

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: MEGAN BASINGER, DIRECTOR  
HOUSING AND COMMUNITY SERVICES  
SUBJECT: BURBANK HOUSING DEVELOPMENT CORPORATION AND  
BURBANK HOUSING NEIGHBORHOOD REVITALIZATION  
CORPORATION'S REQUEST FOR A CONDITIONAL  
CONSOLIDATION, EXTENSION AND MODIFICATION OF LOAN  
TERMS FOR 2862 AND 2866 APPLE VALLEY LANE, 2870 AND  
2874 APPLE VALLEY LANE, PAPAGO COURT, PAULIN CREEK,  
AND OLIVE GROVE APARTMENTS

AGENDA ACTION: RESOLUTIONS

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, by five resolutions, conditionally approve a consolidation, extension and modification to the loans for 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, Paulin Creek and Olive Grove Apartments to: 1) consolidate the existing loans that are secured on the five project sites into a single loan; 2) change the interest rate from 3% to the Applicable Federal Rate as of the date of execution of the consolidated Loan Agreement with a floor of 3%; 3) extend the loan term(s) for 57 years; 4) extend the term of the Regulatory Agreements recorded against each project site to June 30, 2083; and 5) assign the loans and loan agreements to Apple Valley Olive Grove, L.P.

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EXECUTIVE SUMMARY

The Housing Authority has provided loans to Burbank Housing Development Corporation and Burbank Housing Neighborhood Revitalization Corporation (Burbank Housing) for five affordable housing properties in the total principal amount of \$13,868,472 representing a total of 232 units, with 226 units affordable to extremely low-, very low- and low-income households. The properties, identified as 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, Paulin Creek and Olive Grove Apartments, are being consolidated into a "scattered site" application known as Apple Valley Scattered Sites to pursue tax exempt bonds and tax credits to access funds for rehabilitation of the project sites. The proposed consolidation includes a request to extend the terms of the loans to June 30, 2083, as well as extend the term

of the Regulatory Agreements and updates to the affordability mix, securing long term affordability for 228 income restricted units for an additional 21 to 34 years through the extension of each regulatory agreement.

## **BACKGROUND**

Burbank Housing is pursuing a rehabilitation plan for 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Paulin Creek, Papago Court, and Olive Grove Apartments in Santa Rosa which will require the consolidation, modification of terms, and extension of the loan terms and regulatory agreements for each of the properties to create a new single loan for a scattered-site project to be known as Apple Valley Scattered Sites.

Burbank Housing submitted a proposal in 2024 requesting modification and extension of the loans and Regulatory Agreements for the five project sites to prepare for the submission of a combined tax-exempt bond application to the California Debt Limit Allocation Committee (CDLAC) and low-income housing tax credit application to the California Tax Credit Allocation Committee (CTCAC) in August 2024. The initial request included resetting the interest rate of the loans to the Applicable Federal Rate (AFR), with a floor of 3% to align with the Housing Authority's standard terms, and forgiveness of the accrued interest of approximately \$5.9 million. The Housing Authority conditionally approved the consolidation, modification, extension and interest forgiveness; ultimately, Burbank Housing's combined CDLAC/CTCAC application was not successful, so the loan modification request did not move forward.

In anticipation of submitting a 2025 combined CDLAC/CTCAC application for tax-exempt bonds and low-income housing tax credits, Burbank Housing is now submitting a revised request to consolidate the separate loans across the five project sites to one loan, reset the interest rate on the new loan to the AFR or 3%, whichever is higher, and extend the Loan Agreements and Regulatory Agreements to a new 57-year term. Burbank Housing is not asking for interest forgiveness with the revised request. The CDLAC/TCAC application is due on September 9, 2025.

The five properties combined currently have 232 total units, with 226 affordable units. The proposed loan modification will also update the unit mix to include 228 affordable units. Each property is further described below.

