



Staff Reports

File #: 1270-2018, **Version:** 1

To: Honorable Chair and Commissioners

From: Rick Tooker, Community Development Director

Prepared By: Lark Ferrell, Housing Manager

TITLE:

Vintage at Napa Affordable Housing Regulatory Agreement Termination

RECOMMENDED ACTION:

Adopt a resolution approving the “Termination and Release of Regulatory Agreement” for Vintage at Napa (115-unit affordable senior apartment complex located at 2360 Redwood Road), to facilitate financing for project improvements.

DISCUSSION:

The Vintage at Napa is a 115-unit affordable senior apartment complex located at 2360 Redwood Road (the “Project”). It was constructed in 2001 with bond financing issued by the Authority. As a condition of bond financing, the Project is subject to a “Regulatory Agreement and Declaration of Restrictive Covenants” with the Authority dated October 1, 2001 (“Authority Regulatory Agreement”), which requires the Project to maintain affordability levels of 29-units for very low income, 85-units for low-income, and one manager unit.

The proposed Termination and Release of Regulatory Agreement (“Termination Agreement”) is in response to a proposal from Vintage at Napa. L.P. (the “Developer”) to sell the Project to a related entity, Vintage at Napa 2, L.P. (“Buyer”) and to refinance the Housing Authority bonds in order to fund \$3.4 million of improvements to the Project. The proposed improvements, funded from bond proceeds and tax credit equity, would include various upgrades to the common room, laundry facilities, and the units, including making 12 units fully ADA accessible. Tenants would be able to remain in their units during the renovations. Under the proposed refinancing, the Project will be obligated to comply with the exiting affordability levels (29-units for very low income, 85-units for low-income, and one manager unit) over an extended term of at least 55 more years.

At the City Council meeting of November 7, 2017, Council authorized the California Statewide Communities Development Authority (CSCDA) to issue bonds for the refinancing. Because the new bonds will require a bond regulatory agreement be recorded against the property, the Developer requested the Authority terminate its bond regulatory agreement.

Based on the 2001 bond issuance, the Authority currently receives an annual administrative fee of \$9,375 to monitor bond compliance. If the bonds are not refinanced, this would be expected to continue for approximately 16 more years when the bonds are set to mature. Under the proposed refinance, the Authority would no longer incur the costs of monitoring bond compliance, and the Authority would no longer receive the annual administrative fee. However, because the Authority has incurred legal and administrative costs associated with the proposed Termination Agreement, the Developer has agreed to pay the Authority a one-time payment of \$5,000 as part of the bond refinance.

If the Authority did not approve Termination Agreement, the Developer would not be able to proceed with the refinance or the proposed renovations at the Project.

The Project is also subject to a City Regulatory Agreement which was recorded in 2001 pursuant to the City's Inclusionary Housing Ordinance. While the City's Regulatory Agreement will remain in effect following the bond refinance, the Developer has agreed to amending it to increase the fee paid to the City for monitoring the Project's 12 inclusionary units. Therefore, there is a related item on the City Council's February 6, 2018 agenda.

FINANCIAL IMPACTS:

Terminating the Authority's Regulatory Agreement would result in the Authority no longer receiving an administrative fee of \$9,375 per year for bond compliance and monitoring. The Authority would receive a one-time payment of \$5,000 to defray legal and administrative costs associated with terminating the Regulatory Agreement.

CEQA:

The Community Development Director has determined that 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

EX A - Termination and Release of Regulatory Agreement

NOTIFICATION:

Vintage Housing, Inc. was notified of the agenda item.