agreement or, in the case of Grosman Apartments, through execution of a new regulatory agreement.

BACKGROUND

1. BHDC has submitted loan modification applications to the Housing Authority to support its refinancing efforts for five of its affordable properties including applicable loan and regulatory period extensions as well as subordination of the Authority's

loans to the refinanced first mortgages. The loan and regulatory extension dates, if approved, will match the maturity dates for the refinanced loans.

- The following chart is a summary of the relevant information for each of the properties being refinanced.

Property Name	Units	Affordability	HA Loan Principal	Current 1 st Mortgage	Current 1 st Mortgage Interest Rate	New 1 st Mortgage	New 1 st Mortgage Interest Rate	Estimated Repair Cost
Amorosa I	97	EL, VL, Low	\$9,510,600	\$3,538,972	7.5%	\$6,015,000	5.47%	\$218,750
Cypress Ridge	122	EL, VL, Low	\$1,995,650	\$1,937,848	6.85%	\$5,095,000	5.47%	\$326,290
Grosman	13	Low, Special Needs	\$75,215	\$145,652	4.74%	\$782,000	5.47%	\$39,941
Jay's Place	41	EL, VL, Low	\$619,010	\$935,768	7.63%	\$1,570,000	5.47%	\$109,260
Panas Place	66	VL, Low	\$2,291,091	\$2,646,722	6.75%	\$6,400,000	5.00%	\$439,550
West Oaks	53	EL, VL, Low	\$1,350,000	\$2,310,734	6.5%	\$4,750,000	5.00%	\$55,050
Totals	295		\$6,330,966	\$7,976,724		\$18,597,000		\$970,091

- BHDC is requesting term extensions to five of the loans as follows.

Property Name	Current Due Date/Affordability Period End	Requested Due Date/Affordability Period End	Extension Years
Cypress Ridge	10/27/2030	10/27/2049	19
Grosman*	1/10/2032	1/10/2049	17
Jay's Place	12/12/2030	12/12/2049	19
Panas Place	5/1/2039	5/1/2060	21
West Oaks	10/31/2039	10/31/2060	21

*Grosman does not currently have a regulatory agreement in place.

- Grosman Apartments does not currently have a regulatory agreement in place. In exchange for approval of the extension and subordination request, a regulatory agreement with an affordability period matching the term of the loan extension will be executed and recorded on the property.
- The debt service coverage ratio for Amorosa Village I, Cypress Ridge, Jay's Place and Grosman is 1.25; the ratio for Panas Place and West Oaks is 1.15. The preferred debt service coverage ratio varies amongst multifamily lenders, however CalHFA, a public lender like the Authority, requires a minimum debt service coverage ratio of 1.15.

PRIOR HOUSING AUTHORITY REVIEW

- In 1989, 1991, 1992, 1993, 1995, 1996, and 1997, the Authority, via Resolution Nos. 533, 539, 544, 604, 665, 730, 749, 846, 855, 856, 857, 860, 861, 871, 911, 912, and 994 approved loans for Panas Place.
- In 1991, the Authority, via Resolution No. 621, approved the loan for Grosman Apartments.
- In 1991, 1992, 1993, 1994, 1995, 1999, 2000, and 2001, the Authority, via Resolution Nos. 598, 631, 664, 729, 770, 1081, 1115, and 1165, approved the initial loan and further advances for Cypress Ridge.
- In 1997 the Authority, via Resolution No. 967, approved a loan for West Oaks.
- In 1999 the Authority, via Resolution No. 1066, approved the loan of \$619,010 for Jay's Place.

ANALYSIS

1. The Housing Authority set Loan Modification Criteria via Resolution No. 1646 on March 26, 2018 providing guidelines for considering extension requests such as these from nonprofit borrowers. The following criteria apply to BHDC's request:
 - a. Review of financial statements and operating budget for the subject property to determine the 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; and
 - c. Confirmation of compliance with regulatory terms.
2. Staff completed a review of each application utilizing the aforementioned Loan Modification Criteria. None of the loans require payments other than residual receipts, however, all are cash-flow positive. The loan-to-value, lien position, and compliance status of the loans are as follows:

Property Name	Loan to Value	Housing Authority Lien Priority	Regulatory Compliance
Cypress Ridge	50.5%	3	Yes
Grosman	23.1%	3	Not applicable since there is no Regulatory Agreement in place
Jay's Place	56.1%	3	Yes
Panas Place	62.0%	3	Yes
West Oaks	49.2%	3	Yes

Based on the required criteria, there is little risk in approving the loan modifications as requested, subordinating the Housing Authority's loans to the refinanced first mortgages for each project, and requiring a new regulatory agreement in exchange for the loan extension for Grosman Apartments. The Authority's lien priority will remain in third place after the subordination agreements are recorded.

3. Approval of BHDC's request will secure affordability for longer time periods ranging from 17 to 21 years for 295 units in Santa Rosa.
4. BHDC intends to use the proceeds of each refinanced first loan for immediate repairs to each property, future housing development needs, and portfolio support. Should BHDC successfully complete the refinance, a portion of the proceeds of the refinance will be used to pay down \$1.7 million of the unsecured corporate note with a principal amount of \$3,575,759 approved by the Authority on November 5, 2019 via Resolution No. 1669.
5. Amorosa Village I is included in the refinance of BHDC's loans, but does not need an extension of loan term or the affordability period because both dates currently match the maturity date for the refinanced first mortgage. However, BHDC is requesting subordination of the Authority's loan to the new financing, and approval of the subordination request is within the approval authority granted to the Executive Director in Resolution No. 1534 because the loan-to-value is 129.4%, which does not exceed 150% set forth in the resolution, and the subordination is a requirement of the new senior lender.

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

Larry Florin, Burbank Housing, LFlorin@burbankhousing.org
Alicia Gomez, Burbank Housing, AGomez@burbankhousing.org
Julie Heredia, Burbank Housing, JHeredia@burbankhousing.org

ATTACHMENTS

- Resolutions (5)
- Attachment 1 – Cypress Ridge Property Condition Report Executive Summary
- Attachment 2 – Grosman Apartments Property Condition Report Executive Summary
- Attachment 3 – Jay's Place Property Condition Report Executive Summary
- Attachment 4 – Panas Place Physical Needs Assessment Executive Summary
- Attachment 5 – West Oaks Physical Needs Assessment Executive Summary
- Attachment 6 – December 12, 2019 BHDC Letter
- Attachment 7 – Amorosa I Property Condition Report and Executive Summary

CONTACT

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