### **2862 and 2866 & 2870 and 2874 Apple Valley Lane (Baby Apples) Background**

2862 and 2866 & 2870 and 2874 Apple Valley Lane (Baby Apples) were provided financial assistance for acquisition from the Housing Authority in 1997. At the time of Burbank Housing's acquisition, rehabilitation was conducted on the eight units and six of the units were restricted to households below 60% of AML. Over the course of the

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last 30 years, the Housing Authority has provided three loans to the site; the  
outstanding principal and accrued interest is summarized below.

**2862 and 2866 Apple Valley Lane**

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of July 31, 2024	Total Loan
6029-9353-98	8/9/2048	\$30,000.00	\$24,837.53	\$54,837.53
8029-9353-98	8/9/2048	\$51,839.95	\$38,004.41	\$89,844.36
9929-2873-17	8/9/2048	\$372,160.00	\$77,939.48	\$450,099.48
<b>TOTAL LOAN</b>		<b>\$453,999.95</b>	<b>\$140,781.42</b>	<b>\$594,781.37</b>

**2870 and 2874 Apple Valley Lane**

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of July 31, 2025	Total Loan
6029-9354-98	8/9/2048	\$38,339.98	\$26,827.54	\$65,167.52
8029-9354-98	8/9/2048	\$17,000.00	\$14,074.60	\$31,074.60
6029-9354-98	8/9/2048	\$30,000.00	\$24,837.53	\$54,837.53
9929-2883-17	8/9/2048	\$372,161.00	\$77,939.69	\$450,100.69
<b>TOTAL LOAN</b>		<b>\$453,500.98</b>	<b>\$143,679.36</b>	<b>\$601,180.34</b>

The proposed loan modification will include the conversion of two units from unrestricted to affordable at 60% of AMI, for a total of eight affordable units across the two properties.

**Papago Court Background**

Papago Court, located at 2820 – 2838 Papago Court and 2852 and 2860 Apple Valley Lane was provided financial assistance for acquisition from the Housing Authority in 1997. At the time of Burbank Housing's acquisition, rehabilitation was conducted on the 48 units, 47 of which are affordable with nine units restricted to households at 50% of AMI and 38 units restricted to households at 60% of AMI.

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of 7/31/25	Total Loan
9029-0505-97	4/28/2049	\$1,007,234.00	\$700,006.37	\$1,707,240.37
9929-0515-97	4/28/2049	\$137,416.00	\$97,382.26	\$234,798.26
6924-9633-00	8/4/2027	\$18,856.00	\$11,739.52	\$30,595.52
6029-0773-98	8/4/2027	\$68,856.00	\$46,705.74	\$115,561.74
8624-9633-98	9/15/2028	\$127,152.00	\$84,667.10	\$211,819.10
9929-2505-14	8/1/2037	\$1,470,646.00	\$240,847.70	\$1,711,493.70

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6824-9633-98	9/15/2028	\$30,000.00	\$19,976.19	\$49,976.19
9930-1665-06	8/1/2037	\$298,000.00	\$118,925.73	\$416,925.73
TOTAL LOAN		<b>\$3,158,160.00</b>	<b>\$1,320,250.60</b>	<b>\$4,478,410.60</b>

The proposed loan modification will include an update to the unit mix as follows: 29 units restricted to 60% of AMI, 14 restricted to 50% of AMI, one unit restricted to 35% of AMI, and three units restricted to 30% of AMI.

**Paulin Creek Background**

Paulin Creek, located at various addresses on Apple Valley Lane and W. Steele Lane, was originally constructed in the mid-1960s and was provided financial assistance for acquisition and rehabilitation from the Housing Authority in 1997. The site is 48 units, 47 of which are affordable with 17 units restricted to households at 50% of AMI and 30 units restricted to households at 60% of AMI.

