



Staff Reports

File #: 2130-2019, **Version:** 1

To: Honorable Chair and Commissioners

From: Vincent Smith, Community Development Director

Prepared By: Andrea Clark, Affordable Housing Representative

TITLE:

Villa De Adobe Apartments (2270-2298 Clay Street)

RECOMMENDED ACTION:

Adopt a resolution authorizing the Executive Director to execute Assignment Agreements with the City of Napa (City) assigning the CDBG Deed of Trust and related loan documents and the HOME Deed of Trust and related loan documents to the City for Villa De Adobe, a 12-unit affordable housing project located at 2270-2298 Clay Street.

DISCUSSION:

Villa De Adobe is a 12-unit development of two-bedroom units, rented to families earning between 50% and 80% of the area median income. It is located at 2270-2298 Clay Street. Napa Valley Community Housing (NVCH) acquired Villa De Adobe in 1998 for the purpose of rehabilitating the property as affordable housing. The property was originally financed with a conventional loan from Vintage Bank (now Umpqua Bank) with additional financing provided by Napa County.

In 2000, NVCH received two housing rehabilitation loans, \$65,000 through the City's Community Development Block Grant (CDBG) Rental Rehabilitation Program and \$150,695 from the HOME Investment Partnership (HOME) Fund. A Deed of Trust, Promissory Note, and Regulatory Agreement were executed between the Housing Authority of the City of Napa ("HACN") and NVCH for each of the loans. Both loans are repaid based on the project's residual cash receipts and are currently due in full on November 17, 2020. As of September 2019, the unpaid principal and interest balance of the CDBG loan was \$114,051 and the unpaid principal and interest balance of the HOME loan was \$264,414.

NVCH is proposing to refinance its existing first mortgage loan with a new loan from Mechanics Bank in order to reduce the interest rate and corresponding debt services. NVCH requested the HACN to subordinate its Deeds of Trust and Regulatory Agreements to this new loan. NVCH also requested that the terms of the Loans be extended for an additional 20 years. In preparing the subordination agreements and loan extensions, staff noticed the loan documents were incorrectly entered into by HACN. Because the CDBG and HOME programs are both City programs, all loan documents should be between the City and NVCH. To rectify this error, Assignments of Deed of Trust and Related Loan Documents (the "Assignments") have been prepared to assign the loan documents from HACN to the City.

Upon executing the Assignments, the City could then enter into amendments to the Promissory Notes and Regulatory Agreements to extend the term of the loans for an additional 20 years, to November 17, 2040. Granting the loan extensions was contemplated in the original loan documents, is more consistent with the terms provided under current loans made for other affordable housing projects, and helps preserve affordable housing for the community. It is possible that the subordination to the new first mortgage loan may result in increased residual receipts which would increase the amount available for payment of the Loans.

A corresponding item is on the City Council meeting agenda on the same date, December 3, 2019.

FINANCIAL IMPACTS:

There will be no financial impact associated with this action.

CEQA:

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

DOCUMENTS ATTACHED:

ATCH 1 - Resolution

EX A - Assignment of CDBG Deed of Trust and Related Loan Documents

EX B - Assignment of HOME Deed of Trust and Related Loan Documents

NOTIFICATION:

NVCH was notified of this agenda item.