



Staff Reports Details (With Text)

File #: 1439-2018 **Version:** 1
Type: Consent Calendar **Status:** Passed
File created: 6/5/2018 **In control:** CITY COUNCIL OF THE CITY OF NAPA
On agenda: 6/19/2018 **Final action:** 6/19/2018
Title: The Reserve at Napa Senior Housing Project; a 117-unit affordable senior rental project located at 710-714 Trancas Street

Sponsors:

Indexes:

Code sections:

Attachments: 1. ATCH 1- Resolution, 2. EX A - HOME Regulatory Agreement Subordination Agreement, 3. EX B - Inclusionary Housing Regulatory Subordination Agreement

Date	Ver.	Action By	Action	Result
6/19/2018	1	CITY COUNCIL OF THE CITY OF NAPA	approved	Pass

To: Honorable Mayor and Members of City Council

From: Rick Tooker, Community Development Director

Prepared By: Andrea Clark, Affordable Housing Representative

TITLE:

The Reserve at Napa Senior Housing Project; a 117-unit affordable senior rental project located at 710-714 Trancas Street

RECOMMENDED ACTION:

Adopt a resolution authorizing execution of Subordination Agreements for the Regulatory Agreements for The Reserve at Napa Senior Housing Project.

DISCUSSION:

In August 2001, the Housing Authority of the City of Napa (HACN) issued \$6,000,000 in tax exempt housing revenue bonds. The bond proceeds were loaned to Napa Senior Apartments, L.P. (the "Developer"), a limited partnership formed by USA Properties and Napa Valley Community Housing, to construct the Reserves at Napa, a 117-unit affordable senior rental project located at 710-714 Trancas Street (the "Project"). A Bond Regulatory Agreement executed along with the bond loan agreement restricts the rents of all 117 units to very-low and low-income households for a period of 55 years.

The Developer secured additional financing for the Project from the City, funded through the State of California HOME Program, in the amount of \$874,000 (the "HOME Program Loan") and from the County of Napa in the amount of \$500,000. As a condition of the HOME Program Loan, the Developer executed a HOME Regulatory Agreement with the City along with the loan documents. The HOME Regulatory Agreement restricts the rent of 11 of the units to be affordable to very-low and

low-income households for a period of 30 years. As a condition of the project approval, the Developer also executed an Inclusionary Housing Regulatory Agreement with the City which restricts the rent of 12 of the units to be affordable to very-low income households in perpetuity.

The housing revenue bonds were sold as private placement bonds and were structured with a final maturity of August 1, 2031, but were subject to remarketing on August 1, 2016. The bondholder and the Developer both overlooked the remarketing date, and in June 2017 the Developer and the bondholder agreed to lower the interest rate and extend the remarketing date to August 1, 2018.

To meet the August 1, 2018 remarketing deadline, the Developer is obtaining a new taxable permanent loan in the amount of \$8,500,000 from Citibank to pay off the current bond holder, U.S. Bank. The estimated closing date of the new financing is scheduled for June 30, 2018. Proceeds from the new permanent loan will be used to repay the existing HACN bonds, repay the City's HOME Program Loan, repay the County loan, buyout a limited partner, repay general partner loans, and establish a small repair reserve for future improvements. The new loan would have a 15-year term and a 4.30% interest rate. The tax credit limited partner is being bought out, and Napa Valley Community Housing will remain as a managing general partner and will also be a limited partner with 33.3% ownership. USA Properties will remain as a general partner and will also be a limited partner with 66.7% ownership. Starting in July, USA Multifamily Management (USA MFM) will take over the property management of the property from Napa Valley Community Housing.

Even though the HACN bond loan and the City's HOME Program loan will be paid in full through this refinance, the HACN bond regulatory agreement and the City's two regulatory agreements will remain as liens on the property. The new lender, Citibank, has requested the City subordinate the HOME Regulatory Agreement and the Inclusionary Housing Regulatory Agreement to the new first mortgage loan.

The HOME Program loan in the amount of \$874,000, along with accrued interest, will be repaid through the refinancing. The loan payoff amount as of June 30, 2018 is \$912,552. The repayment will be deposited into the City's HOME Program Income account to be used for future HOME Program activities.

At the termination of the indenture and the bond loan agreement, the HACN Bond Regulatory Agreement requires the Developer to continue to pay bond issuer fees of \$7,500 a year for the remaining term of the regulatory agreement, which is currently 38 years. At the option of HACN, a lump sum amount equal to the present value of the bond issue fees for the remaining term of the bond regulatory agreement may be paid by the Developer upon repayment of the bonds. The Developer has agreed to pay HACN the lump sum amount of \$136,988.75 as part of the refinance.

FINANCIAL IMPACTS:

There is no impact on the General Fund with this transaction. However, there will be an increase in the HOME Program Income Account 23301 in the approximate amount of \$912,552. In addition, there will be an increase in the Housing Authority's Bond Issue Fee revenue account: 84601-34830 of \$136,988.75.

CEQA:

The Community Development Director has determined the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060(c).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution authorizing the execution of Subordination Agreements

EX A - HOME Regulatory Agreement Subordination Agreement

EX B - Inclusionary Housing Regulatory Agreement Subordination Agreement

NOTIFICATION:

USA Properties, Napa Valley Community Housing, and the State of California Housing and Community Development HOME Program were notified of the agenda item.