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of 7/31/25	Total Loan
9929-2555-15	6/14/2049	\$1,143,881.00	\$303,330.27	\$1,447,211.27
9929-0842-00	6/14/2049	\$93,334.00	\$67,161.31	\$160,495.31
9929-0732-01	6/14/2049	\$160,000.00	\$111,492.55	\$271,492.55
9929-0742-00	6/14/2049	\$537,999.96	\$394,187.38	\$932,187.34
9029-0673-99	6/14/2049	\$193,230.00	\$144,619.66	\$337,849.66
6029-0743-97	6/14/2049	\$72,003.29	\$51,812.14	\$123,815.43
9929-2515-14	6/14/2049	\$1,075,000.00	\$310,024.95	\$1,385,024.95
9930-1675-06	6/14/2049	\$50,000.00	\$24,763.95	\$74,763.95
9029-0732-00	6/14/2049	\$146,000.00	\$107,182.72	\$253,182.72
9929-0822-00	6/14/2049	\$46,666.00	\$33,579.93	\$80,245.93
9029-0663-99	6/14/2049	\$233,230.00	\$174,997.13	\$408,227.13
6029-0723-97	6/14/2049	\$144,006.58	\$103,624.29	\$247,630.87
9929-0782-00	6/14/2049	\$46,000.00	\$33,769.90	\$79,769.90
9029-0683-99	6/14/2049	\$386,460.00	\$290,254.50	\$676,714.50
TOTAL LOAN		<b>\$4,327,810.83</b>	<b>\$2,150,800.67</b>	<b>\$6,478,611.50</b>

The proposed loan modification will include an update to the unit mix as follows: 29 units restricted to 60% of AMI, and 18 restricted to 50% of AMI.

### **Olive Grove Background**

Olive Grove Apartments, located at 1905 -1985 Zinfandel Avenue, was constructed in 2005 and first occupied in 2006, making it the newest complex in the scattered site project. Olive Grove is 128 units, 126 affordable as follows: 45 units restricted to households at 30% of AMI, 31 units restricted to households at 50% of AMI, and 50 units restricted to households at 60% of AMI. The outstanding principal and accrued interest is summarized below.

Loan Number	Loan Due Date	Unpaid Principal Balance	Accrued Interest as of 7/31/25	Total Loan
9930-1065-02	12/16/2059	\$625,000.00	\$304,113.02	\$929,113.02
9930-1085-02	12/16/2059	\$176,000.00	\$85,638.22	\$261,638.22
9930-1075-02	12/16/2059	\$2,394,088.00	\$1,075,780.51	\$3,469,868.51
9930-1125-03	12/16/2059	\$1,275,912.00	\$544,908.79	\$1,820,820.79
9030-0955-01	12/16/2059	\$1,000,000	\$493,789.03	\$1,493,789.03
TOTAL LOAN		<b>\$5,471,000.00</b>	<b>\$2,504,229.57</b>	<b>\$7,975,229.57</b>

The proposed loan modification will include an update to the unit mix as follows: 49 units restricted to 60% of AMI, 31 restricted to 50% of AMI, one unit restricted to 40% of AMI, and 45 units restricted to 30% of AMI.

### **PRIOR HOUSING AUTHORITY REVIEW**

The Housing Authority has reviewed and acted on each of these projects on numerous occasions between 1997 and 2017 related to the acquisition and initial loans for the sites.

The Housing Authority approved a conditional loan consolidation, extension and modification including forgiveness of accrued interest on August 26, 2024, for the Apple Valley Scattered Sites project.

### **ANALYSIS**

Burbank Housing has been evaluating financial methods to conduct rehabilitation work at 2862 and 2866 Apple Valley Lane, 2870 and 2874 Apple Valley Lane, Papago Court, and Paulin Creek for several years. It is estimated that the cost to address critical capital needs at the Apple Valley sites, Papago Court, Paulin Creek and at Olive Grove apartments, the newest property in the proposed scattered-site project, is \$23M. Additional information on the specific needs at each project site can be found in the Analysis Section. Due to funding limitations at the local and state level, accessing competitive financing for rehabilitation is challenging.

Burbank Housing is pursuing rehabilitation financing through tax-exempt bonds allocated by CDLAC and low-income housing tax credits allocated by CTCAC, for which a combined application is due on September 9, 2025. To facilitate the submission of an application as a scattered-site project, Burbank Housing is requesting to consolidate the existing loans on each of the properties into one singular loan in the amount of approximately \$20.1M, with a new 57-year term starting from the anticipated closing date of May 1, 2026, and an interest rate set at the AFR or 3%, whichever is higher. The current AFR is 3.64%.

