

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: ANGELA MORGAN, PROGRAM SPECIALIST II
HOUSING AND COMMUNITY SERVICES
SUBJECT: LOAN MODIFICATION REQUESTS FOR EXTENSION OF
HOUSING AUTHORITY LOAN AND REGULATORY AGREEMENT
TERMS FOR NORTHPOINT APARTMENTS PHASES I AND II,
2121 STONY POINT ROAD, AND SUBORDINATION OF THE
HOUSING AUTHORITY'S LOANS TO REFIANCED SENIOR
MORTGAGES

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, approve a request for extension of loan and Regulatory Agreement terms for Northpoint Apartments Phases I and II, located at 2121 Stony Point Road, as follows: 1) extend Northpoint Phase I loan due dates from August 2029 to December 31, 2031 and extend the Regulatory Agreement from October 2029 to December 31, 2031; 2) extend Northpoint Phase II loan due dates from December 2029 and September 2030 to December 31, 2031 and extend the Regulatory Agreement from September 2030 to December 31, 2031; and 3) authorize subordination of the Housing Authority loans to refinanced senior mortgages.

EXECUTIVE SUMMARY

The Housing Authority provided loans to Bridge Housing Corporation (Bridge Housing) for acquisition, predevelopment, and construction of Northpoint Apartments I and II (Project). The 110-unit complexes (70 units in Phase I and 40 units in Phase II) are affordable to very low- and low-income households, located at 2121 Stony Point Road. Bridge Housing is requesting subordination of the Housing Authority loans to refinanced senior mortgages from Umpqua Bank. The first mortgages are being refinanced to: 1) make repairs to the Project, and 2) to obtain lower interest rates. In addition to requesting subordination, Bridge Housing is also requesting that the terms of the loan and Regulatory Agreement be extended to coincide with the refinanced mortgages.

BACKGROUND

Bridge Housing submitted a loan modification application to support its refinancing efforts for Northpoint Apartments I and II, including a request for loan and regulatory period extensions, as well as subordination of the Authority loans to the refinanced senior mortgages.

The Project consists of Phase I, a 70-unit multifamily rental development of which 69 are affordable to very low-, and low-income households. The Phase I loan due date is August 2029 and the thirty-year term of the Regulatory Agreement ends in October 2029. Phase II, a 40-unit multifamily rental development all of which affordable to very low-, and low-income households has loan due dates of December 2029 and September 2030 and the thirty-year term of the Regulatory Agreement ends in September 2030.

If approved, the extension will bring the loan due dates and Regulatory Agreement end dates for Phases I and II to December 31, 2031.

PRIOR HOUSING AUTHORITY REVIEW

Between 1995 and 1998, the Housing Authority approved a series of loan commitments to provide Northpoint Phases I and II with a total of \$3,250,167 in funding.

ANALYSIS

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 Bridge Housing'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.

Northpoint Phase I received Housing Authority Loans totaling \$2,428,946. The first mortgage on the property has a current interest rate of 8.41% and Bridge proposes to obtain a 3.80% interest rate, with a 1.27 debt service coverage ratio.

Northpoint Phase II received Housing Authority loans totaling \$821,221. The first mortgage on the property has a current interest rate of 8.38% and Bridge proposes to obtain a 3.80% interest rate for the project, with a 1.25 debt service coverage ratio.

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 the project, and requiring a modification to regulatory agreement. The Authority's lien priority shall remain unchanged after the subordination agreements are recorded.

The refinancing will allow Bridge to undertake repairs on the Project that includes exterior work such as balconies, decking, waterproofing, stucco, painting, asphalt, walkways, lighting, and landscape work (tree roots).

Approval of Bridge Housing's request will extend the affordability period to December 31, 2031 for 110 units.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on 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 Guidelines Section 15378.

COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Melissa Baker, Bridge Housing Corporation, mbaker@bridgehousing.com

ATTACHMENTS

- Resolution
- Northpoint Phase I Subordination Application
- Northpoint Phase II Subordination Application

CONTACT

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