



Staff Reports

File #: 081-2024, **Version:** 1

To: Honorable Chair and Commissioners

From: Steve Potter, Executive Director

Prepared By: Stephanie Gaul, Housing Manager

TITLE:

Mayacamas Village Loan Extension

RECOMMENDED ACTION:

Adopt a resolution authorizing the Executive Director to negotiate and execute a loan agreement, regulatory agreement and related documents with Mayacamas Village Associates (MVA) to extend the term of a \$605,000 loan provided to MVA in 1992 for the Mayacamas Village Project located at 70 Calaveras Court for up to an additional 57 years.

DISCUSSION:

On December 9, 1992, Mayacamas Village Associates, a California limited partnership, ("MVA") entered into a Disposition and Development Agreement (DDA) (Attachment 2), Promissory Note (Attachment 3) and associated Regulatory Agreement (Attachment 4) with the Housing Authority of the City of Napa ("Housing Authority") for the development of a 51-unit residential project for low-income households known as Mayacamas Village and located at 70 Calaveras Court in Napa (the "Property"). Under the DDA, the Authority sold the Property to MVA and provided a residual receipts loan in the original principal balance of \$605,000 ("Loan") for the acquisition with a term of thirty (30) years. The regulatory agreement required that eight (8) units within the project be occupied by low-income households and seventeen (17) units within the project be occupied by very low-income households for a term of fifty-five (55) years.

Since the project was originally completed in 1994, MVA has owned and operated the property in compliance with all regulatory agreements. During the term of the loan, MVA has paid a cumulative amount of \$577,599 in principal and interest. As of June 30, 2023, the outstanding principal was \$485,767.

The Housing Authority's loan originally matured on December 9, 2022; however staff has been in ongoing conversations with MVA since spring of 2022 about the desire to extend the Loan. Because MVA has continued to operate the property in good faith under the terms of the original loan documents and regulatory agreement, no action has been taken to call the loan due.

MVA is currently pursuing an opportunity for Mayacamas Village for rehabilitation incentives under a 4% Low Income Housing Tax Credit (LIHTC) offering, which is administered by the California Tax Credit Allocation Committee (CTCAC). The rehabilitation incentives are being offered to projects that qualify as preservation projects. This funding opportunity is one of the only avenues that would allow

MVA to address capital needs at the property that are not otherwise available from existing property reserves.

Mayacamas Village debt includes a conventional mortgage, the Housing Authority loan, and a loan from the State of California Department of Housing and Community Development (HCD). HCD requires that all other soft debt on a project for which they carry a note must have a maturity date no sooner than the date when a HCD debt is due. Because the CTCAC LIHTC requirement is a minimum affordability period of 55-years, all soft debt must extend to a term that meets the minimum 55-year LIHTC term.

MVA is requesting to extend the Loan for up to a 57-year term. If MVA is awarded LIHTC funding, the Housing Authority would enter into a loan agreement and amended promissory note and regulatory agreement with MVA to match the term of the CTCAC and HCD debts, currently expected to mature in 2081. In exchange for the loan extension, the Housing Authority will require NVCH to comply with loan terms required by City of Napa Multi Family Transaction Underwriting Guidelines, including 3% interest; loan monitoring fees of \$100/year per unit with a 3% annual increase each year thereafter; and a \$5,000 loan amendment fee. If MVA is not awarded LIHTC funding, the term of the loan extension would only be up to the remaining term of the existing Regulatory Agreement, rather than up to 57 years.

Extending the term of the loan and associated regulatory agreement would preserve the affordability period of Mayacamas Village for more than 30 years beyond the original 55-year affordability term. It also would afford MVA the opportunity to invest much needed funding into the project which includes replacement of electrical and HVAC systems, updates to unit bathrooms and kitchens, ADA updates and other pathway improvements, general repairs to the buildings, and landscaping and draining improvements.

FINANCIAL IMPACTS:

There is no current fiscal impact associated with this action. The loan will continue to accrue interest and will be repaid under the same residual cash receipts terms.

CEQA:

The Executive 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 - Draft Resolution
ATCH 2 - Disposition and Development Agreement
ATCH 3 -Promissory Note
ATCH 4 - Regulatory Agreement

NOTIFICATION:

MVA was notified of this agenda item.

