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**Title:** CONSIDER RATIFICATION OF CLOSING DOCUMENTS RELATED TO AFFORDABLE HOUSING PROJECTS OWNED AND OPERATED BY ENTITIES CONTROLLED BY THOMAS SAFRAN AND ASSOCIATES, REFINANCING AND REHABILITATING VILLAGGIO I AND II AND EXTENDING THE MATURITY DATES OF THE LOANS, AND THE SIXTH AMENDMENT TO THE DISPOSTION AND DEVELOPMENT AGREEMENT FOR AVALON COURTYARD, ALL AUTHORIZED PURSUANT TO RESOLUTION NO. 22-08-CHA APPROVED BY THE HOUSING AUTHORITY BOARD ON JUNE 21, 2022 (HOUSING AUTHORITY)

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 1.Resolution No. 22-08-CHA, 2. 2.Villaggio I 3rd Amend. to Redev. Agmt.pdf, 3. 3.Villaggio I\_1st Amendment to Regulatory Agreement (with HUD Rider), 4. 4.Villaggio I\_Subordination Agreement.pdf, 5. 5.Villaggio I\_Substitution of Trustee and Reconveyance, 6. 6.Villaggio I 1st Amendment to Regulatory Agmnt (No. 97-004-S), 7. 7.Villaggio II\_3rd Amendment to Redevelopment Agreement, 8. 8.Villaggio II\_First Amendment to Regulatory Agreement (HUD Rider), 9. 9. Villaggio II\_HUD Subordination Agreement (HUD-92420M), 10. 10.Villaggio II\_1st Amendment to Regulatory Agreement, 11. 11.Villaggio II\_Substitution of Trustee & Reconveyance, 12. 12.Avalon Courtyard 6th Amendment to DDA

Date	Ver.	Action By	Action	Result
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**Report to Housing Authority**

Tuesday, February 06, 2024

Consent

**SUBJECT:**

**CONSIDER RATIFICATION OF CLOSING DOCUMENTS RELATED TO AFFORDABLE HOUSING PROJECTS OWNED AND OPERATED BY ENTITIES CONTROLLED BY THOMAS SAFRAN AND ASSOCIATES, REFINANCING AND REHABILITATING VILLAGGIO I AND II AND EXTENDING THE MATURITY DATES OF THE LOANS, AND THE SIXTH AMENDMENT TO THE DISPOSTION AND DEVELOPMENT AGREEMENT FOR AVALON COURTYARD, ALL AUTHORIZED PURSUANT TO RESOLUTION NO. 22-08-CHA APPROVED BY THE HOUSING AUTHORITY BOARD ON JUNE 21, 2022 (HOUSING AUTHORITY)**

**I. SUMMARY**

In 2021, Thomas Safran and Associates (“Developer”) presented a proposal to refinance and rehabilitate the two affordable housing projects known as Villaggio Senior Apartments (also referred to as Villaggio I, as well as Villaggio II, jointly referred as the Villaggio Properties). Another aspect of the proposal is for the Developer to rehabilitate and increase the amount of rent subsidy at the Avalon Courtyard project. The Housing Authority adopted Resolution No. 22-08-CHA on June 21, 2022 to start the refinance process (Exhibit No. 1). The Developer proposed to use HUD Section 223(f) loans to concurrently fund capital improvements, replenish replacement and operating reserves, and extend Avalon Courtyard rental subsidies.

The approval of Resolution No. 22-08-CHA was sufficient authority for the Developer to pursue the refinancing of the loans with CalHFA and the private lender, and to secure new HUD-backed financing on the terms described in the resolution. Amendments to the Housing Authority agreements were processed as part of the new financing, which closed on January 30, 2024. This action is to ratify these agreements in a public meeting.

## **II. RECOMMENDATION**

*TAKE* the following actions:

RATIFY THE APPROVAL AND EXECUTION OF the following agreements entered into by the Housing Authority pursuant to Resolution No. 22-08-CHA on June 21, 2022:

### **1. Villaggio I (owner is Grace Housing Limited Partnership):**

- a. Third Amendment to Redevelopment Agreement
- b. First Amendment to Regulatory Agreement
- c. HUD Subordination Agreement
- d. Substitution of Trustee and Reconveyance
- e. First Amendment to Regulatory Agreement (CHFA Development No. 97-004-S)

### **2. Villaggio II (owner is Carson Housing Limited Partnership):**

- a. Third Amendment to Redevelopment Agreement
- b. First Amendment to Regulatory Agreement
- c. HUD Subordination Agreement
- d. First Amendment to Regulatory Agreement (CHFA Development No. 97-015-S)
- e. Substitution of Trustee and Reconveyance

### **3. Avalon Courtyard:**

- a. Sixth Amendment to Disposition and Development Agreement

## **III. ALTERNATIVES**

**TAKE** any action the Board deems necessary.

#### **IV. BACKGROUND**

On September 28, 2021 the Developer requested approval to refinance and rehabilitate the three affordable housing projects described above to modify the rate and term of the current loans using HUD Section 223(f) financing to facilitate capital improvements and generate capital that can be used to extend the rental subsidies needed for Avalon Courtyard. The proceeds generated from the Villaggio properties will help support the refinancing of the Avalon Courtyard.