Burbank Housing is making a second attempt at pursuing this rehabilitation financing strategy because it is anticipated that the number of projects that will receive awards in this year's combined CDLAC/CTCAC application round will increase due to an anticipated surplus in tax-exempt bonds awarded from the surplus bonds waitlist.

The next application period for which rehabilitation funds may be available, and the relative competitive nature of any future funding round is unknown. Proceeding with this conditional loan modification request will allow Burbank Housing to continue pursuing the necessary rehabilitation financing to ensure the units are in safe, habitable condition and ensure that they continue to serve the residents of Santa Rosa in the coming decades.

## **PROPERTY CONDITION ASSESSMENT/PHYSICAL NEEDS ASSESSMENTS**

The Property Condition Assessment (PCA) and Physical Needs Assessments (PNA) rate various aspects as of the exterior, landscaping, site improvements, and units. A combined report was completed for the four properties located on Apple Valley Lane and Papago Court, and a separate report was prepared for Olive Grove Apartments. The summaries below highlight the needs and are not exhaustive lists of work that will transpire, and do not include or additional work that may be required as items are evaluated during the rehabilitation process.

### *Apple Valley, Paulin Creek, and Papago Court Physical Needs Assessment Summary*

Burbank Housing had assessments completed in August 2024 for the sites at 2862 & 2866 and 2870 & 2874 Apple Valley Lane, Paulin Creek Apartments located at 2824 Apple Valley Lane, and Papago Court Apartments located at 2830 Papago Court. Previous assessments were completed in August 2023. The general condition of the properties in the 2024 assessment was that the "buildings and their components have far exceeded their expected useful lives." Rehabilitation efforts in 2001 and 2015 were noted to be helpful in maintaining the existing buildings. The assessment indicated that the buildings should ideally undergo a major rehabilitation including fire, life and safety systems; exterior siding and building envelopes; full roof and widow replacements; HVAC system upgrades; and improvements to power and plumbing systems.

The Immediate Physical Needs were estimated at \$13,366,350 for the 28 combined buildings and 104 residential units at Apple Valley, Paulin Creek and Papago Court Apartments.

#### Olive Grove Property Condition Assessment Summary

Burbank Housing first retained the consultant in 2020 to conduct the PCA for Olive Grove. In August 2024, the site and building exteriors were physically inspected as well as the interiors of 25 residential units. Overall, Olive Grove is rated as being in "good" condition, with minor exceptions related to decks and railings, exterior paint and trim, accessibility updates, and updates to unit finishes and fixtures which are recommended at unit turnover.

The Immediate Needs were estimated at \$2,995,500 for the 128 units.

#### **REHABILITATION AND FINANCING SUMMARY**

As identified in the preceding sections, the project sites have rehabilitation work that needs to occur to allow the units to continue to be safe, habitable and desirable residences. If the Apple Valley Scattered Site project is approved and proceeds, the accrual of interest on the loan amount of approximately \$20,128,213 will begin on the date of execution of the consolidated loan documents and will accrue at the highest of the AFR, which is currently 3.64%, or 3%, which is the current interest rate on the existing loans.

#### FISCAL IMPACT

Approval of this item has the potential to increase interest revenue, depending on the AFR in place at the time of the expected loan closing in May 2026. Currently, the AFR is 3.64%.

#### ENVIRONMENTAL IMPACT

The proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and that no further environmental review is required.

#### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable

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NOTIFICATION

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ATTACHMENTS

- Attachment 1 – Burbank Housing Request dated August 7, 2025
- Attachment 2 – Housing Authority Letter for Burbank Housing's CDLAC/CTCAC Application
- Resolution – 2862 and 2866 Apple Valley Lane
- Resolution – 2870 and 2874 Apple Valley Lane
- Resolution – Papago Court
- Resolution – Paulin Creek
- Resolution – Olive Grove Apartments

PRESENTER

Rebecca Lane, Program Specialist