

CITY OF SANTA ROSA
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS
FROM: KOY STEWART PROGRAM SPECIALIST
HOUSING AND COMMUNITY SERVICES
SUBJECT: REQUEST TO RELEASE THE REGULATORY AGREEMENT AND
DEED OF TRUST FOR INDIVIDUALS NOW, INC. DBA SOCIAL
ADVOCATES FOR YOUTH (SAY) UPON SALE OF PROPERTY
AND REPAYMENT OF LOAN - RE: 1243 RIPLEY STREET,
SANTA ROSA

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by resolution, authorize the termination and release of the Regulatory Agreement and Deed of Trust with Individuals Now, Inc. DBA Social Advocates for Youth for the youth shelter located at 1243 Ripley Street, Santa Rosa upon the sale of the property repayment of the outstanding principal of Housing Authority Loan No. 9021-0274-93.

EXECUTIVE SUMMARY

On July 27, 1992, the Authority awarded a \$47,000.00 loan to Individuals Now, Inc. DBA Social Advocates for Youth (Borrower) for the acquisition of 1243 Ripley Street, Santa Rosa, CA, to be operated as a six-bed youth shelter ("Project"). Upon the loan's maturity on August 4, 2023, the Authority extended the repayment date by 15 years, forgave accrued interest, and set future interest at 0% to ensure continued access to the shelter. The property, restricted by a Regulatory Agreement with the Housing Authority's loan secured by a Deed of Trust, is now subject to Chapter 7 bankruptcy proceedings and is being prepared for sale. Approval of the request to release the Deed of Trust and Regulatory Agreement upon the property's sale and repayment of the loan will allow the Housing Authority to recoup its original investment of \$47,000.

BACKGROUND

1. The real property known as the 1243 Ripley Street Youth Shelter, is located at 1243 Ripley Street, Santa Rosa, Assessor's Parcel Number 180-740-065 (hereinafter

referred to as the "Property").

2. On July 27, 1992, the Authority, by Resolution 669, committed \$47,000.00 in Low & Moderate Income Housing funds to the Owner to assist in the acquisition of the Property to be operated as a six (6) bed youth shelter.
3. On August 4, 1993, the parties entered into a Promissory Note and Loan Agreement setting forth the terms of the loan, as well as recorded a Regulatory Agreement in the Official Records of Sonoma County as Instrument Number 19930105432 restricting the use of the Property.
4. On November 23, 1992, the Authority approved Resolution 690, amending Resolution 669 to declare a finding of benefit to the Santa Rosa Center Redevelopment Project Area in the allocation of the Low & Moderate Income Housing funds for the acquisition of the Youth Shelter at 1243 Ripley Street.
5. Between 1993 and early 2024, the Property was operated by Borrower as a six-bed youth shelter.
6. On September 12, 2022, Borrower requested an extension to the due date of the Promissory Note and Regulatory Agreement for the Property to allow the property to continue operations as a youth shelter. Due to the use of the site as a youth shelter, the property does not generate rental income and Borrower requested an extension of the date, as well as forgiveness of the accrued interest.
7. On October 24, 2022, the Authority approved Resolution 1748, a modification of Loan No. 9021-0274-93 to extend the due date of the loan and the term of the Regulatory Agreement by 15 years, forgive approximately \$41,229.95 in accrued interest, and set future interest rate accruals to zero percent for the term of the loan. An Amended and Restated Regulatory Agreement and an Amended and Restated Promissory Note were executed between Borrower and the Authority on August 29, 2023.
8. In February 2024, Borrower announced that it would be ceasing all operations, including the services provided at 1243 Ripley Street, laid off all staff, and filed for Chapter 7 Bankruptcy on February 27, 2024 to liquidate its assets.
9. Michael G. Kasolas has been appointed as the Trustee to oversee the Borrower's Chapter 7 Bankruptcy proceedings and has contracted with Fennemore Wendel, a law firm, to assist in the preparation of Borrower's sites for sale in order to liquidate Borrower's assets to repay obligations.

PRIOR HOUSING AUTHORITY REVIEW

On July 27, 1992, the Authority, by Resolution 669, committed \$47,000.00 in Low & Moderate Income Housing funds to Owner to assist in the acquisition of 1243 Ripley

Street to be operated as a six (6) bed youth shelter.

On November 23, 1992, the Authority approved Resolution 690, amending Resolution 669 to declare a finding of benefit to the Santa Rosa Center Redevelopment Project Area in the allocation of the Low & Moderate Income Housing funds for the acquisition of the Youth Shelter at 1243 Ripley Street.

On October 24, 2022, the Authority approved Resolution 1748, the modification of Loan No. 9021-0274-93 and interest forgiveness for the youth shelter located at 1243 Ripley Street.

ANALYSIS

On July 27, 1992, the Housing Authority of the City of Santa Rosa, committed \$47,000.00 in loan funds to assist in the acquisition of a property at 1243 Ripley Street, Santa Rosa, CA to be used as a six-bed youth shelter. The loan terms included 3% simple interest, with payment of principal and interest due on August 4, 2023.

Prior to the loan's maturity date, the Authority approved a modification of the loan terms to extend the due date of the loan and the term of the Regulatory Agreement by 15 years to ensure that the community had continued access to the youth shelter. The approved modifications involved several key changes: the loan repayment date was extended by 15 years, now due on August 4, 2038. Additionally, the interest accrued from August 4, 1993, through October 24, 2022, amounting to approximately \$41,229.95, was forgiven. Future interest accruals were set at a 0% interest rate. The term of the Regulatory Agreement was also extended by 15 years to match the new loan due date, and provisions were made to allow the Authority to conduct necessary property inspections.

The youth shelter located at 1243 Ripley Street is the only property in Santa Rosa owned by Borrower with a loan from the Authority. The Authority's loan is secured against the fee title for the property by a Deed of Trust for the full \$47,000 owed by Borrower. A Preliminary Title Report provided by Borrower at the time of 2022 loan modification request shows that the Authority loan is the only loan secured against the property and is thus in first lien position. Borrower has filed for Chapter 7 bankruptcy to liquidate its assets and is preparing the property for sale. Fennemore Wendel, the law firm handling the bankruptcy, has requested that upon repayment of the \$47,000 principal, the Authority authorize the Executive Director to execute a Substitution of Trustee and Deed of Full Reconveyance to release the Deed of Trust securing the loan and release the Regulatory Agreement recorded against the property which restricts the use of the property as a youth shelter.

Approval of the request to release the Deed of Trust and Regulatory Agreement upon sale will help facilitate the sale of the property and the repayment of \$47,000. If approved, the release of the Regulatory Agreement shall be conditional upon the repayment of the loan and transfer of the property occurring before September 30,

2024. The Executive Director shall have the authority to approve up to two 3-month extensions in writing upon a written request from Borrower.

FISCAL IMPACT

Approval of this action and repayment of the outstanding principal loan on the Property will provide the Housing Authority with \$47,000 in repaid loan funds that will be used in future year's annual budget.

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

Individuals Now, Inc. dba Social Advocates for Youth ("SAY") and consultants

ATTACHMENTS

- Attachment 1 – May 18, 2024 letter from Legal Counsel representing Individuals Now, Inc. dba Social Advocates for Youth's Bankruptcy proceedings
- Resolution

CONTACT

Koy Stewart, Program Specialist, kstewart@srcity.org