The Developer acquired, developed and now operates a 92-unit affordable housing project located at 22121 South Avalon Blvd. (Avalon Courtyard) pursuant to a disposition and development agreement entered into in 1992, which was amended five times. Through these amendments, the Carson Redevelopment Agency (Former RDA) provided a \$5,000,000 loan bearing 5% simple interest and payable from 32.85% of the residual revenue receipts, with a current loan balance of \$2,681,000. The Authority loan is subordinate to the first mortgage with Prudential with a remaining balance of \$1,695,000. The Carson Housing Authority (Authority) is the successor in interest to the Former RDA.

Developer also developed another affordable project at 555 East Carson Street in 2 phases with the first phase consisting of 84 family units (Villaggio I) and the second phase consisting of 65 family units (Villaggio II). The following provides a summary of these projects:

#### **Villaggio Properties**

As a part of the development of Villaggio I, the Former RDA provided a loan in the original amount of \$4,123,756 bearing 3% simple interest payable from 50% of the residual receipt revenue. This loan matures on September 1, 2037 (Villaggio I loan) and is subordinate to a CalHFA loan in the amount of \$3,058,372 (Villaggio I CalHFA loan).

As part of the development of Villaggio II, the Former RDA provided a loan in the original amount of \$2,611,587 bearing 3% simple interest payable from 50% of the residual receipt revenue. This loan matures on September 1, 2039 and was amended to add \$750,000 to the loan (Villaggio II loan) and is subordinate to a CalHFA loan in the amount of \$3,804,582.00 (Villaggio II CalHFA loan.)

Refinancing Proceeds - CalHFA loans will be refinanced with a HUD-insured 223(f) first mortgage. After repayment of the loans and fees approximately \$1,886,005.76 (Villaggio I) and \$1,018,691.17 (Villaggio II) will be generated. The new loan amount will increase by approximately \$6,460,000. The proceeds will be reinvested back into the projects. The Developer is proposing to use \$1.8MM million for capital improvements and \$2.079 million for replacement and operating reserves. The remaining proceeds would be used to pay off a portion of the Authority loans in the amount of \$1.75 million will be paid to Authority to reduce the existing loan.

#### **Controlling Documents**

The Authority loans and regulatory agreements for both Villaggio Properties are

subordinate to the CalHFA deed of trust on each project. The Developer requested that Authority subordinate to the new 35-year HUD 223(f) loans. As part of the subordination, Developer requested that the affordability covenants detailed in the regulatory agreements remain subordinate to the senior lender and that the loan maturity dates be extended by an additional 35 years. It should be noted that they are not requesting that the term of affordability be extended past the current 40-year term. In addition, there is no proposed change in the affordability limits. The Developer is proposing this structure to increase competitiveness for a future tax credit award.

### **Avalon Courtyard**

Originally, Developer had planned to refinance Avalon Courtyard to address capital improvements and long-term preservation objectives. CDLAC Tax-Exempt bond volume allocation cap, after being unavailable for a time, suddenly became available for older prior tax credit projects like Avalon Courtyard. As outlined in Council Resolution and approved at the Council Meeting on December 5, 2023, Developer has secured a CDLAC tax-exempt bond allocation and corresponding reservation of 4% low income housing tax credits, and the City has agreed to the required loan modification and regulatory agreement amendments necessary to close the tax credit resyndication in late 2<sup>nd</sup> quarter 2024. The refinance proceeds from the Villaggio 1 and Villaggio 2 are still being directed towards an extension of the Avalon Courtyard rental subsidy, which is a requirement under the financing plan used to secure the new reservation of 4% low-income housing tax credits.

Staff recommended the approval of resyndication to effectuate Avalon Courtyard and Villaggio I and II to new senior loans and to amend and subordinate the existing loans. Council subsequently approved the resyndication of Avalon Courtyard at the December 5, 2023 council meeting, and the Villaggio resyndication closed in January. All documents relating to the resyndication and refinances were prepared or reviewed by the City Attorney's office for accuracy and completeness. **V. FISCAL IMPACT**

There will be no fiscal impact directly to the Housing Authority. These developments subsidize affordable housing in the City without using City funds. The funds generated from the resyndication will be allocated to Avalon Courtyard in the amount of \$6,400,000 million for capital improvements and \$232,118 for replacement and operating reserves. They also include \$1.8MM million for capital improvements and \$2.079 million for replacement and operating reserves for Villaggio; and \$1,750,000 will be paid to reduce existing loan. Total funds generated for both projects total \$12,250,000. A separate budget item allocating the resyndication proceeds to Avalon Courtyard may be presented at a future Housing Authority meeting.

### **VI. EXHIBITS**

1. Resolution No. 22-08-CHA (pgs. 6-8)
2. Villaggio I Third Amendment to Redevelopment Agreement (pgs. 9-104)
3. Villaggio I First Amendment to Regulatory Agreement (pgs. 105-118)
4. Villaggio I HUD Subordination Agreement (pgs. 119-147)

5. Villaggio I Substitution of Trustee and Reconveyance (pgs. 148-150)
6. Villaggio I First Amendment to Regulatory Agreement (CHFA Development No. 97-004-S) (pgs. 151-168)
7. Villaggio II Third Amendment to Redevelopment Agreement (pgs. 169-265)
8. Villaggio II First Amendment to Regulatory Agreement (pgs. 266-279)
9. Villaggio II HUD Subordination Agreement (pgs. 280-308)
10. Villaggio II First Amendment to Regulatory Agreement (CHFA Development No. 97-015-S) (pgs. 309-326)
11. Villaggio II Substitution of Trustee and Reconveyance (pgs. 327-329)
12. Avalon Courtyard  
Sixth Amendment to Disposition and Development Agreement (pgs. 330-333)

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